

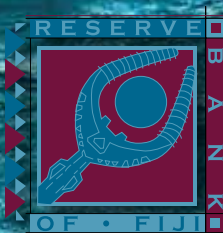
ANNUAL

RESERVE BANK OF FIJI

REPORT



AUGUST 2018 - JULY 2019 REPORT



Parliamentary Paper No. 86 of 2019

Our Vision

Leading Fiji to Economic Success

Our Mission

- Conduct monetary policy to foster sustainable and inclusive economic growth
- Promote an internationally reputable financial system
- Play an influential role in the development of the economy
- Provide proactive and sound advice to Government
- Disseminate timely and quality information to stakeholders
- Enhance operational efficiency through innovation and risk management
- Develop, empower and retain a professional team

Our Values

- Professionalism in the execution of our duties
- Respect for each other
- Integrity in our dealings
- Dynamism in our operations
- Excellence in everything

The principal purposes of the Reserve Bank shall be

- to regulate the issue of currency and the supply, availability and international exchange of money;
- to promote monetary stability;
- to promote a sound financial structure;
- to foster credit and exchange conditions conducive to the orderly and balanced economic development of the country;
- to regulate the insurance industry;
- to regulate the capital markets and the securities industry.

Section 4, Reserve Bank of Fiji Act (1983) and the Reserve Bank of Fiji (Amendment) Decree 2009

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LETTER TO THE MINISTER

RESERVE BANK OF FIJI



Governor

Our Reference: D19/16084

Your Reference:

26 September 2019

Mr Aiyaz Sayed-Khaiyum
Honourable Minister for Economy
Ministry of Economy
Ro Lalabalavu House
Victoria Parade
SUVA

Dear Sir

Re: Reserve Bank of Fiji Annual Report and Accounts for the financial year ended 31 July 2019

In terms of section 56(1) of the Reserve Bank of Fiji Act 1983 and on behalf of the Reserve Bank of Fiji, I submit the following:

- (i) A copy of the RBF Annual Accounts for the year ended 31 July 2019 certified by the Auditors and
- (ii) A report on the RBF's Operations for the 2018-2019 financial year.

Yours faithfully

Handwritten signature of Ariff Ali in black ink, written over a dotted line.

Ariff Ali
Governor

OUR FUNCTIONS

The Reserve Bank of Fiji (RBF) is the central bank of the Republic of Fiji, established in 1984 under the Reserve Bank of Fiji Act (1983).

Article 153(2) of the 2013 Constitution states that "in pursuing its primary objects, the Reserve Bank of Fiji must perform its functions independently and without fear, favour or prejudice but there must be regular consultation between the Reserve Bank and the Minister responsible for Economy."

Monetary Stability



Under section 4(b) of the RBF Act (1983), the Bank is required to promote monetary stability through low and stable inflation and to maintain an adequate level of foreign reserves. The Bank

undertakes this responsibility through the formulation and implementation of monetary policy. Policy tools include the Overnight Policy Rate (OPR), Open Market Operations (OMO), Statutory Reserve Deposits (SRD) including other direct and indirect tools which have been used at various times.

In managing the country's foreign reserves, the Reserve Bank also administers exchange control policies under the Exchange Control Act (Rev. 1985).

Financial Stability



Under section 4(c) of the RBF Act (1983), the Bank is mandated to promote a sound financial structure. In undertaking this function, the Bank licenses and supervises banking, insurance

and superannuation institutions, as well as foreign exchange dealers.

The supervised institutions must comply with relevant legislative requirements, as well as prudential policies and guidelines issued by the Reserve Bank.

As part of its mandate to ensure financial stability, the Bank identifies and takes steps to mitigate and counter growing risks in individual institutions and the financial system. In this regard, macroprudential monitoring has been initiated to ensure systemic stability. The Bank's supervisory role also includes activities to combat money laundering and terrorist financing as mandated under the Financial Transactions Reporting (FTR) Act (2004) and the FTR Regulations (2007).

The Reserve Bank acts as the banker for commercial banks and provides payment and settlement services through FIJICLEAR. This is administered under the Payment and Settlement Systems Oversight Regulations (2004). Under the Companies Act (2015), the Bank is also responsible for regulating, supervising and developing the capital markets in Fiji. In addition to this, the responsibilities for the administration of takeovers; regulation of securities exchanges & central depository; regulation of securities and industry licences; transactions involving listed securities; capital raising; debentures; managed investment schemes, insider trading; offences and investigations and information gathering have also been placed with the Bank.

Part 2 of the Fair Reporting of Credit Act (2016) places specific responsibilities with the Reserve Bank to register, licence and regulate credit reporting agencies, credit information providers and credit report recipients as well as to maintain proper standards of conduct and acceptable credit reporting practices.

Currency Management



Pursuant to section 22(1) of the RBF Act, the Bank has the sole right to issue currency in Fiji.

The Reserve Bank is the sole entity responsible for the printing of notes, minting of coins and the destruction and disposal of used and unserviceable notes and coins. The Reserve Bank also determines the denominational structure, design, content, material and composition of Fiji's currency, subject to the approval of the Minister for Economy.

Under the Personal Property Securities Regulations 2019, the Reserve Bank is designated as the Registrar of the Personal Property Securities Registry.

Other



The Bank provides banking, registry and foreign exchange services to Government and is a lender of last resort to the commercial banks. Policy advice is provided to the Government through participation in various committees and on request.

Financial System Development



The Bank also drives financial inclusion activities, financial and capital market developments and oversees the complaints management process in all supervised entities.

The Bank's organisational structure is illustrated on page 8. Details of the Reserve Bank Board of Directors are provided on page 10 and the roles of the Board and Management, and the Governance structure are described on pages 10 to 16.

Excerpt from the Governor's Speech - 2019 RBF Strategic Planning Workshop

"We need to build for the future"

"Someone is sitting in the shade today because someone planted a tree a long time ago."

- Warren Buffett



GOVERNOR'S FOREWORD



The Fijian economy is anticipated to grow modestly by 1.0 percent in 2019 following a 3.5 percent expansion in 2018. The subdued economic outlook domestically and for most of Fiji's major trading partner economies is driven by the current slowdown in global growth. Real sector outcomes, together with consumption and investment activities have softened so far this year. Tourism remains quite resilient. Consequently, growth in 2019 is expected to be largely driven by the services sector.

The Bank ended the 2018-19 Financial Year (FY) strongly, having achieved all-important macroeconomic and financial stability. Our twin monetary policy objectives of low inflation and an adequate level of foreign reserves remained intact. Inflation was 0.7 percent in July 2019 and foreign reserves were \$2.1 billion, sufficient to cover 4.9 months of retained imports. Also, the Bank ensured that the financial system remained sound and that there was adequate liquidity to support growth.

During the FY, the Bank embarked on formulating its third Strategic Plan to guide its operations over the next five years. Exhaustive consultations with staff and several external stakeholders on the role, vision and mission of the RBF, amongst other important considerations, formed an important input to this Strategic Plan.

I am pleased that the Bank finalised and launched the August 2019-July 2024 RBF Strategic Plan this FY, following these important discussions. Accordingly, this Strategic Plan premised on ***Rising above the Bar of Expectations***, features as the theme of this FY's annual report. The Bank retained its vision of 'Leading Fiji to Economic Success' as it was considered still apt and relevant, while its missions have been expanded to effectively capture the various roles and functions of the RBF.

Collaborative efforts with various institutions continued throughout the year. The Bank maintained its lead role in the national financial inclusion agenda and as part of the secured transactions reform, Fiji's Personal Properties Securities Registry (PPSR) was launched in May 2019. The Registry allows lenders to file their security interests on moveable assets pledged by borrowers. As at 31 July 2019, a total of 25,085 notices of security interests had been successfully registered. In comparison to other jurisdictions across the Pacific who have implemented the same reforms, Fiji's pace of migrating existing notices to the Registry (accessible on www.ppsr.gov.fj) was the fastest to date. This is largely attributed to the numerous consultations and partnerships that the Reserve Bank has with the financial institutions.

Another successful collaboration saw the RBF co-hosting locally the inaugural South Pacific Central Banking Research Conference in December 2018 with the Griffith University (Australia), Bank of Papua New Guinea (BPNG), Central Bank of Solomon Islands (CBSI) and the Reserve Bank of Vanuatu (RBV). The two-day conference was the outcome of several years of research collaboration between the Griffith University and the South Pacific central banks. Around 25 research papers were presented at the conference covering themes such as the macro-economy, financial sector, private sector development

Governor's Foreword

and wealth creation. The conference aimed to strengthen the research capacity of central banks in the South Pacific.

A notable achievement was the completion of the e-GDDS¹ project in August 2018, spearheaded by the International Monetary Fund (IMF) with the RBF as country coordinator and facilitated by the Fiji Bureau of Statistics and Ministry of Economy. This project culminated in the finalisation of a National Summary Data Page (NSDP) hosted on the RBF website in September 2018, making Fiji one of the first countries in the Pacific to implement the e-GDDS. The NSDP provides easy access to statistics that are critical for monitoring economic conditions and policies of the country by national policy makers as well as a broad range of national and international stakeholders, including investors and rating agencies.

The Bank also contributed to Fiji's successful hosting of the 52nd Annual Meeting of the Asian Development Bank (ADB) in May 2019. The conference was the largest Fiji has ever hosted with over 3,500 delegates and around 220 media organisations in attendance. Delegates included finance ministers, central bank governors and representatives from ADB member countries, civil society, private sector and financial institutions. This event, no doubt was an added boost for tourism and supported the country's foreign earnings during the FY.

Important efforts are also being made to further enhance financial system soundness. The IMF Financial Sector Stability Review (FSSR) mission in early 2018, had proposed a structured technical assistance (TA) programme that would strengthen our work in safeguarding Fiji's financial sector, in the next two to three years. The first and second follow-up TA missions on "enhancing banking supervision processes and practices" and "corrective action, financial safety nets and bank resolution" were successfully completed in December 2018.

Implementation arrangements have been satisfactory and I am confident that our financial sector safeguards continue to be built up stronger as a result.

Despite another challenging year in global financial markets, the Bank reported a net profit of \$28.9 million for the 2018-19 FY, slightly lower than the \$31.5 million recorded in the previous FY. A total of \$29.4 million was transferred to Government, which includes \$1.5 million being one fifth of the Revaluation Reserve Account (RRA), as required under section 34(3) of the Reserve Bank of Fiji Act.

Similar to other central banks in the region and financial institutions in Fiji, the Bank has taken necessary action to align to the International Financial Reporting Standards (IFRS) with the adoption of the IFRS 9 standard in its 2018-19 financial statements.

In addition, further allocations to the RBF's Import Substitution and Export Finance (ISEFF) and Housing facilities were made in the FY.

As part of its corporate social responsibility, the RBF is committed to delivering its statutory responsibilities in a manner that is beneficial for all stakeholders, including the wider community and the environment. The RBF serves the public interest by preserving monetary and financial stability, in addition to its consumer protection initiatives. The Bank's environmental efforts are underpinned by its administration of the Fiji Government's green bonds, apart from ensuring that its operations are conducted in an environmentally-friendly manner. The RBF continues to actively engage the community, both at the local and national level, through educational outreach initiatives, charitable donations and staff volunteering, with a focus on financial inclusion and being a good neighbour. A detailed report of the Bank's community involvement during the FY can be found on page 48.

¹ Enhanced General Data Dissemination System.

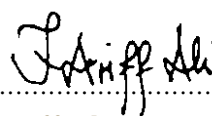
Governor's Foreword

Looking ahead, global risks and policy uncertainties have become more pronounced and have the potential to derail domestic growth, given the subdued trading partner outlook, the trade impasse between China and the United States (US) and volatility in commodity prices. The Bank will continue to monitor developments and risks to the global and domestic economic outlook and align monetary policy accordingly. Furthermore, the Reserve Bank will implement its new August 2019-July 2024 Strategic Plan in the new FY and continue working on strengthening its partnership with local and international stakeholders.

Finally, I extend my deep appreciation to the Board of Directors, Management and external stakeholders for their endless support and guidance throughout the FY

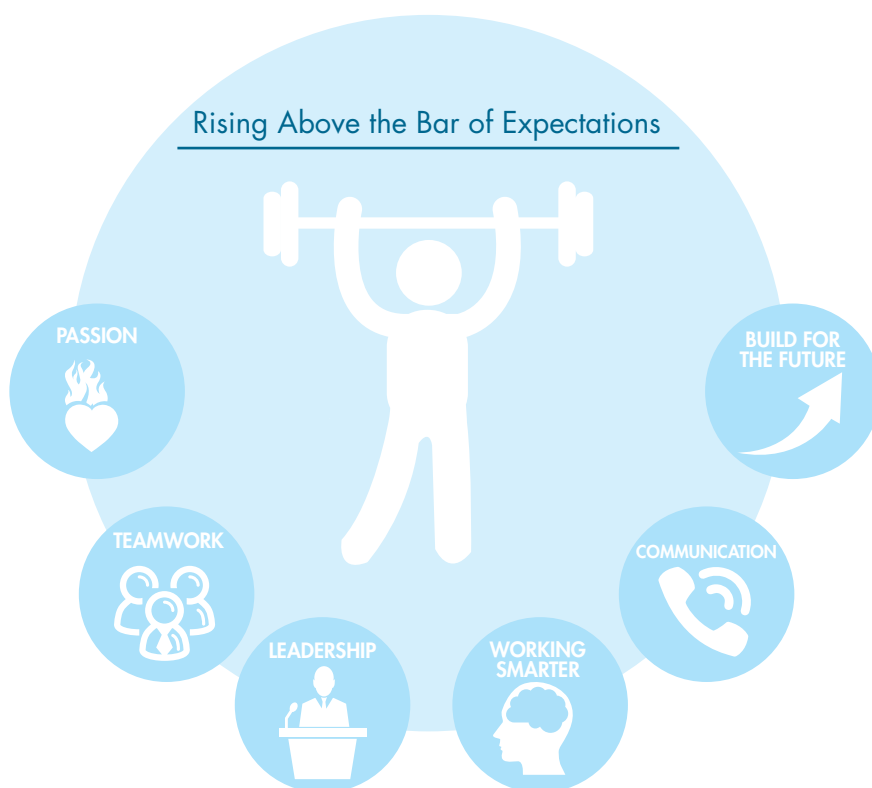
and to Team RBF for their dedicated hard work and commitment.

I look forward to the continued support of the Board, Management and staff of the Reserve Bank and industry stakeholders in the coming financial year.

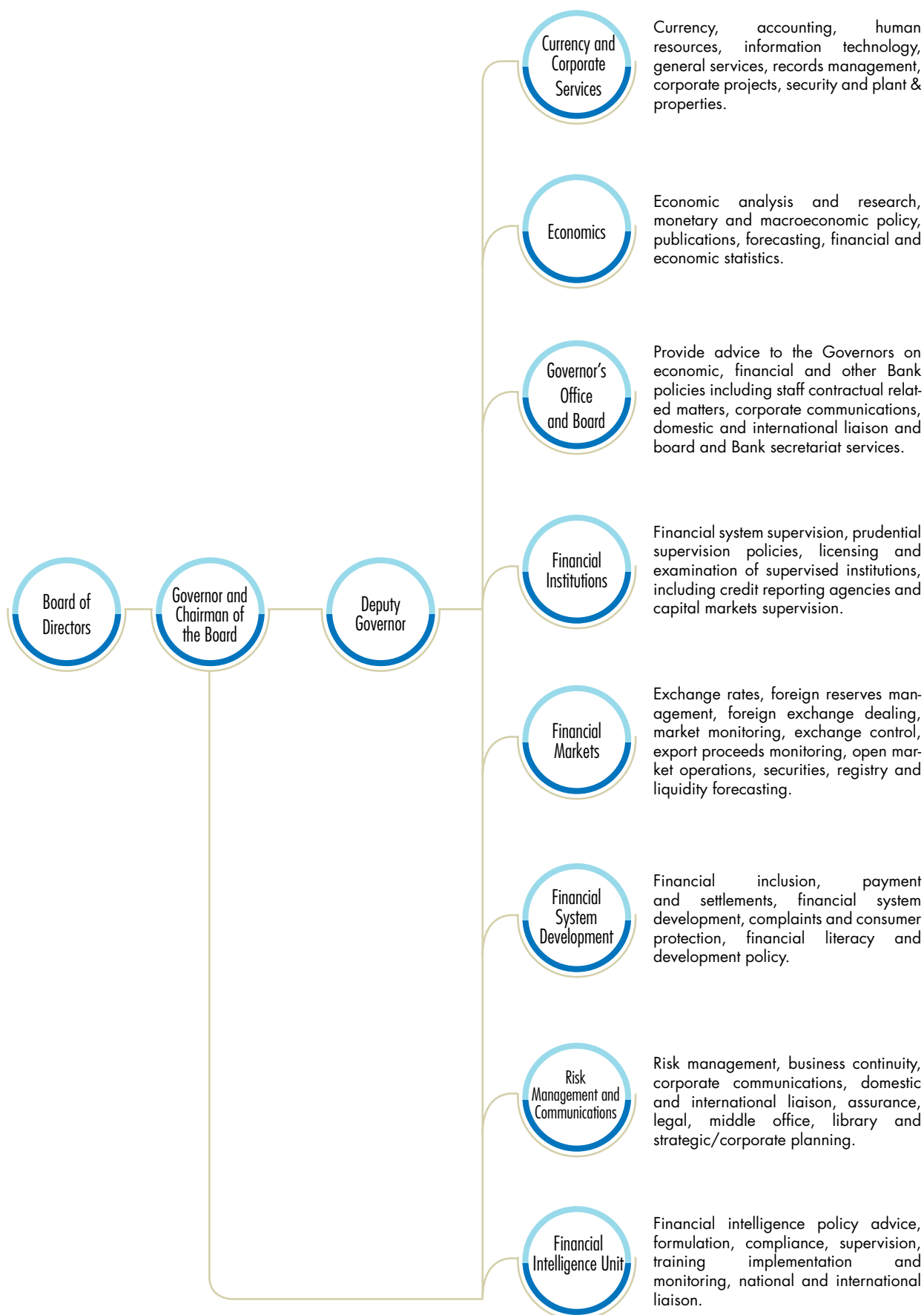


Ariff Ali
Governor and Chairman of the Board

Excerpt from the Governor's Speech - 2019 RBF Strategic Planning Workshop



ORGANISATION STRUCTURE





August 2019 – July 2024

NEW RBF STRATEGIC PLAN

Rising Above the Bar of Expectations



Our Vision

Leading Fiji to Economic Success

Our Values

- **PROFESSIONALISM** in the execution of our duties
- **RESPECT** for each other
- **INTEGRITY** in our dealings
- **DYNAMISM** in our operations
- **EXCELLENCE** in everything

Our Mission*

- conduct monetary policy to foster sustainable and inclusive economic growth
- promote an internationally reputable financial system
- play an influential role in the development of the economy
- provide proactive and sound advice to Government
- disseminate timely and quality information to stakeholders
- enhance operational efficiency through innovation and risk management
- develop, empower and retain a professional team

*The RBF expanded its Mission Statements to effectively capture the various roles and functions of the Bank

Theme 1



Strengthening our Central Banking Role

is about what we do to stay ahead in all our core functions: monetary policy, financial stability, currency management and financial system development. It is about providing effective policy responses in a rapidly changing local and global environment.

Theme 2



Renewing Ways of Doing Business

is about how we do our work, by building and renewing a public institution that is nimble, resilient and responsive, clear in its communication and accountable in its partnerships.

Theme 3



Reinforcing a Culture of Innovation

is about how we influence and challenge the environment we operate in, by promoting a workplace that values diversity and openness, high performance and embraces varied perspectives to find best solutions.

BOARD OF DIRECTORS



From left to right:

Makereta Konrote

Permanent Secretary,
Ministry of Economy
(Ex-officio)

Appointed to the Board on 11 January 2016. Board Director of the Fiji National Provident Fund (FNPF) and Fiji Revenue & Customs Service (FRCS). Member of the Board Audit and Risk Committee and Member of the Macroeconomic Committee (MC). Alternate Governor for Fiji at the World Bank and the Asian Infrastructure Investment Bank.

Pradeep Patel

Director

Appointed to the Board on 9 June 2014. Reappointed on 9 June 2017 for three years. Chairman of the Board Audit and Risk Committee and Member of the Board Governance Committee. Senior Partner of BDO, Chartered Accountants. Member of the Fiji Institute of Accountants (FIA), CPA Australia and Australian Institute of Company Directors (AICD). Member of the Capital Markets Advisory and Development Taskforce (CMADT) set up by RBF. Former President of the FIA and has served on committees of the FIA, including Standards Committee, Business & Government Committee and Law Review Committee.

Ariff Ali

Governor and
Chairman of the
Board

Appointed as Governor with effect from 11 September 2017 for five years. Alternate Governor for Fiji at the International Monetary Fund (IMF) and the Asian Development Bank (ADB). Chairman of the Monetary Policy Committee. Chairman of the MC. Chairman of the CMADT. Chairman of the National Financial Inclusion Taskforce. Chairman of the Government Tender Board. Chairman of the Sugar Cane Growers Fund. Chairman of the Accident Compensation Commission Fiji. Chairman of the Fiji Roads Authority and Board Director of the Fiji Sugar Corporation Limited (FSC).

Tevita Kuruvakadua

Director

Appointed to the Board on 9 June 2014. Reappointed on 9 June 2017 for three years. Chairman of the Board Governance Committee. Member of the Board Audit and Risk Committee. Chief Executive Officer of iTaukei Land Trust Board. Board Member of FNPF and FSC.

Tony Whitton (OF)

Director

Appointed to the Board on 3 March 2015 for three years. Reappointed on 2 March 2018 for three years. Member of the Board Governance Committee. Managing Director of the Rosie Travel Group of Companies. Board Member of Fijian Holdings Ltd and Chairman of Pacific Cement Ltd. Served as a Board Member of Tourism Fiji and Former President of the Society of Fiji Travel Associates. Member of the AICD. Chairman and Trustee of the International School Nadi. Board Member and Trustee of the Koroi-pita Model Towns Charitable Trust and Cure Kids Fiji. In July 2019, Mr. Whitton was awarded the Officer of the Order of Fiji (OF) by his Excellency the President of Fiji for distinguished service of a high degree to Fiji and humanity.

EXECUTIVE MANAGEMENT



Standing from left to right:

Poasa Werekoro

Acting Chief Manager Financial System Development²

Caroline Waqabaca

Chief Manager Financial Markets

Susan Kumar

Chief Manager Risk Management and Communications³

Subrina Hanif

Board Secretary

Praneel Prasad

Acting Chief Manager Currency and Corporate Services⁴

Vilimaina Dakai

Chief Manager Financial Institutions⁵

Seated from left to right:

Petaia Tuimanu

Chief Manager Economics

Lorraine Seeto

Chief Manager Governor's Office

Esala Masitabua

Deputy Governor

Razim Buksh

Director Financial Intelligence Unit

² Acting as Chief Manager Financial System Development with effect from 1 January 2018.

³ Appointed as Chief Manager Risk Management and Communications with effect from 1 April 2019. Prior to this, she was Chief Manager Currency and Corporate Services.

⁴ Appointed as Acting Chief Manager Currency and Corporate Services with effect from 1 April to 30 September 2019. Prior to this, he was Manager Information Technology.

⁵ Resumed as Chief Manager Financial Institutions with effect from 1 April 2019. Prior to this, she was on rotation as Chief Manager Risk Management and Communications from 2 April 2018.

CORPORATE GOVERNANCE

The RBF is established as an independent institution under the RBF Act (1983) and is fully owned by the Government of Fiji. The functions and duties of the Reserve Bank are specified in the RBF Act (1983), RBF (Amendment) Decree 2009, the Banking Act (1995), the Insurance Act (1998), the Exchange Control Act (Rev. 1985), the Financial Transactions Reporting (FTR) Act (2004), Payment and Settlement Systems Oversight Regulations (2004), the Fiji National Provident Fund Decree (2011), the Companies Act (2015) and the Fair Reporting of Credit Act (2016).

Section 153 of the 2013 Constitution of the Republic of Fiji also states: -

- (1) The RBF is the central bank of the State, whose primary objects are: -
 - a) To protect the value of the currency in the interest of balanced and sustainable economic growth;
 - b) To formulate monetary policy;
 - c) To promote price stability;
 - d) To issue currency; and
 - e) To perform other functions conferred to it by a written law.
- (2) In pursuing its primary objects, the RBF must perform its functions independently and without fear, favour, or prejudice, but there must be a regular consultation between the RBF and the Minister responsible for Economy.
- (3) The powers and functions of the RBF are those customarily exercised and performed by central banks.
- (4) The Governor of the Reserve Bank of Fiji shall be appointed by the President on the advice of the Constitutional Offices Commission, following consultation with the Minister responsible for Economy.
- (5) A written law must provide for the composition, powers, functions and operations of the RBF.
- (6) The RBF must deliver quarterly and annual reports to Parliament, and any other reports when required by law, or requested by resolution.

The RBF's performance is documented in an Annual

Report and tabled in Parliament every year. Under section 56(1) of the RBF Act, the Annual Accounts and a Report of Operations of the Bank must be submitted to the Minister for Economy within three months after the end of the financial year.

Under the Insurance Act, the Insurance Annual Report is published annually on a calendar year basis and must be submitted to the Minister for Economy by 30 June of the following year. The Financial Intelligence Unit (FIU) and Financial Inclusion Annual Reports are also published annually on a calendar year⁶ basis.

The Vision of the Bank is "Leading Fiji to Economic Success" and is supported by the Mission statements and a set of Values.

The Governor

The Governor is the Bank's Chief Executive Officer and is responsible to the Board for the management of the Bank and the execution of its policies. Mr Ariff Ali was appointed as the Governor of the Reserve Bank of Fiji with effect from 11 September 2017 for a five-year term. Prior to being confirmed as the Governor, he served as the Deputy Governor with effect from 27 May 2014 and was later appointed as acting Governor on 28 May 2017.

Board of Directors

The Board comprises the Governor, who serves as the Chairman, the Permanent Secretary of the Ministry of Economy, as an *ex-officio* member, and five⁷ other non-executive members. Under the RBF Act, the Minister for Economy appoints the Directors. The Directors may hold office for a period not exceeding three years but are eligible for re-appointment. Ms Makereta Konrote, Permanent Secretary for Economy, is an *ex-officio* member appointed on 11

⁶ Calendar year runs from 1 January to 31 December while the RBF financial year runs from 1 August to 31 July in the following year.

⁷ Currently, there are two vacant positions at the Board level.

January 2016. Other Board Directors holding office as at 31 July 2019 were Mr Pradeep Patel, Mr Tevita Kuruvakadua and Mr Tony Whitton (OF).

Board Meetings



Under the RBF Act, the Board is required to meet at least ten times in a calendar year. Four Directors form a quorum for a meeting of the Board. In the absence of the Governor, the Deputy Governor may participate in the Board meetings and is entitled to exercise a vote. The Board met on 12 occasions during the review period.

Board and Board Committee Meetings August 2018-July 2019
Attendance by Members

Director	Board		Board Audit and Risk Committee		Board Governance Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Ariff Ali	12	12	NM		NM	
Makereta Konrote	8	12	3	5	1	1
Pradeep Patel	11	12	5	5	4	4
Tevita Kuruvakadua	11	12	5	5	4	4
Tony Whitton	12	12	NM		4	4

NM - Not a Member
Source: Reserve Bank of Fiji

Board Committees

The RBF has two Board Committees - the Audit and Risk Committee and the Governance Committee, which comprise non-executive members. Decisions of the Committees are submitted to the Board for ratification.

Mr Pradeep Patel is the Chairman of the *Board Audit and Risk Committee* while members include Mr Tevita Kuruvakadua and Ms Makereta Konrote. The *Board Audit and Risk Committee* monitors the adequacy of the audit function in the Bank and assists the Board in fulfilling the requirements of the RBF Act in relation to the Bank's accounting and reporting practices. In carrying out these functions, the Committee: -

- Reviews and monitors the functions of the external and internal auditors;
- Evaluates the Bank's accounting control system by reviewing audit reports and monitoring management's responses and actions to correct any noted deficiencies;
- Reviews accounting policies to ensure compliance with laws, regulations and accounting standards; and

- Reviews the annual financial statements of the Reserve Bank.

During the financial year, the *Board Audit and Risk Committee* met on five occasions.

The *Board Governance Committee* is chaired by Mr Tevita Kuruvakadua and members are Mr Pradeep Patel and Mr Tony Whitton (OF). The role of the Board Governance Committee is to strengthen the governance of the Bank and to ensure the accountability of the Office of the Governor to the Board. The main functions of the Committee are to oversee compliance with the Bank's Corporate Governance Charter and to undertake the annual performance appraisal of the Governor and Deputy Governor based on agreed key performance indicators (KPIs). Board members who are not members of the Board Governance Committee are invited to attend the meeting to assess the performance of the Governors.

Since 2013, the Board has undertaken an annual assessment of its own performance as well as that of its two Committees. From 2017, the Executive Management has also carried out a performance assessment of the Board Directors on an annual basis.

In the review period, the Board undertook an assessment of the Bank's internal and external auditors. The Board will continue to monitor the performance of its Committees and the auditors annually.

In addition, the Board Governance Committee reviews and approves strategies on terms and conditions of employment for Executive Management and staff. The Committee also reviews and approves strategies on the remuneration policy for all staff.

The Board Governance Committee met four times during the review period in the 2018-19 FY.

Bank Management

The Executive Management of the Reserve Bank comprises the Governor, Deputy Governor and all Heads of Group. The Governor is advised by a number of internal committees within the Bank: -

- the *Executive Management Committee* meets fortnightly to consider the management and day-to-day operations of the Bank;

- *the Monetary Policy Committee* meets monthly, or more often as necessary, to discuss economic and monetary developments;
- *the Market Operations Policy Committee* meets monthly to discuss the Bank's domestic markets operations;
- *the Financial System Policy Committee* meets monthly to review financial system soundness and efficiency;
- *the Investment Committee* meets monthly to provide strategic direction and oversight of the Bank's domestic and foreign investments;
- *the Financial System Development Policy Committee* meets monthly to discuss financial system and capital markets developments, payment systems, financial inclusion and consumer issues including complaints management;
- *the Currency and Corporate Services Policy Committee* meets quarterly to discuss issues relating to currency and internal services;
- *the Information Technology Steering Committee (ITSC)* meets quarterly to discuss IT development and operations; and
- *the Risk and Business Continuity Management Committee* meets quarterly to identify and assess risks and their impact on the business of the Bank, formulate effective strategies to address these risks as well as respond, manage and recover from any incident or crisis faced by the Bank.

The Governor chairs all these Committees.

Delegation of Authority

All activities and expenditure in the Bank must be authorised in accordance with the respective delegations, policies and procedures. The Board receives monthly reports comparing the actual outcomes against budget.

The Code of Conduct policy provides guidance on compliance to ethical standards.

The Declaration of Compliance, signed annually by all staff, provides assurance that they have complied with the Code of Conduct, Delegation of Authority, Internal Rules and Orders and all internal policies of the Bank.

The Delegation of Authority is updated regularly to ensure that it is current.

Strategic Plan

The Bank's 2014-18 Strategic Plan guided the operations and outputs of the Bank throughout the FY, which are linked to its 2018-19 annual work plan. Heads of Group are responsible for ensuring that planned outcomes are achieved. A review of how the Bank was progressing in terms of the implementation of the 2014-18 Strategic Plan was undertaken in February 2019. Some re-prioritisations were approved during the year as the Bank diverted resources to outputs needing urgent attention.

The RBF 2014-18 Strategic Plan end date was extended to August 2019, to be in line with the Bank's Work Plan cycle and conform with Government's planning cycles, which is from August to July. The Bank's next Strategic Plan is from 1 August 2019 to 31 July 2024.

A robust strategic planning process was initiated early with numerous sessions engaging key stakeholders for the review and completion of the previous plan and strategising for the next Strategic Plan. A survey was also carried out to obtain stakeholder feedback and assess the organisation's functions to enhance its role further. New initiatives in the lead up to the Strategic Plan review process included a bottom-up and top-down approach to discussions. Consequently, the vision of the Bank was retained as majority of the staff maintained it was still relevant, while the mission statements of the Bank were enhanced to suitably reflect the evolving role of the Bank. An important aspect of the new Strategic Plan is the reinforcement and further development of the culture of excellence by placing a high emphasis on innovation. Success will depend on finding capacity, that is, the right people with the right tools and the time needed to achieve the strategic priorities in the Plan.

The August 2019-July 2024 Strategic Plan was approved by the Board in July 2019. Monitoring tools were also developed to ensure that there are regular reviews of the plan and reporting to the Board. Chief Managers are responsible and accountable for implementing this Strategic Plan.

Annual Corporate Planning Cycle

Corporate planning is undertaken annually in the Reserve Bank. The initial formulation of the Bank's work plan for the new fiscal year commences in December. The Work Plan is developed and presented according to the mission statements of the Bank. Every strategy, output and process must identify with a mission statement, which in turn will contribute to the achievement of the Vision of the Bank. Each mission statement has a list of Key Result Areas that aligns to individual KPIs.

In January, the Group strategies were reviewed and the changes were approved in February. Groups reviewed their work progress for the first six months of the fiscal year (August-January) and a report was submitted to the Board.

From February to March, extensive discussions were then held on the new annual work plan. Each Group held an interactive planning workshop and feedback was obtained from both internal and external stakeholders on suggested areas to be considered by the Bank in preparing its annual work plan.

Once the annual work plan for the next financial year was established, it was presented to the Board, together with the annual budget for approval in June.

In developing the 2019-20 Annual Work Plan, apart from the typical annual outputs, deliberate commitment was made to ensure that the strategic deliverables for year one of the Strategic Plan were clearly identified and incorporated so that these could be accurately monitored and delivered as planned.

The Bank uses zero based budgeting in determining the necessary financial resources for the coming year, based on the work plans submitted by the Groups.

In June 2019, the Board approved the annual work plan and budget for the period 1 August 2019 to 31 July 2020.

Risk Management

The Bank is committed to ensuring that effective risk management remains central to all its activities. The Bank regularly assesses its control environment and has in place a risk management framework which comprises a comprehensive list of policies and procedures and a Corporate Risk Register. These enable the Bank to effectively manage inherent and emerging risks to economic growth and stability of the financial system. The Bank continues to strengthen its risk management framework.

The Bank's primary risks are those directly related to its core mandates of price stability and financial stability.

The Bank identifies risks and implements controls in its operation and management of foreign reserves holdings. Other financial risks that the Bank manages include liquidity risk, credit risk and market risk.

Risks related to work processes and inadequacies in human resources are important to the Bank in ensuring the efficient management of its operations. Ongoing quality management initiatives and capacity building continued to be the focus of the Bank's development programme.

The Bank began to review its Risk Management Framework in the latter part of 2018 to ensure its continued alignment with the latest standards in risk management practices and relevance to global and domestic developments. As part of this review, the Bank introduced a Social Media Policy, updated the risk appetite statement and commenced updating all the policies within the framework.

Incident Reporting is part of the Risk Management Framework of the Bank. A reporting framework is in place for reporting incidents and monitoring is ongoing to ensure that all incidents reported are resolved, with lessons learnt recorded for future reference.

The Bank's Business Continuity Plan (BCP) remained in place during the year. The BCP framework includes a Business Resumption Site (BRS) as backup for critical operations should the Reserve Bank's main

building become inaccessible due to an emergency or a disaster or if the systems in the building become inoperable. Critical operations include foreign reserves management, finance management, settlements and some domestic market processes, including FUJICLEAR operations. The BRS also houses the Bank's archives.

Best practice requires that BCP procedures are regularly tested to ensure their effective readiness for emergency situations. The Bank's crisis communication procedures are established and practised through call trees and emergency evacuation drills continue to ensure awareness of emergency procedures by staff and tenants of the RBF building.

The Bank participated in the National Tsunami Drill with other corporates to raise staff familiarity with the evacuation processes and will continue to conduct such training and drills to enhance disaster preparedness and planning.

The Risk Management and Communications Group forms the second line of defence in the management

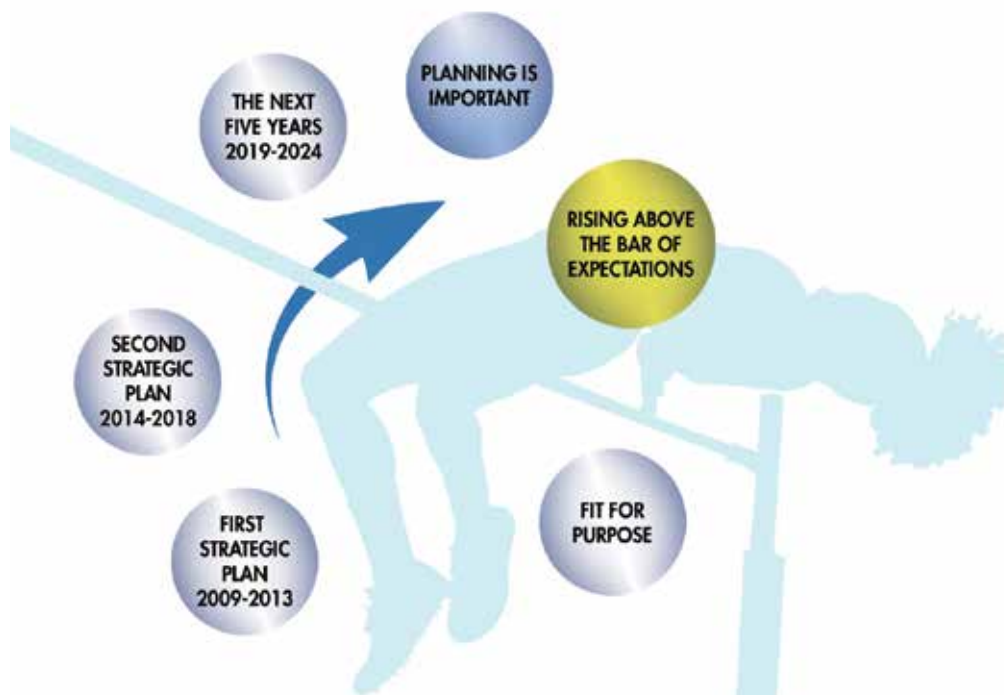
of risks in the Bank and its Middle Office is responsible for managing risks relating to the Bank's foreign reserves management operations.

Compliance and performance reports are prepared by the Middle Office and discussed at the Investment Committee meetings held monthly.

The audit function as a third line of defence under the Bank's risk management function continued to provide independent assessments to ensure the effective oversight of risks in the Bank. The internal audit function is outsourced to KPMG Fiji while external audit is undertaken by PricewaterhouseCoopers Fiji.

Areas for improvement identified by internal and external audits are addressed as appropriate. The Board, the Board Audit and Risk Committee, the Board Governance Committee and the Risk and Business Continuity Management Committee also contribute to the review and strengthening of the Bank's risk management function.

Excerpt from the Governor's Speech - 2019 RBF Strategic Planning Workshop



2018-19 AT A GLANCE

Economic Growth
1.0%



Overnight Policy Rate
0.5%



July 2019

Foreign Reserves

4.9 Months of retained imports



\$2,087.3 million
31 July 2019

Inflation Rate
0.7%



Employment
-2.3%



Decrease in vacant positions advertised in 2018-19 FY

Reserve Bank's Profits

\$28.9M



2018-19 FY

Liquidity
\$506.6M



31 July 2019

Tourism Earnings
\$2,067.2M



Total tourism earnings increased by 5.4 percent in the Jul18-Jun19 period

Inward Remittances

\$583.7M



Increased by 5.1 percent in 2018-19 FY

Financial Stability
\$21.5B



Fijian financial system grew by 8.4 percent on an annual basis in June 2019

Currency in Circulation
\$852.2M



31 July 2019

Personal Properties Securities Registry

25,085



Filings on the registry by 6 commercial banks, 4 credit institutions, 4 non-bank financial institutions, 4 car dealers, 2 hire purchase companies and 24 law firms

Green Bonds
\$100.0M



Gross value of Green Bonds outstanding in 2018-19 FY

Government Debt
48.7% of GDP



July 2019

Financial Inclusion

119,639



Policy Holders

Covered under Fiji's first bundled insurance product

ECONOMIC OVERVIEW

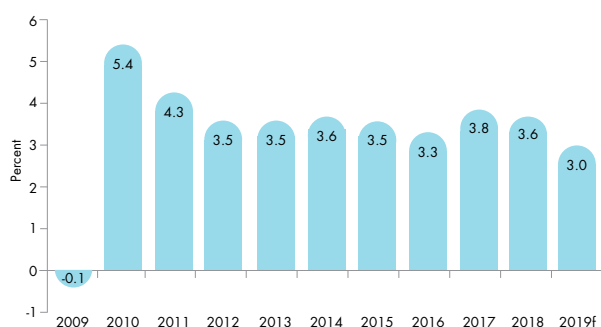
Globally, growth prospects have been dented by the ongoing trade tensions between the two largest economies, the uncertainties arising from Brexit and geopolitical tensions. Against this backdrop, the domestic economy is anticipated to grow at a slower pace of 1.0 percent in 2019, relative to the 3.5 percent growth in 2018.

International Economic Developments



The International Monetary Fund (IMF)⁸ expects global growth to slow to 3.0 percent in 2019 from 3.6 percent in 2018. The synchronised slowdown is due to intensified trade and technology tensions between the US and China and extended uncertainties relating to Brexit. Delays in long-term investment and demand for final consumable goods have also weighed on global trade patterns across major advanced economies and emerging market and developing economies.

World Gross Domestic Product (GDP) Growth Rates



Source: IMF World Economic Outlook October 2019

Fiji's other major trading partners are expecting a slowdown in 2019, with the exception of Japan.

The US economy is forecast to grow by 2.4 percent in 2019, lower than the 2.9 percent noted in 2018. The slowdown is on account of weaker final domestic demand during the year partially due to the impact of higher tariffs on imports. Growth in manufacturing activity slowed in July to the lowest since September 2009 due to softening demand conditions, especially in the automotive industry. However, labour market conditions have remained largely stable, hence elevating consumer confidence. The services sector has expanded but at a modest rate in July compared to last year, supported by increased retail sales activity and consumer confidence. Following heightened

concerns over ongoing trade tensions with China, the inflation rate fell to 1.8 percent in July. The Federal Open Market Committee lowered the target range for the federal funds rate to 2.00-2.25 percent in July, the first rate cut since the global financial crisis.

Economic growth in the Euro zone is anticipated to slow to 1.2 percent in 2019, following a 1.9 percent expansion in 2018. This is on account of weaker-than-expected external demand and rising uncertainties in the region. Sluggish manufacturing activity so far this year has been largely due to falling export orders as a result of ongoing trade tensions. However, favourable labour market conditions and improved consumer confidence continued to support household spending and retail sales across the region. Annual inflation softened to 1.0 percent in July underpinned by weaker energy and services prices. Moreover, policy uncertainties have diminished after the election of the European Commission and the European Central Bank (ECB) Presidents. Given these development, the ECB maintained the refinancing rate at 0.0 percent in July, unchanged since March 2016.

The Japanese economy is envisaged to grow by 0.9 percent this year, slightly higher than the 0.8 percent registered in 2018. The expected pickup is due to stronger growth in inventory accumulation and net exports in the first quarter of 2019. Labour market conditions have generally improved over the year as the annual unemployment rate fell to 2.2 percent in July, compared to 2.5 percent recorded in the same period last year. Recently, business conditions have softened as consumer confidence deteriorated due to rising uncertainties associated with the sales tax hike effective from October 2019. Annual inflation was low at 0.5 percent in July led by a slowdown in food prices and further fall in transportation & communication costs. Taking into consideration these assessments, the Bank of Japan kept its key short-term interest rate at -0.1 percent in July, unchanged since January 2016.

⁸ October 2019 World Economic Outlook (WEO) Update.

The Australian economy is anticipated to expand by 1.7 percent in 2019, lower than the 2.7 percent growth last year. Economic activity is expected to lose steam this year due to dwindling investment, cooling consumer spending and risks from global trade tensions. Following the Australian federal election in June, Government's income tax cuts will likely boost household spending in the near future. The economy grew by 0.5 percent in the second quarter largely driven by positive contributions from net exports and higher government spending. Annual inflation rose to 1.6 percent in the June quarter, led by higher food and transport prices. However, general prices remain moderate compared to the same period last year. Labour market conditions remained stable despite the weakening of the services sector. Given the outlook for inflation and unemployment, the Reserve Bank of Australia further lowered its benchmark cash rate to 1.00 percent in July.

The New Zealand (NZ) economy is forecast to grow by 2.5 percent in 2019 compared to the 2.8 percent growth last year. While strong increases were noted for construction and manufacturing activities in the first quarter, recent data on business conditions and consumer confidence suggests overall slowdown in momentum in the June quarter. Annual inflation rose to 1.7 percent in the June quarter compared to 1.5 percent in the same period in 2018 due to higher transport and household contents and services prices. Given these development, the Reserve Bank of New Zealand (RBNZ) maintained its official cash rate at 1.50 percent in July, after 25 basis points (bp) reduction in May.

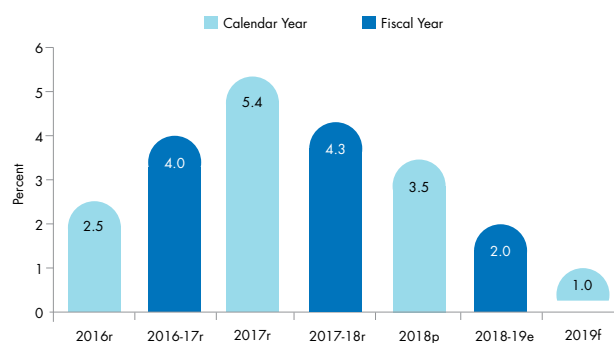
Economic Developments in Fiji

The Fijian economy is forecast to reach its tenth year of consecutive growth (1.0%) in 2019 following a 3.5 percent expansion in 2018. The agriculture; accommodation & food services; information & communication; manufacturing; financial & insurance; education and health sectors are expected to drive growth in 2019.

In the 2018-19 fiscal year, economic growth was driven by the agriculture; electricity; accommodation & food services; manufacturing; information &

communication; financial & insurance; health and education sectors.

Fiji's GDP Growth Rates (Calendar and Fiscal Year)



Sources: Fiji Bureau of Statistics and Macroeconomic Committee
(Note: r: revised; p: provisional; e: estimate; f: forecast)

Sectoral performances were generally mixed during the 2018-19 FY. Favourable outcomes were noted for tourism, electricity and timber production, while gold and sugar output contracted. In addition, consumption and investment activities remained subdued in the review period.

In the 2018-19 FY, tourism demand remained resilient as visitor arrivals rose by 4.2 percent, slightly lower than the 4.8 percent recorded in the previous fiscal year. Higher arrivals from NZ, Japan, US, Australia and Continental Europe underpinned this outcome. Notably, higher arrivals from Japan are attributed to the direct flights introduced by Fiji Airways between Narita and Nadi in July 2018.

Electricity production grew by 3.6 percent in the 2018-19 FY compared to a 2.2 percent increase recorded in the previous FY. In the same period, 55.2 percent of total electricity was produced using renewable sources compared to the 53.9 percent achieved in the last FY. Electricity consumption rose by 3.6 percent in the same period, supported by higher demand from commercial (2.8%), domestic (4.8%), industrial (3.5%) and other⁹ (7.3%) users.

Gold production declined by 20.1 percent in the 2018-19 FY owing to breakdown of processing plant, unfavourable weather conditions, technical issues, poor quality of ore and deteriorating ore reserves. In the same period, mahogany production increased sharply by 125.4 percent, while total log supply

⁹ This includes streetlights and institutions such as schools.

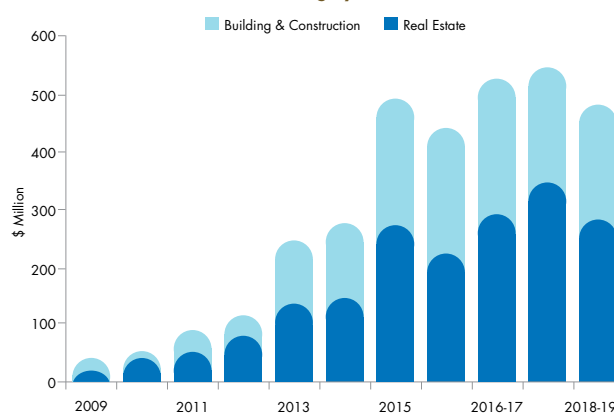
grew by 2.4 percent partly due to increased logging contractors and favourable weather conditions. However, woodchip production fell by 5.2 percent reflecting the lower demand from Japan and China.

A total of 1,696,880 tonnes of crushed cane yielded 160,204 tonnes of sugar in the 2018 crushing season. Despite an increase in cane production (4.0%), sugar output fell by 11.2 percent due to a deterioration in the tonnes cane to tonnes sugar (TCTS) ratio. The higher TCTS ratio was due to lower quality cane and mechanical issues at the sugar mills.

In terms of aggregate demand, partial indicators generally pointed to positive consumption activity in the review period. Net Value Added Tax (VAT) collections in the 2018-19 FY rose by 5.5 percent to \$831.8 million driven by higher import VAT collections. Second-hand vehicle registrations increased by 3.2 percent, while new vehicle registrations fell by 22.8 percent in the same period. However, in the 2018-19 FY, commercial banks' new lending for consumption purposes declined by 2.1 percent (-\$25.1m), led by reduced lending to both the wholesale, retail, hotels & restaurant (-2.4%, -\$21.9m) sector and private individuals (-1.3%, -\$3.2m) categories. Nonetheless, consumer spending has been largely supported by higher personal income (as suggested by 4.0% increase in Pay As You Earn taxes) and personal remittances (5.1%) during the FY. In addition, the CARE¹⁰ for Fiji cyclone relief package provided to households by Government after the natural disasters in 2018 provided further stimulus to consumer spending.

Partial indicators of investment softened over the review period. In the 2018-19 FY, commercial banks' new lending for investment purposes fell by 11.6 percent (-\$63.7m), as new lending to both the real estate (-18.0%, -\$62.8m) and the building & construction (-0.5%, -\$0.9m) sectors contracted over the previous fiscal year. In addition, domestic cement sales fell by 18.9 percent over the fiscal year.

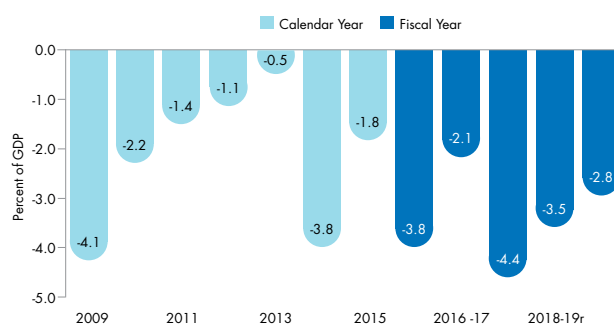
New Investment Lending by Commercial Banks



Source: Reserve Bank of Fiji

In the 2018-19 fiscal year, Government is estimated to have achieved a net deficit of \$408.8 million equivalent to 3.5 percent of GDP, lower than the \$497.7 million (4.4% of GDP) recorded in the 2017-18 fiscal year. The lower deficit was largely due to lower capital spending (-12.5%) expenses and slightly higher revenue (0.4%) compared to the previous fiscal year. For the 2019-20 fiscal year, Government has budgeted for a net deficit of \$349.2 million, equivalent to 2.8 percent of GDP. The lower deficit target largely reflects Government's efforts in scaling down expenditures to improve operational efficiency and rebuild fiscal buffers.

Government Balance¹¹



Source: Ministry of Economy

Total Government debt stood at 48.7 percent of GDP at the end of 2018-19 fiscal year, slightly higher than the 46.0 percent recorded in the last fiscal year.

Labour market conditions softened during the fiscal year as revealed in the RBF's Job Advertisements Survey.¹² The number of advertised vacant positions

¹⁰ Cyclone Assistance Relief Effort.

¹¹ (r) represents revised values.

¹² This is based on advertised vacant positions in both the Fiji Times and Fiji Sun.

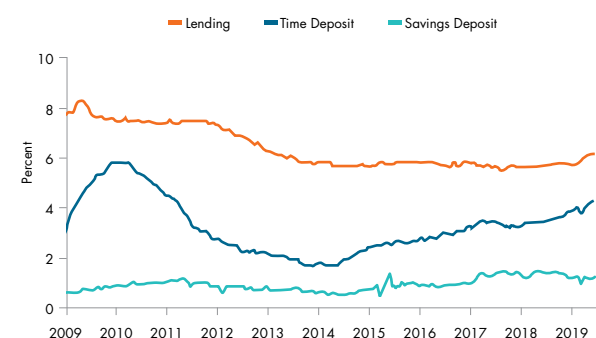
during the 2018-19 FY decreased by 2.3 percent as lower recruitment intentions were noted in the wholesale, retail trade, restaurants & hotels, electricity & water, community, social & communication, mining & quarrying, manufacturing and the agriculture, forestry & fishing sectors.

Inflation averaged 3.8 percent in the 2018-19 FY, higher than 3.1 percent recorded in the previous fiscal year. This outturn was mostly driven by higher prices of food & non-alcoholic beverages, alcoholic beverages, tobacco & narcotics, transport and education. Inflation fell to 0.7 percent in July 2019 and is expected to remain stable. Nonetheless, the volatility in global crude oil prices as well as adverse weather conditions constitute major risks to the year-end inflation forecast.

Financial conditions largely mirrored the general slowdown in the domestic economy during the fiscal year. In July 2019, broad money rose marginally on an annual basis by 1.7 percent (\$140.6m), compared to the 2.8 percent (\$230.0m) growth in July last year. The outturn in 2018-19 FY was underpinned by higher lending to the private sector, while net foreign assets contracted annually due to a decline in gross reserves.

During the 2018-19 FY, excess liquidity in the banking system averaged \$393.2 million, lower¹³ than the previous fiscal year. However, at the end of July 2019, bank liquidity was higher at \$506.6 million. Interest rates generally rose in the review period after hovering at historically low levels¹⁴ for an extended period of time. The commercial banks' weighted average outstanding lending rate rose over the year to 6.09 percent in July 2019 from 5.68 percent in July 2018. Similarly, the new lending rate rose to 6.38 percent from 5.80 percent a year ago. Similar movements were noted in the commercial banks' existing time deposit and new time deposit rates which rose on an annual basis to 4.25 percent and 5.42 percent from 3.40 percent and 3.51 percent, respectively.

Commercial Banks' Lending and Deposit Rates



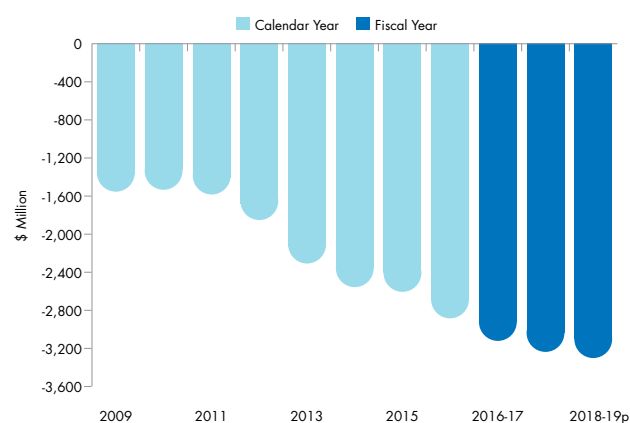
Source: Reserve Bank of Fiji

In the 2018-19 FY, total exports (excluding aircraft) grew by 2.3 percent (to \$2,130.0m), while total imports (excluding aircraft) rose by 2.0 percent (to \$5,426.8m).

The higher re-exports and exports of mahogany, woodchips, mineral water, molasses, fresh fish and yaqona positively contributed to the outturn in exports. The growth in imports was largely led by crude material, mineral fuels, beverages & tobacco, machinery & transport equipment and miscellaneous manufactured goods.

Thus, the merchandise trade deficit (excluding aircraft) widened by 1.8 percent to \$3,296.8 million, compared to a 5.1 percent widening in the last fiscal year.

Trade Deficit



Source: Fiji Bureau of Statistics

¹³ Averaged \$623.9 million in the 2017-18 FY.

¹⁴ The commercial banks' weighted average outstanding lending rates were lower than 6.0 percent from October 2013 until May 2019.

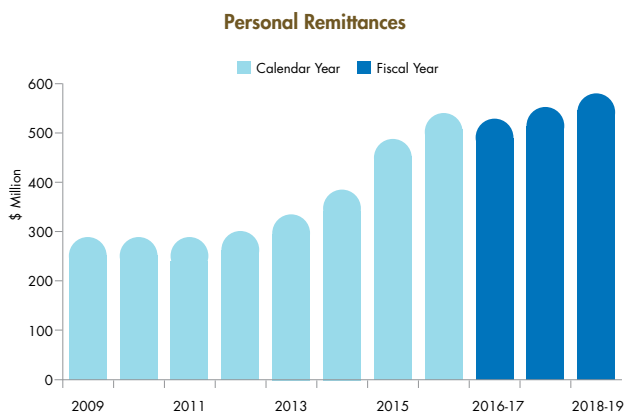
In the July 18-June 19 period, tourism earnings grew by 5.4 percent to \$2,067.2 million, compared to a 4.9 percent growth in the previous period (Jul 17-Jun18). The growth was mainly led by increased earnings from the US, Continental Europe, Japan, UK, Pacific Islands, NZ and India. Tourism earnings are forecast to be around \$2,100.7 million in 2019.



Source: Fiji Bureau of Statistics

In the 2018-19 FY, inward remittances rose by 5.1 percent to \$583.7 million compared to a 3.4 percent increase in the same period last year. The higher outcome was largely contributed by gifts, maintenance & donations (7.4%) and immigration

transfers (21.4%), which more-than-offset the decline in personal receipts (-13.3%).



Source: Reserve Bank of Fiji

The current account deficit (excluding aircraft) is estimated to be around \$716.7 million (6.1% of GDP) in the 2018-19 FY, lower than the \$884.6 million (7.8% of GDP) in the 2017-18 FY. This is underpinned by an improvement in the services and primary income accounts, which more-than-offset the deterioration in the trade deficit and secondary income balances.

Excerpt from the Governor's Speech - Launch of the August 2019 - July 2024 RBF Strategic Plan



"We as team RBF are obliged to carry forward the foresightedness and legacy of our predecessors and plan ahead for the future direction of the Bank"

MISSION**CONDUCT MONETARY POLICY TO FOSTER ECONOMIC GROWTH**

The RBF under the RBF Act (1983) is entrusted with the conduct of monetary policy in Fiji aimed at maintaining price stability and adequate levels of foreign reserves.

MONETARY POLICY FORMULATION**Chronology of Monetary Policy Actions**

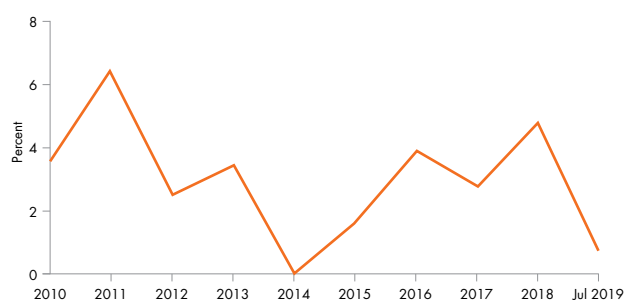
The Reserve Bank maintained the OPR¹⁵ at 0.5 percent throughout the 2018-19 FY, as the outlook for inflation and foreign reserves remained comfortable.

The economy recorded a growth of 4.4 percent¹⁶ in the 2017-18 fiscal year supported by positive sectoral performances and firm domestic demand. For the 2018-19 fiscal year, growth is estimated to remain positive, at around 2.0 percent albeit lower, mainly led by agriculture; electricity; accommodation & food services; manufacturing; information & communication; financial & insurance; health and public administration sectors. The moderation in economic activity is in line with the slowdown anticipated for the global economy as well as the performance of domestic sectors. Aggregate demand was modest during the review period with a general slowdown in consumption and investment. Consistent with the growth outlook, monetary and credit aggregates maintained their soft momentum during the year with the RBF closely monitoring developments in the domestic financial system.

Given that the medium-term outlook for inflation and foreign reserves were intact, the Reserve Bank maintained the OPR at 0.5 percent throughout the 2018-19 FY to boost domestic activity and growth. In addition, the RBF announced further relaxations of exchange controls on 1 August 2018 to encourage investment. In June 2019, the total allocation under the RBF's ISEF Facility was increased from \$100 million to \$150 million. Due to increased demand for funding from eligible businesses, the total allocation under the Facility was increased by an additional \$50 million to \$200 million in July 2019. Similarly, the RBF increased the total allocation under its Housing Facility from \$60 million to \$100 million in June 2019.

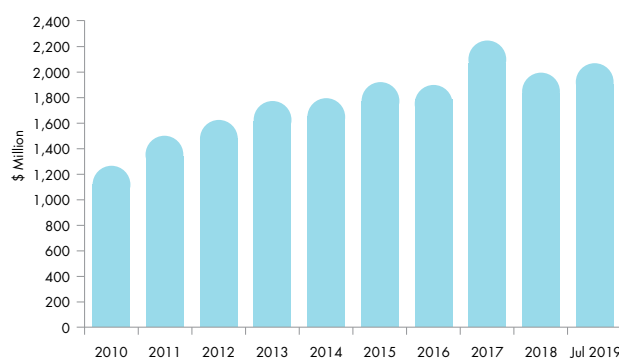
Monetary Policy Outcomes for 2018-19

In the 2018-19 FY, inflation averaged 3.8 percent, led by higher prices of food, alcohol, cigarettes, yaqona and domestic fuel. There were significant increases in fuel prices during the first five months of the 2018-19 FY and duty increases announced in the 2018-19 FY National Budget. Nonetheless, annual inflation slowed to 0.7 percent in July 2019.

Inflation (Annual Percent Change)

Source: Fiji Bureau of Statistics

Foreign reserves declined over the fiscal year and totalled \$2,087.3 million at the end of July 2019, sufficient to cover 4.9 months of retained imports of goods and non-factor services.

Foreign Reserves

Source: Reserve Bank of Fiji

At the end of the 2018-19 FY, the Fiji dollar appreciated against the AUD¹⁷ (4.5%), EUR¹⁸ (1.8%) and the NZD¹⁹ (0.1%), but depreciated against the JPY²⁰ (-5.1%)

¹⁵ Overnight Policy Rate.

¹⁹ New Zealand Dollar.

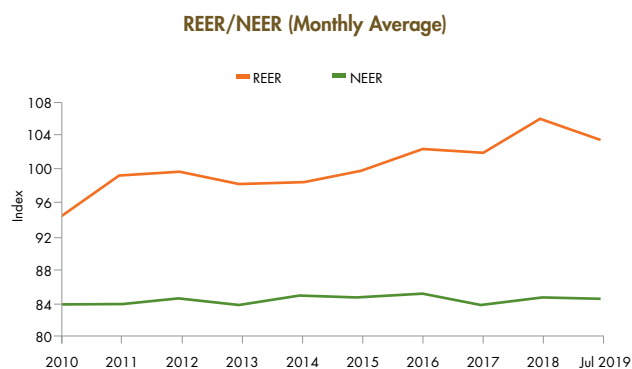
¹⁶ 2014 Base.

²⁰ Japanese Yen.

¹⁷ Australian Dollar.

¹⁸ Euro.

and the USD²¹ (-2.9%), which led to a 0.3 percent decrease in the Nominal Effective Exchange Rate (NEER) Index. Similarly, the Real Effective Exchange Rate (REER) Index fell by 1.6 percent indicating an improvement in Fiji's international competitiveness as domestic prices were relatively lower than those of our major trading partners over this period.



MONETARY POLICY IMPLEMENTATION

Open Market Operations

In line with the Reserve Bank's monetary policy stance, the OPR was kept unchanged at 0.5 percent throughout the year. Consistent with this policy stance, there was no auctioning of RBF notes for the period under review and subsequently, no associated cost to monetary policy.

Management of Foreign Reserves

The management of foreign reserves is a core function of the Bank. As mandated under the RBF Act (1983), the RBF is responsible for the custodianship and management of the country's foreign reserves. The objectives of preserving capital, ensuring adequate liquidity and optimising returns are continually adhered to while carrying out this responsibility.

Foreign reserves are primarily maintained in the currencies of the Fiji dollar basket, namely the US, Australian and NZ dollars, the JPY and the Euro. The Bank also holds IMF Special Drawing Rights and minimal portions of gold and the British pound sterling.

The changing outlook for global economic growth and ensuing reversal in the direction of central bank

monetary policies greatly impacted financial markets over the financial year. The first half of the financial year mostly witnessed the US economy spearheading a recovery in global growth, with the Federal Reserve implementing interest rate hikes in September and December. However, trade disputes between the US and China, Brexit uncertainty and signs of weakening economic fundamentals led to downside risks to global growth prospects and market expectations of rate cuts. The central banks of Australia, NZ and the US reduced policy rates to support their respective economies, while the ECB and the Bank of Japan pledged to keep extraordinary stimulus measures in place for extended periods. Bond yield curves in the US, Australia and NZ became inverted and yields in Japan and Europe moved further into negative territory posing challenges for the management of foreign reserves.

Gross foreign reserves (RBF holdings) averaged around \$2,027.4 million during the 2018-19 FY, lower than the \$2,241.6 million average of the previous financial year. The foreign reserves level peaked at \$2,191.7 million in September 2018 and fell to a low of \$1,921.7 million in April 2019, before rising again to \$2,087.3 million at the end of the financial year.

Investible reserves, which accounted for 90.6 percent of gross foreign reserves, also averaged lower at FJD\$1,837.0 million compared to FJD\$2,051.8 million in the prior financial year.

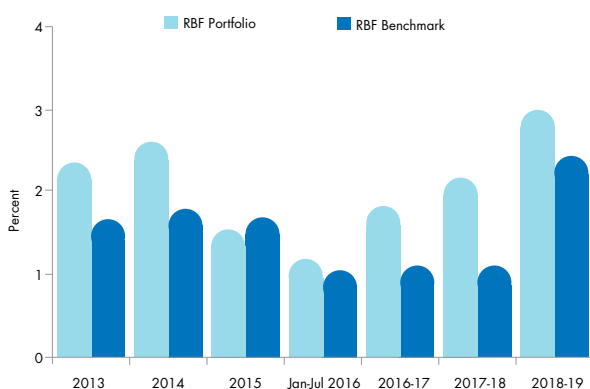
Return on External Reserves

	Aug 2016- Jul 2017	Aug 2017- Jul 2018	Aug 2018- Jul 2019
Net Foreign Exchange Income (\$M)	41.7	45.0	45.7
Average Month-End Level of Investible Reserves (\$M)	1,843.0	2,051.8	1,837.0
Return on Investible Reserves (%)	2.26	2.19	2.49

Source: Reserve Bank of Fiji

In spite of the lower level of foreign reserves, net foreign exchange income for the 2018-19 FY amounted to \$45.7 million, similar to the \$45.0 million recorded for the previous year. The income earned represented a return on investible reserves of 2.49 percent, higher than the return of 2.19 percent earned in 2017-18 FY.

²¹ United States Dollar.

Performance of RBF Portfolio against Benchmark

Source: Reserve Bank of Fiji

The performance of RBF's foreign investment portfolio is monitored and measured against a customised benchmark²², which has been in use since 2002. For the financial year, the RBF portfolio recorded a return of 3.03 percent, outperforming the benchmark portfolio return of 2.49 percent.

Exchange rate movements can have a major effect on the value of foreign reserves. For the Bank, exchange rate gains and losses are recorded in the RRA and reflected in the balance sheet. To provide a natural hedge against exchange rate volatility, foreign reserve assets are held in a similar weighting to the Fiji dollar basket currencies.

In line with the requirements of the RBF Act (1983), the Bank transfers a fifth of the year-end balance in the RRA to the Government each year. At the end of July 2019, the RRA balance was \$7.5 million, of which \$1.5 million was transferred to Government in the 2018-19 FY. This compares with \$2.0 million that was transferred in the 2017-18 FY.

Exchange Rates

The Fiji dollar is fixed to a basket of currencies comprising Fiji's five major trading partners: the USD, AUD, NZD, JPY and EUR. This exchange rate regime is appropriate for Fiji as it reduces volatility in exchange rates and is a nominal anchor for inflation. The weight of each currency in the basket is reviewed annually and is based on the value of Fiji's trade, services and debt servicing transactions. The current exchange rate weights are as follows: USD (38.5%), AUD (29.4%), NZD (22.5%), JPY (5.3%) and EUR

(4.3%). On a daily basis, the Bank fixes the mid-rate of the Fiji dollar against the US dollar and uses this rate to calculate the value of the Fiji dollar against the other basket currencies. The exchange rates are published by 9.00am each business day on the RBF website, Reuters and Bloomberg. Local commercial banks use the RBF exchange rates to determine trading rates for transacting foreign exchange with customers. Commercial bank retail spreads on all basket currencies are regulated by the Bank.

Foreign Exchange Derivative Markets

Commercial banks have the ability to offer forward exchange and swap contracts to customers, while options contracts may be offered upon application to the Bank. The Bank maintained its monitoring of transactions in the derivatives market to ensure compliance with the RBF Rules for Foreign Currency Derivatives Transactions.

Foreign Currency Receipts and Payments

The Bank continued to extend foreign currency banking services to the Fijian Government, supranational organisations²³ and other central banks during the year.

Exchange Control

During the year, exchange controls were further eased in line with the accommodative monetary policy stance and build-up of foreign reserves. The Bank also implemented the Exchange Control e-service system on 1 November 2018. The system allows applications for foreign exchange payments via the e-service platform which previously, were submitted manually. This development provided an incentive for increased efficiency in foreign exchange transactions relating to trade and investment in Fiji.

Effective 1 August 2018, new delegations to Authorised Dealers included the opening of foreign currency accounts for film production and retained foreign currency accounts for exporters. Payments relating to the imports of lubricants and other products were delegated up to \$100,000 and local businesses were allowed to access borrowing facilities in foreign currency up to \$2 million from commercial banks.

²² The benchmark portfolio uses a customised version of the JP Morgan Index.

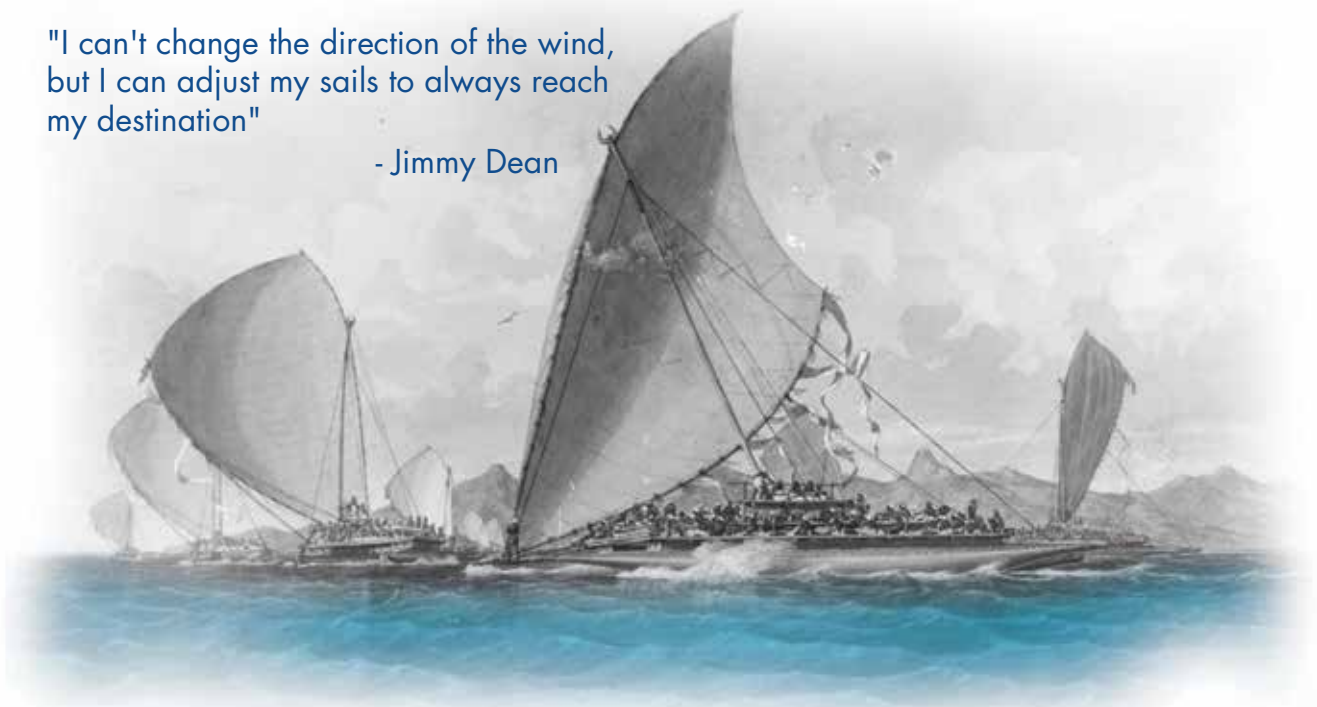
²³ This includes the ADB, IMF, the International Development Association and the International Bank for Reconstruction and Development.

The Bank continued to place due emphasis on compliance and undertook several spot checks on the operations of foreign exchange dealers. Meetings with exporters continued regarding their outstanding export receipts, resulting in the reconciliation of \$1,891 million, representing over 90 percent during the year.

Collaboration with other Government agencies continued during the year with the aim of improving foreign investment facilitation and ease of doing business.

"I can't change the direction of the wind,
but I can adjust my sails to always reach
my destination"

- Jimmy Dean



MISSION**DEVELOP AN INTERNATIONALLY REPUTABLE FINANCIAL SYSTEM**

A safe and sound financial system is essential for a robust economy and is a prerequisite for economic growth.

The entities supervised/licensed by the Reserve Bank include the commercial banks, credit institutions, insurance companies and insurance intermediaries, the FNPF, RFEDs²⁴ & money changers, credit reporting participants, the South Pacific Stock Exchange (SPX), unit trusts, stock brokers and capital market intermediaries.

FINANCIAL SYSTEM REGULATION AND SUPERVISION

Fiji's financial system remained buoyant during the year despite the moderation in economic activity, largely attributed to the slowdown of the global economy.

While credit growth slowed and banking system liquidity declined in the latter part of the review period, the banking industry still recorded growth in assets and profits with capital above the required level.

The insurance sector remained upbeat with satisfactory levels of profitability supported by a solvency surplus position, accredited to the growth in its core business; coupled with the absence of major natural catastrophic events during the year.

The FNPF continued to report positive operating results and adequately met its solvency requirement under section 32 of the FNPF Decree (2011). As at 30 June 2019, the Fund credited an interest of 6.75 percent to its members' accounts.

SUPERVISORY DEVELOPMENTS**Prudential Supervision**

A key purpose of the Reserve Bank is to promote a sound financial structure. To achieve this, the Reserve Bank continues to develop and review prudential supervision policy statements to modernise its regulatory and supervisory framework.

As part of the Reserve Bank's continued efforts to promote good corporate governance in the financial sector, the prudential supervision policies

on corporate governance for the banking, insurance and capital markets industries were revised and a consolidated revised policy for the three industries was implemented from 1 April 2019.

To enable better access to the offshore insurance market, the prudential supervision policy on Offshore Placement of Insurance Business in Fiji and the complementary Insurance Brokers Guideline were reviewed and issued to licensed insurers and insurance brokers, effective from 1 March 2019. Under this revised policy, licensed insurance brokers have been delegated the authority to approve the placement of insurance cover with offshore insurance providers, to a maximum gross premium of FJD\$100,000 per insurance policy.

In ensuring that practices of licensed entities in Fiji continue to be aligned with international best practices, new prudential supervision policies on the Management of Money Laundering and Terrorist Financing Risk were issued to licensed insurance companies and foreign exchange dealers. These policies became effective from 1 January 2019.

The licensed credit information reporting agency (CIRA) commenced operations from 1 October 2018, while the Reserve Bank continued with the registration of Credit Information Providers and Credit Report Recipients during the year.

The Reserve Bank granted a licence to a new insurance broker during the year and renewed licences for banks, credit institutions, insurance companies, insurance intermediaries, foreign exchange dealers, securities exchange, MIS²⁵, stock brokers and capital market intermediaries.

²⁴ Restricted Foreign Exchange Dealers.

²⁵ Managed Investment Schemes.

The Reserve Bank published its third Financial Stability Report (FSR) in October 2018, to provide information to stakeholders of potential risks and promote awareness, on financial stability in Fiji.

As a follow-up to the IMF FSSR for Fiji conducted in February 2018, the IMF provided two TA missions to the Reserve Bank in the areas of banking supervision and crisis management.

The first TA mission was from 5-14 December 2018 with the scope of enhancing the Reserve Bank's banking supervision processes, focusing on the supervisory ranking framework, concentration risk management and home-host cooperation.

The second TA mission from 10-20 December 2018, focused on assisting the Reserve Bank in developing its bank resolution and crisis management framework in line with international best practices.

The Reserve Bank has received the final TA reports and is currently in the process of implementing the recommendations made by the respective mission teams.

As part of the Reserve Bank's supervisory activities, a total of 135 offsite review reports were produced, nine onsite examinations conducted and 43 prudential consultations/meetings convened during the 2018-19 FY.

Other supervisory developments included the ongoing review of the Credit Union Act (1954), the review of the Insurance Act (1998) and the winding down of the National Bank of Fiji's Asset Management Bank.

The Financial System



As at 30 June 2019, Fiji's financial system consisted of six commercial banks; four credit institutions; one superannuation fund (FNPF); seven general insurers; two life insurers; five insurance brokers; 514 insurance agents; 10 foreign exchange dealers; one securities exchange; two MIS companies; 61 capital

market intermediaries and participants; and a credit reporting agency.

The number of bank branches decreased by 1 to 67, while the number of agencies and agent banking increased by two to 128, over the year.

The number of Electronic Funds Transfer at Point of Sale (EFTPOS) terminals decreased over the year from 5,949 to 5,735 while Automated Teller Machines (ATMs) recorded a slight increase from 328 to 336.

Licensed Financial Entities including Branches/Agencies (Number)

	2015	2016	2017	Jun 2018	Dec 2018	Jun 2019
Commercial Banks	6	6	6	6	6	6
- Branches	72	70	69	68	68	67
- Agencies and Agent Banking	101	95	119	126	126	128
- ATMs	292	326	325	328	338	336
- EFTPOS	5,737	6,081	5,872	5,949	6,137	5,735
Credit Institutions	4	4	4	4	4	4
- Branches	15	17	17	18	18	19
- Agencies	1	0	0	0	0	0
Life Insurance Companies	2	2	2	2	2	2
General Insurance Companies	7	7	7	7	7	7
Insurance Brokers	4	4	4	4	5	5
Insurance Agents ¹	498	526	537	580	464	514
Foreign Exchange Dealers	9	9	9	9	9	9
Money Changers	2	2	1	1	1	1
Securities Exchange	1	1	1	1	1	1
Managed Investment Schemes (MIS)	2	2	2	2	2	2
Property Trusts	0	0	0	0	0	0
Investment Advisors	11	12	12	11	12	11
Stock Brokers	3	3	3	3	3	3
Dealers	3	3	3	3	3	3
Managed Fund Representatives	15	16	14	15	15	12
Stock Broker/ Dealer Representatives	17	13	10	13	13	11
Investment Advisor Representatives	19	20	22	21	22	21

¹ An agent may hold more than one licence to sell various classes of Insurance in a calendar year.

Source: Reserve Bank of Fiji

Gross Assets of the Financial System



Fiji's financial system grew by 8.4 percent to \$21.5 billion in June 2019, with the FNPF and the banking industry as major contributors to the annual growth. Commercial banks continued to

dominate the make-up of the financial system assets at 47.5 percent, while the FNPF and the insurance industry accounted for 34.6 percent and 8.2 percent, respectively.

Gross Assets of the Financial System (\$ Million)

	2015	2016	2017	Jun 2018r	Dec 2018	Jun 2019p
Regulated Financial Entities						
Commercial Banks	8,688	8,990	9,988	9,903	10,034	10,231
Credit Institutions	335	443	558	628	694	724
Insurance Companies	1,451	1,569	1,658	1,676	1,744	1,764
FNPF	5,244	5,496	6,139	6,511	7,037	7,450
Insurance Brokers	55	49	52	52	61	61
Capital Markets ¹	210	236	279	324	368	443
Total	15,983	16,783	18,674	19,094	19,938	20,675
Non-Regulated Financial Entities						
Non-Bank Financial Institutions ²	654	664	727	754	801	849
Total	654	664	727	754	801	849
Total Financial System³	16,637	17,447	19,401	19,848	20,739	21,522

¹ Includes Unit Trusts, SPX and Stock Brokers.

² Includes Fiji Development Bank (FDB) and Housing Authority of Fiji (HA).

³ Excludes RBF.

Source: Reserve Bank of Fiji

The capital markets also noted a growth over the year with the stock market capitalisation increasing by 53.9 percent, the outstanding bonds by 11.9 percent, and the MIS's funds under management by 19.0 percent.

Composition of the Capital Markets (\$ Million)

	2015	2016	2017	Jun 2018	Dec 2018	Jun 2019p
Equities Market ¹	1,074	1,319	1,797	2,364	3,070	3,638
Unit Trust Market ²	205	227	271	315	353	375
Bonds Market ³	3,087	3,387	3,636	3,822	4,014	4,275

¹ Based on the market capitalisation of the listed companies.

² Based on the funds under management.

³ Based on outstanding bonds.

Source: Reserve Bank of Fiji

The Commercial Banking Industry



The performance of the commercial banking industry was assessed as satisfactory as at 30 June 2019, based on satisfactory levels of capital, earnings, asset quality and marginal liquidity position.

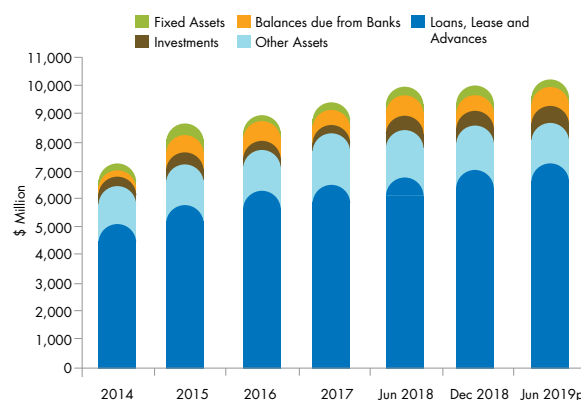
The commercial banks' combined total assets increased by 3.3 percent and stood at \$10.2 billion as at 30 June 2019, attributed to the growth in loans and advances by \$477.7 million. Balances due from banks, balances with the Reserve Bank and investments declined over the year by \$55.7 million,

\$50.6 million, and \$33.5 million, respectively, partially offsetting the growth in total assets.

Commercial banks' balances with the Reserve Bank decreased by 4.0 percent and stood at \$1.2 billion as at 30 June 2019. The decrease was led by both the exchange settlement account (ESA) and the SRD by \$36.5 million and \$14.1 million, respectively.

The growth in lending continued, increasing by 7.0 percent to \$7.3 billion as at 30 June 2019, up from the 4.7 percent growth noted during the same period last year. Loans and advances disbursed to private sector business entities (\$396.0m) and private individuals (\$87.6m) accounted for the growth.

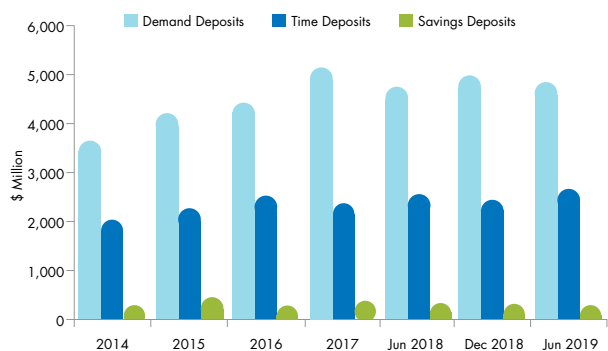
Commercial Banks' Assets



Source: Reserve Bank of Fiji

The composition of loans and advances remained relatively unchanged over the year, as private individuals continued to account for the majority of the commercial banks' lending portfolio at 29.8 percent, followed by the corporate sectors of wholesale, retail, hotels and restaurants (20.9%), real estate (15.8%), building and construction (11.3%) and manufacturing (6.5%).

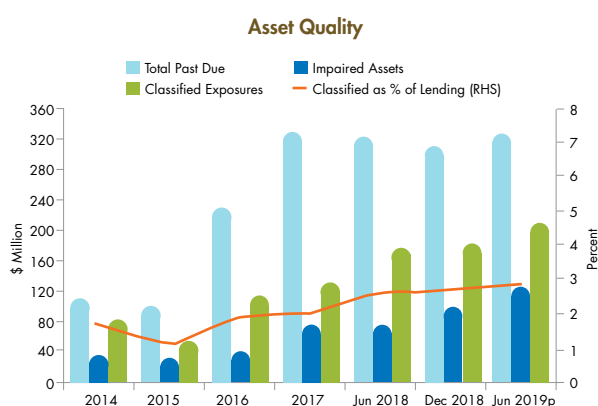
Components of Deposits



Source: Reserve Bank of Fiji

Total deposits of commercial banks decreased over the year by 0.3 percent to \$7.9 billion as at 30 June 2019 while balances due to banks increased by 23.0 percent. The decline in deposits was led by decreases in demand and savings deposits by \$129.0 million and \$60.2 million, respectively. Time deposits, on the other hand, grew by \$163.6 million.

Commercial banks maintained a capital adequacy ratio of 17.9 percent as at 30 June 2019, above the minimum regulatory requirement of 12.0 percent.



Source: Reserve Bank of Fiji

Classified exposures of commercial banks remained at satisfactory levels noting an increase of 13.9 percent over the year to \$206.6 million as at 30 June 2019. Classified exposures to gross loans increased slightly to 2.8 percent over the year.

Subsequent to the increase in classified exposures, total specific provisions increased to \$81.5 million as at 30 June 2019, from \$73.3 million during the same period last year. Specific provisions were adequate to cover 39.4 percent of classified exposures. However, the general reserves for credit losses (GRCL) decreased to 0.9 percent of net loans from 1.1 percent, owing to changes in the financial institutions' provisioning policy.

Total past due loans and advances of commercial banks was up by 1.0 percent and stood at \$324.2 million as at 30 June 2019. Majority of the past due loans were concentrated (60.3%) in the one to three months category.

Commercial banks' problem loans were concentrated in the private individuals (28.9%), wholesale, retail, hotels and restaurants (16.8%), building and

construction (15.3%), transport and storage (13.1%) and real estate (11.9%) sectors.

Summary of Commercial Banks' Profitability (\$ Million)

	2015 ¹	2016 ¹	2017 ¹	Jun 2018r ²	Dec 2018	Jun 2019p ²
Interest Income	321.5	360.0	386.9	201.7	413.4	219.2
Interest Expense	88.6	101.1	130.4	68.0	140.1	82.3
Net Interest Income	232.9	258.9	256.5	133.7	273.3	136.9
Add: Non Interest Income	209.8	204.9	231.3	117.0	239.1	119.7
Income from Overseas Exchange Transactions	78.7	80.5	84.0	44.1	92.9	46.8
Commission	15.5	14.0	14.5	8.6	17.2	8.8
Fee Charges	83.0	83.1	85.2	44.6	90.2	42.0
Other Income	32.6	27.3	47.6	19.7	38.8	22.1
Total Operating Income	442.7	463.8	487.9	250.7	512.4	256.6
Less: Operating Expenses	236.9	237.0	245.6	128.2	257.2	122.9
Less: Bad debts and Provisions	13.2	22.0	24.8	5.6	4.9	14.6
Profit Before-Tax and Extraordinary Items	192.6	204.8	217.5	116.8	250.3	119.1
Less: Tax	39.2	44.2	46.4	24.5	47.0	27.0
Net Profit After-Tax	153.4	160.6	171.1	92.3	203.3	92.1
Add/Less: Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit After-Tax and Extraordinary items	153.4	160.6	171.1	92.3	203.3	92.1
Average Assets	7,681.7	8,446.7	9,148.4	9,540.6	9,569.0	9,741.5
After-Tax Return on Equity (%)	19.6	18.4	17.7	18.0	19.2	14.9
Efficiency (%)	53.5	51.1	50.3	51.1	50.2	47.9
Yield on Earning Assets (%)	4.8	4.8	4.8	4.8	4.9	5.1
Cost of Funding Liabilities (%)	1.3	1.3	1.6	1.6	1.7	2.0

¹ Calendar year profits for all commercial banks used.

² 6 months profits for all commercial banks used.

Source: Reserve Bank of Fiji

Commercial banks' net profit before-tax stood at \$119.1 million for the first six months of 2019. The annualised return on equity (ROE) ratio was down to 14.9 percent, while the efficiency ratio decreased to 47.9 percent. Similarly, return on assets (ROA), decreased from 2.1 percent to 1.9 percent as at 30 June 2019.

Commercial Banks' Profitability (% of Average Assets)

	2015 ¹	2016 ¹	2017 ¹	Jun 2018r ²	Dec 2018 ¹	Jun 2019p ²
Net Interest Income	3.0	3.1	2.8	2.8	2.9	2.8
Charges for Bad & Doubtful Debts	0.2	0.3	0.3	0.1	0.1	0.3
Non-interest Income	2.7	2.4	2.5	2.5	2.5	2.5
Operating Expenses	3.1	2.8	2.7	2.7	2.7	2.5
Net Profit Before-Tax	2.5	2.4	2.4	2.4	2.6	2.4
Net Profit After-Tax	2.0	1.9	1.9	1.9	2.1	1.9

¹ Calendar year profits for all commercial banks used.

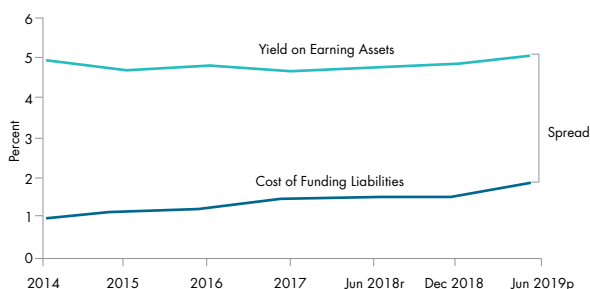
² 6 months profits for all commercial banks used.

Source: Reserve Bank of Fiji

The annualised interest rate spread decreased to 3.1 percent from 3.2 percent during the same period last year. This was mainly due to cost of funds increasing by 4 basis points to 2.0 percent, while yield on

earning assets increased by 3 basis points to 5.1 percent.

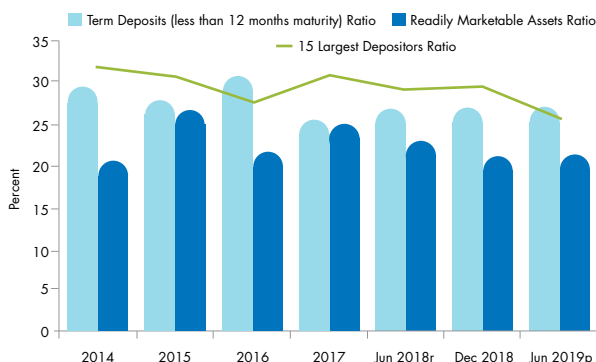
Commercial Banks' Annual Spread



Source: Reserve Bank of Fiji

Total liquid assets for commercial banks decreased from \$1.8 billion to \$1.7 billion as at 30 June 2019. Liquid assets continued to be concentrated in deposits with banks and at call (37.8%), exchange settlement account (25.7%), investments (25.3%) and cash (11.2%).

Deposits Coverage



Source: Reserve Bank of Fiji

Credit Institutions



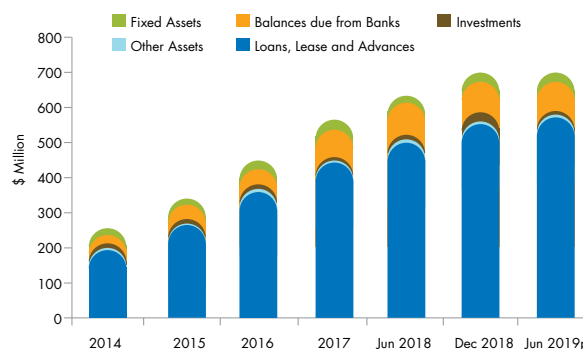
The overall consolidated performance of credit institutions was assessed as marginal, underpinned by marginal liquidity and poor asset quality levels, despite strong capital and satisfactory earnings positions.

Similar to commercial banks, the combined total assets of credit institutions expanded over the year by 15.4 percent to \$724.5 million, led by the increased lending activity.

Gross loans and advances rose by 18.7 percent to \$574.5 million. Lending to private individuals increased by 24.0 percent to \$201.1 million, along with private sector business entities which increased by 16.1 percent to \$372.1 million.

Credit institutions' total investment portfolio fell by 37.5 percent to \$17.5 million due to maturities in Government treasury bills and bonds.

Credit Institutions' Assets



Source: Reserve Bank of Fiji

Credit institutions' deposits grew by 12.6 percent to \$467.7 million at the end of June 2019. The growth was underpinned by the increase in deposits of public enterprises (31.5%), private individuals (19.7%) and private sector business entities (14.1%).

As at 30 June 2019, all credit institutions remained well capitalised despite the slight reduction in the combined capital adequacy ratio to 21.0 percent from 21.5 percent in June 2018, still well above the 15.0 percent minimum regulatory requirement.

The level of classified exposures and past due loans reported by credit institutions increased over the year. Classified exposures rose by 51.9 percent to \$69.8 million, which resulted in the ratio of classified exposures to gross loans increasing to 12.2 percent from 9.5 percent in June 2018. Similarly, past due loans increased by 30.1 percent to \$93.2 million.

Total specific provisions (individually and collectively assessed) grew by 30.7 percent to \$21.1 million and represented 30.2 percent of classified loans. However, GRCL to net loans ratio slightly fell to 1.0 percent from 1.1 percent in June 2018.

Summary of Credit Institutions' Profitability (\$ Million)

	2015 ¹	2016 ¹	2017 ¹	Jun 2018: ²	Dec 2018 ¹	Jun 2019: ²
Interest Income	34.6	49.6	64.0	38.5	82.6	47.3
Interest Expense	6.3	10.7	15.2	9.5	20.6	12.4
Net Interest Income	28.3	38.9	48.8	29.0	62.0	34.9
Add: Non Interest Income	2.9	4.2	4.1	2.4	4.2	1.7
Commission	0.2	0.8	0.8	0.4	0.4	0.1
Fee Charges	1.9	2.0	1.8	1.4	2.5	1.0
Other Income	0.8	1.4	1.5	0.6	1.3	0.6
Total Operating Income	31.2	43.1	52.9	31.5	66.2	36.6
Less: Operating Expenses	13.3	17.3	20.0	12.0	25.4	14.4
Less: Bad debts and Provisions	1.2	6.3	5.4	3.3	6.2	3.9
Profit Before-Tax	16.7	19.5	27.5	16.1	34.6	18.3
Less: Tax	3.8	4.1	5.7	1.8	5.1	3.3
Net Profit After-Tax	12.9	15.4	21.8	14.3	29.5	15.0
Earning Assets	299.3	392.7	500.2	565.2	624.4	634.7
Cost of Funds	225.0	314.3	401.5	456.7	509.6	514.6
Average Assets	269.5	371.9	479.2	568.9	602.9	678.2
After-Tax Return on Equity (%)	17.2	18.9	23.1	26.5	26.5	24.3
Before-Tax Return on Asset (%)	6.2	5.2	5.7	5.7	5.7	5.4
Efficiency (%)	42.5	40.1	37.8	38.3	38.3	39.3
Yield on Earning Assets (%)	13.7	14.3	14.3	14.5	14.7	14.9
Cost of Funding Liabilities (%)	3.5	4.0	4.2	4.4	4.5	4.8

¹ Calendar year profits for all credit institutions used.

² 6 months profits for all credit institutions used.

Source: Reserve Bank of Fiji

Credit institutions' profitability improved over the year as the combined net profit before-tax increased to \$18.3 million from \$16.1 million in June 2018. The ROE and ROA ratios (annualised) stood at 24.3 percent and 5.4 percent, respectively with the industry's efficiency ratio at 39.3 percent.

The combined credit institutions' annualised spread remained at 10.1 percent, a result of similar levels of growth reported on yield on earning assets and cost of funding liabilities over the year.

Liquid assets of credit institutions stood at \$113.2 million at the end of June 2019, growing by 0.5 percent and represented 24.2 percent of total deposits.

The Insurance Industry

The insurance industry's performance remained satisfactory for the period ending 30 June 2019 as both the life and general insurance sectors recorded acceptable levels of profitability and solvency. Both sectors recorded strong solvency positions at \$399.2 million and \$97.0 million, respectively.

Total assets of the insurance industry grew marginally in the review period by 5.3 percent to \$1.8 billion.

Life insurers' total assets expanded slightly by 6.6 percent to \$1.4 billion attributed to the increases in land and buildings, government securities and shares in related persons and non-related persons. Similarly, general insurers' total assets expanded by 0.9 percent to \$389.7 million underpinned by the increases in cash on hand, bank deposits, land and buildings and shares in non-related persons.

The consolidated net premium income for the insurance industry stood at \$301.5 million as at 30 June 2019. Life insurers' net premium income was reported at \$145.5 million whilst the general insurance sector's net premium income accounted for 51.7 percent of the combined net premium income at \$156.0 million.

Net policy and claims paid over the review period stood at \$216.6 million. This comprises the life insurers' policy payments of \$118.8 million and general insurers' claims payment of \$97.8 million. Reinsurance payments however provided some cushion for the claims payment by general insurers.

The broking industry continued to report acceptable operating results in the review period. A total of 1,535 applications were placed with offshore insurers for the period ending 30 June 2019 with total premiums of \$70.6 million.

Fiji National Provident Fund



The Fund's financial condition for the year ended 30 June 2019 continued to be assessed as satisfactory, as solvency requirements were met, supported by the growth in its net surplus position and increase in return on investments (ROI).

As the single largest financial institution representing 34.6 percent of Fiji's financial system, the Fund's total assets expanded by 14.4 percent over the year to \$7.5 billion largely attributed to the growth in its investment portfolio to \$6.8 billion. Investments in government securities and local equities recorded the highest increase of \$434.9 million and \$156.1 million, respectively. The Fund's investment portfolio accounted for 91.9 percent of its total asset base.

Total member balances increased by 12.2 percent over the year to \$5.9 billion attributed to a relatively higher growth in contributions (\$652.0m) and the interest declared to members as at 30 June 2019. The credited interest rate declared for 2018-19 FY was 6.75 percent amounting to \$364.0 million, higher than the previous year (6.35%; \$270.0m). The increase in the interest declared reflects the one-off revaluation gains recorded in the last financial year, notably from subsidiaries' valuations after the adoption of IFRS 9.

As a systematically important financial institution, the supervision and regulatory activities conducted by the RBF on the Fund included regular prudential consultation meetings on key significant activities, offsite and onsite supervision of high risk areas and ongoing follow-ups on actions taken by the FNPF on the recommendations of past RBF onsite examinations.

Capital Markets



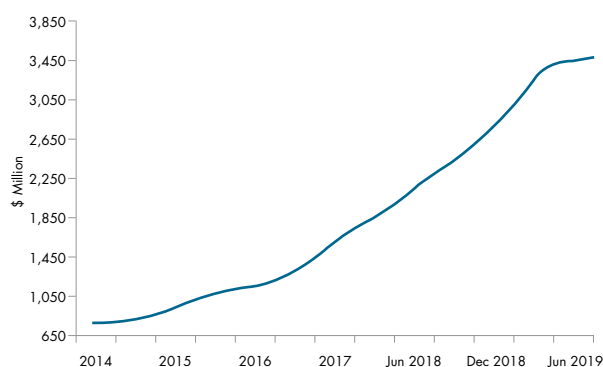
In terms of stock market performance, the volume and value of shares traded on the SPX increased significantly for the year ending June 2019, following the listing of Kontiki Finance Limited (KFL) in July 2018.

The increase was also attributed to increased trading in Fijian Holdings Limited (FHL) shares, following the completion of the share split process in January 2019, whereby the trading price was adjusted from \$8.50 to \$0.85, rendering the shares cheaper for investors.

KFL's listing coupled with the additional quotation of its shares and increases in the share prices of 17 of the 20 listed securities, contributed to the increase in market capitalisation from \$2.4 billion to an all-time high of \$3.6 billion as at 30 June 2019. The top five listed securities, in terms of market capitalisation, accounted for 81.7 percent of the stock market as at

the end of June 2019.

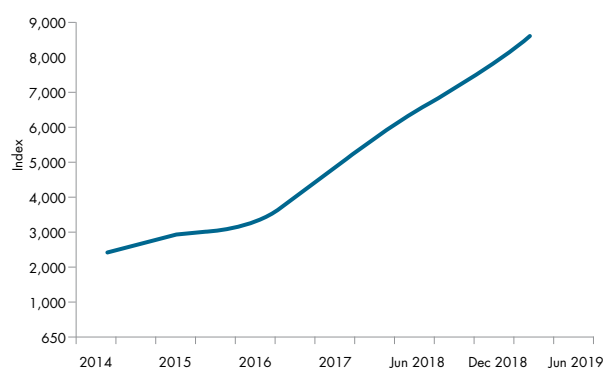
Market Capitalisation



Source: South Pacific Stock Exchange

The SPX Total Return Index (STRI), a measure of the stock market performance in terms of total returns, rose by 42.8 percent from 5,973.25 to 8,527.84 as at 30 June 2019.

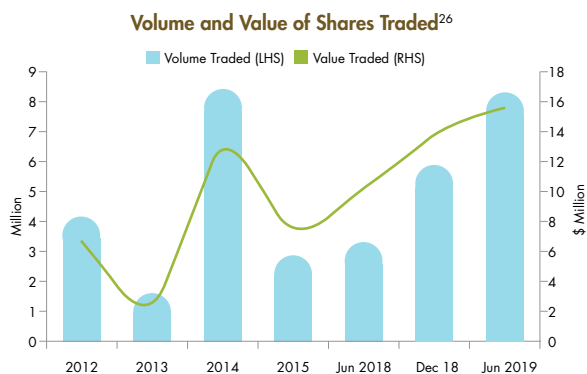
SPX Total Return Index



Source: South Pacific Stock Exchange

Over the year to June 2019, 8.4 million shares valued at \$15.6 million were transacted through 2,420 trades, compared to 3.4 million shares valued at \$10.2 million through 1,727 trades for the same period in 2018.

This excludes seven special crossing transactions conducted during the year for four listed securities with a total volume of 3.8 million shares valued at \$9.5 million.



The average dividend yield on the listed shares as at 30 June 2019, stood at 2.7 percent compared to 3.7 percent for the same period in 2018. However, there was a significant increase in capital growth, which stood at 46.9 percent compared to 35.0 percent for the same period in 2018.

The buy-to-sell order ratio as at 30 June 2019, stood at 1:8 compared to 1:3 for the same period in 2018. The ratio is reflective of the higher number of sell orders relative to buy orders in the stock market.

Funds under management of the MIS rose by 20.0 percent from \$314.6 million to \$377.5 million as at 30 June 2019. This was largely due to increases in unitholders' funds and reserves by \$36.9 million and \$26.0 million, respectively.

Listed securities dominated the investment portfolio of MIS at 41.9 percent, followed by unlisted securities (24.6%), term deposits held at financial institutions (19.8%), bonds (9.3%), loans and receivables (3.7%) and property (0.7%).

The MIS recorded a decline of 9.1 percent in net profit to \$8.9 million for the year ended 30 June 2019,

underpinned by the increase in investment expenses by \$1.2 million, which outweighed the \$0.3 million increase in investment income.

The number of unitholders in the MIS grew by 11.0 percent to 36,967 as at 30 June 2019. Private individuals comprised 74.5 percent of total unitholders and 25.5 percent comprised institutions and other groups.

Complaints Management



In the review period, the Reserve Bank received 82 new complaints from individuals and 12 complaints referred from other regulators and government agencies. As at 31 July 2019, 58 complaints were resolved and 36 were pending, awaiting action from the Licensed Financial Institutions (LFIs) or further documents from the complainants. The Bank also received 25 queries.

The majority of the complaints related to commercial banks and insurance companies. In the banking and credit institutions sectors, the complaints related mainly to lending and mortgage matters and in the insurance sector, most complaints related to motor vehicle claims.

To address the complaints received, the Bank held 79 meetings with complainants, LFIs and other partner organisations during the review period.

The Complaints Management Forum met once during the year to discuss consumerism and market conduct issues at an industry level.

²⁶ This graph excludes Special Crossing Transactions.

CURRENCY

Pursuant to section 4(a) of the Reserve Bank Act (1983), the Bank is charged with regulating the issue of currency in Fiji. The RBF is responsible for maintaining an adequate supply of quality notes and coins in circulation. It issues notes and coins that are commensurate with demand for payment purposes and redeems any notes or coins that are mutilated or no longer fit for circulation and destroys them accordingly. The Bank also determines the denomination and design of Fiji's notes and coins, subject to the approval of the Minister for Economy.

Note Processing



The purpose of the note processing operation is to ensure that quality notes are in circulation. All notes returned to the Bank through commercial banks and the general public are processed and sorted for fitness by a note processing machine.

For the financial year ending 31 July 2019, 30.3 million returned notes were processed of which 7.4 million pieces were deemed fit for reissue while the balance was considered unfit and subsequently destroyed.

Unfit notes mainly consisted of \$10 and \$50 denominations.

Notes Processed

	Aug 2017-Jul 2018		Aug 2018-Jul 2019	
	Value (\$ Million)	Pieces (Million)	Value (\$ Million)	Pieces (Million)
Notes Processed				
Notes Saved for Reissue	732.7	17.0	438.0	7.4
Notes Destroyed	547.1	19.6	712.2	22.9
Total Processed	1,279.8	36.6	1,150.2	30.3

Source: Reserve Bank of Fiji

Currency in Circulation



As at 31 July 2019, total currency in circulation was \$852.2 million compared to \$837.4 million a year ago.

During the 2018-19 FY, the value of notes in circulation increased by 1.4 percent to \$787.8 million. The \$5, \$10 and \$50 denominations were the highest circulated notes.

The value of coins in circulation increased by 5.9 percent to \$64.4 million during the financial year.

The \$1 and \$2 coins registered a growth of 6.5 percent to \$16.3 million and 8.4 percent to \$18.1 million, respectively. The 5-cent coin accounted for the highest volume of coins in circulation.

The Bank continued to accept demonetised currency in circulation from the general public. Pre-decimal currency comprising pounds, shillings and pence issued before 1969 were also accepted from the public.

Notes and Coins in Circulation (\$ Million)

Notes in Circulation			
Denomination	Jul 2017	Jul 2018	Jul 2019
50c	0.1	0.1	0.1
\$1	1.7	1.7	1.7
\$2	7.8	7.9	7.8
\$5	21.2	23.1	24.1
\$7	6.2	6.5	6.2
\$10	52.0	47.1	47.7
\$20	85.9	85.5	83.4
\$50	247.2	234.1	240.8
\$100	280.6	370.3	375.7
Pre-decimal Currency	0.3	0.3	0.3
Total	703.0	776.6	787.8
Coins in Circulation			
Denomination	Jul 2017	Jul 2018	Jul 2019
1c	1.3	1.3	1.3
2c	1.1	1.1	1.1
5c	4.4	4.7	5.0
10c	4.8	5.1	5.3
20c	6.9	7.4	7.7
50c	8.7	9.0	9.4
\$1	14.0	15.3	16.3
\$2	15.2	16.7	18.1
Pre-decimal Currency	0.2	0.2	0.2
Total	56.6	60.8	64.4
Notes and Coins in Circulation			
	Jul 2017	Jul 2018	Jul 2019
Notes	703.0	776.6	787.8
Coins	56.6	60.8	64.4
Currency in Circulation	759.6	837.4	852.2

Source: Reserve Bank of Fiji

Cost of Currency

For the financial year ending 31 July 2019, the cost of currency issued by the Bank remained constant.

Cost of Currency Issued (\$ Million)

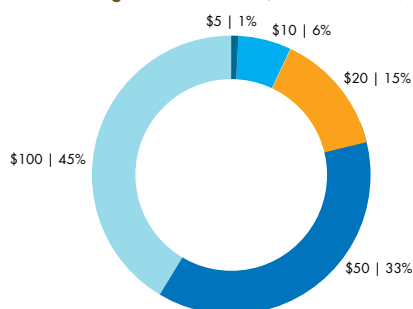
	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019
Notes	2.6	2.7	3.1
Coins	0.6	1.1	0.7
Total	3.2	3.8	3.8

Source: Reserve Bank of Fiji

Banking Transactions

For the FY ended 31 July 2019, the value of currency issued to commercial banks was \$1,152.4 million, of which \$1,146.5 million was in notes and \$5.9 million in coins.

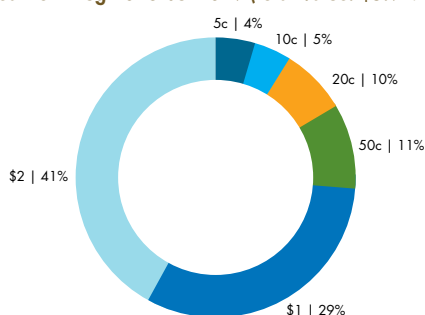
Notes Issued from Aug 2018–Jul 2019 (Total Value: \$1,146.5 Million)



Source: Reserve Bank of Fiji

The \$50 and \$100 notes issued were the highest value of note denominations in circulation driven by their increasing usage in ATMs.

Coins Issued from Aug 2018–Jul 2019 (Total Value: \$5.9 Million)



Source: Reserve Bank of Fiji

The \$1 and \$2 coins continued to be the highest value of coin denominations in circulation which demonstrates the shift in public demand from low to high value coins.

Mutilated and Old Design Currency Assessments

A total of \$0.6 million in mutilated and old design currency was reimbursed to commercial banks, businesses and individuals during the review period.

Counterfeit Notes



The volume of counterfeit notes discovered during the FY ended 31 July 2019 was negligible, at less than 0.1 percent of the value of total currency in circulation.

Counterfeit Note Summary

Denomination	Aug 2017-Jul 2018		Aug 2018-Jul 2019	
	Value (\$)	Number of Notes	Value (\$)	Number of Notes
\$5	-	-	-	-
\$7	14	2	-	-
\$10	40	4	30	3
\$20	280	14	160	8
\$50	7,700	154	900	18
\$100	1,200	12	900	9
Total	9,234	186	1,990	38

Source: Reserve Bank of Fiji

In its effort to address counterfeiting, the Bank continued to assist the Fiji Police Force with relevant investigations.

The Bank also distributed awareness materials to various organisations, schools and general public.

Numismatics

Numismatic or "collector" currency income for the FY ending 31 July 2019 was \$0.9 million.

The sale of existing silver and coloured coins, single, pairs and uncut note sheets including other collectible items continued during the year.

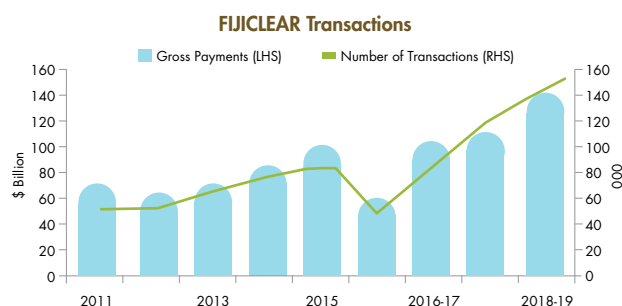
The Bank also signed a number of agreements with partner mints for various new programmes.

PAYMENT AND SETTLEMENT SYSTEMS

Payment and Settlement Systems are critically important in maintaining financial stability and monetary policy. The Bank provided effective oversight of Fiji's systemically important payment system, FIJICLEAR, through the year. It also ensured there was adequate liquidity within the payment system to ensure settlement was reached with finality. The Reserve Bank continued to facilitate the adoption of digital modes of payments in the country.

FIJICLEAR

FIJICLEAR is a real time gross settlement system. Commercial banks utilise the system entirely for interbank transfers for convenience, security and finality in settlement in real time. The system continued to operate efficiently with increases recorded in activity over the year.



Source: Reserve Bank of Fiji

There were 147,560 transactions valued at \$142.9 billion recorded during the financial year. Trend growth in activity, as highlighted in the graph above, reflects commercial banks' dependence and trust in FIJICLEAR.

Monthly Average FIJICLEAR Transactions

Monthly Average	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019
Gross Payments (\$M)	7,122	8,395	8,927	8,793	9,455	11,900
Number of Transactions	8,573	9,144	9,336	10,019	11,015	12,297

Source: Reserve Bank of Fiji

The monthly averages for FIJICLEAR operations saw an increase in both gross value and volume.

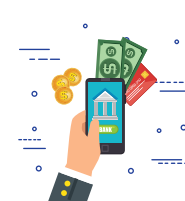
Settlements

Settlements plays a supportive role to the reserves management function. It is responsible for the accurate and timely settlement of all foreign currency trades undertaken by the RBF. It also accounts for all foreign currency trades into the Hi-Portfolio Investment System.

Regional and supranational organisations maintain FJD-denominated accounts with the Reserve Bank. Settlements executes payments within Fiji on behalf of such organisations upon receipt of instructions through SWIFT which is a secure messaging system used globally to send all financial transactional instructions to our foreign and domestic counterparties.

The Bank proactively keeps abreast with developments within SWIFT. In December, it provided confirmation of its compliance with SWIFT's global attestation programme. It also continued to review and implement Know-Your-Customer (KYC) security requirements and requested such requirements from relevant counterparties over the year.

Mobile Payments



The expansion to other electronic payment platforms and greater awareness on the benefits of Mobile Money such as M-PAiSA and Digicel Mobile Money continued to facilitate the velocity of money. As part of its mission, the Reserve Bank continues to encourage initiatives that will further improve the efficiency of digital payment systems in Fiji. Within this development, it focused its efforts on the safety and security of transacting digitally. This focus has resulted in a robust and resilient technology infrastructure linking mobile wallets with commercial banks, the retail market, utility companies and Government.

Mobile Money Development



Mobile money services provided by the Mobile Network Operators (MNOs) continued to progress during the year with several ongoing, as well as new initiatives

such as:

- Government's mandatory card-based bus fare payment system, known as eTransport which uses the Vodafone Fiji Limited's (Vodafone) M-PAiSA platform continued to facilitate e-money circulation for both mobile money and eTransport services. For the 12 month period ending 30 June 2019, there were 1.7 million cards issued, recording around 16.5 million top-up transactions (worth \$122.0 million).
- Government's CARE for Fiji initiative for those affected by Tropical Cyclones Josie and Keni ended in August 2018. A total of \$128.1 million in cyclone relief assistance was distributed through M-PAiSA.
- Use of the mobile money platform for eTransport assistance to social welfare recipients through the Ministry of Women, Children and Poverty Alleviation, to students through the Ministry of Education, Heritage and Arts and the Tertiary Education Loan Scheme (TELS).
- From October 2018, M-PAiSA users could pay for Fiji Airways' services without incurring any transactional fees. This service is accessible 24 hours.
- A new partnership between Vodafone and RIA Money Transfer hub, an inward remittance service provider, enabled M-PAiSA customers to receive remittances directly into their M-PAiSA mobile wallets from up to 94 countries worldwide including Australia, NZ, France, Japan, Germany and United Kingdom. RIA is one of the top three largest remittance services providers globally.
- The Pacific Financial Inclusion Programme (PFIP) launched a PacFarmer mobile phone application ("App") in October 2018. This new mobile based digital platform connects farmers with potential buyers, allows digital payments and provides access to credit opportunities and other financial services such as cash-flow and budget assessment.

In addition, the App allows farmers to access information on government support schemes, commodity prices and weather information. This initiative is the work of the PFIP, the University of the South Pacific (USP), Vodafone and various farmer cooperatives and representative bodies.

The M-PAiSA platform remained the major top-up channel for eTransport cards throughout Fiji. The public can also top up using the Digicel platform. There were 443 registered mobile money active agents around Fiji, an increase of about 17.8 percent compared to the end of the last review period.

Notably, there have been 339,936 person-to-person (P2P) transfers valued at \$35.5 million since the launch of Mobile Money in June 2010. During the year, the value of P2P transfers increased by 72.5 percent to \$11.9 million at the end of July 2019. Over the year, the number of P2P transfers increased by 85.3 percent to 117,124.

The total value of electronic money in circulation noted an increase of 4.3 percent to 31.7 million as at the end of July 2019 consistent with the growth of mobile money services.

Inward Remittances through Mobile Money

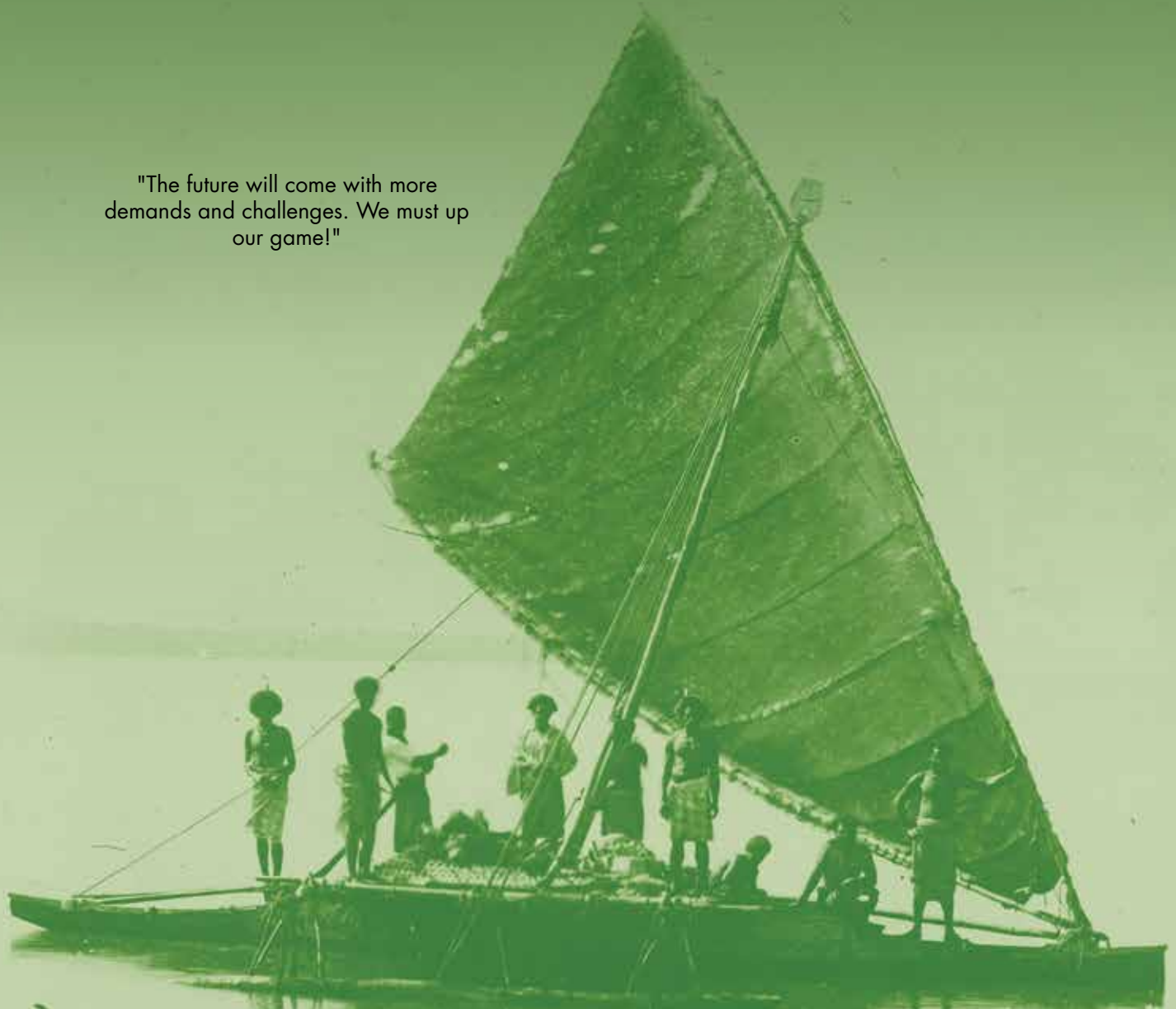


MNOs' progressive partnership with international money transfer platforms have continued to support the growth in inward remittances during the review period.

In the year, significant growth was recorded in both the volume and value of inward remittances. As at 31 July 2019, the total number of inward remittance transactions recorded had increased by 39.3 percent to 57,890 while the total value registered an increase of 41.4 percent to \$16.4 million. These notable increases were largely due to the new partnership forged between Vodafone and RIA Money Transfer hub. Future outlook on international money transfers via mobile money is envisaged to grow further as mobile money operators continue to explore new remittance channels.

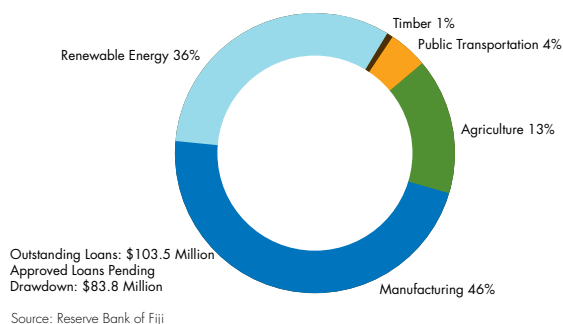
Excerpt from the Governor's Speech - Launch of the August 2019 - July 2024 RBF Strategic Plan

"The future will come with more demands and challenges. We must up our game!"



MISSION**ENHANCE OUR ROLE IN THE DEVELOPMENT OF THE ECONOMY****Import Substitution and Export Finance Facility (ISEFF)**

During the year, the Reserve Bank continued to provide concessional funding to businesses involved in exports, import substitution, public transportation and renewable energy projects under ISEFF. Demand for funding from eligible businesses continued to increase, which resulted in 22 businesses assisted during the year with a sum of \$47.7 million, compared to 14 businesses with the total loan value of \$30.0 million in the previous year. In light of the increased demand from eligible businesses and with the need to support the productive sectors of the economy, the Reserve Bank increased the total allocation under the facility from \$100 million to \$150 million initially, then subsequently increased this allocation to \$200 million.

ISEFF Outstanding Loans by Sector as at 31 July 2019

As in previous years, the uptake of funds were mainly for export finance but lending for import substitution related business also picked up particularly for public transportation. Following the extension of coverage under the facility to include public transportation, a total of \$3.8 million has been advanced to four bus companies and three taxi operators. The largest number of approved loans was made to the manufacturing sector, followed by the agriculture sector including dairy, cattle, poultry, piggery, fruit and vegetable farming as well as prawn farming. As

at 31 July 2019, total outstanding loans under the facility was \$103.5 million against the total allocation of \$200.0 million.

Small and Medium Enterprises Credit Guarantee Scheme (SMECGS)

The Reserve Bank continued to administer the Fijian Government's SMECGS during the year. Since its inception in 2012, Government has committed \$4.0 million towards the scheme which is accessible to commercial banks, licensed credit institutions and the Fiji Development Bank (FDB). At the end of July 2019, a total of 1,979 active Small and Medium Enterprise (SME) loans valued at \$112.5 million were registered under the scheme compared with 1,844 loans valued at \$108.5 million at the end of July 2018. There were two new claims during the year taking the total amount claimed under the scheme to \$0.09 million against the total allocation of \$4.0 million.

Housing Facility

The RBF continued to provide concessional funding under the Housing Facility for low income earners. First homeowners with a combined income of \$50,000 or less are eligible to access funds under the facility. During the review year, a total of \$14.9 million was advanced to 167 first homeowners. In light of the increased demand for housing funding from low income earners, the total allocation under the facility was increased from \$60.0 million to \$100.0 million. Since the inception of the facility, a total of \$41.1 million have been advanced to 812 applicants to build or purchase their new homes.

Secondary and Retail Bond Market

Given the continued favourable response for Viti Bonds, the Government floated another \$10.0 million

for the 2018-19 FY. A total of \$6.3 million was issued in Viti Bonds to 115 investors during the year. The value of outstanding Viti Bonds at the end of July 2019 stands at \$47.3 million for 404 investors.

Activity in the secondary bond market was confined to the Reserve Bank's purchases of 101 parcels of Viti Bonds valued at \$1.7 million.

Secured Transactions Reform



The review year saw the achievement of two Secured Transactions Reform milestones. Phases I and II of the reform which focused on developing the legislative framework and the

online registry were successfully completed on 31 May 2019 with the commencement of the Personal Property Securities Act 2017 (PPSA) and the launch of the Fiji PPSR. The Reserve Bank has now shifted focus to Phase III which is assisting lending institutions to develop credit products that will enable the flow of funds to borrowers, especially the MSME sector.

As at 31 July 2019, the PPSR had recorded 25,085 filings from all six commercial banks, four credit institutions, four non-bank financial institutions, four car dealers, two hire purchase companies and 24 law firms. These numbers are expected to increase further as lenders look to migrate all existing security interests to the PPSR within the 180 day transition period which ended on 27 November 2019. The Reserve Bank also undertook various awareness sessions for stakeholders on the PPSA, its legal implications, the PPSR and practical effects on the conduct of business in Fiji. This will continue into the new financial year along with undertaking an impact evaluation study which will measure the effectiveness of the reform.

Micro, Small and Medium Enterprises (MSME) Development



In partnership with the PFIP, the Bank engaged MicroSave Consulting (MSC) to undertake a feasibility study on the need for a dedicated MSME institution in Fiji. This study came out of a key recommendation

on understanding the MSME Landscape in Fiji which was highlighted in the Market Development Facility (MDF) Report released in the previous year. There are some pending work remaining on finalising a way forward for an MSME institution in Fiji.

The MSME Technical Working Group (TWG) met four times in the year to discuss progress on the establishment of the Central Coordinating Agency (CCA), to review the scope of studies funded by development partners to be undertaken in the MSME sector, explore the possibilities of developing revised definitions and thresholds for MSMEs in Fiji and to receive updates on the various MSME related initiatives undertaken by the Ministry of Industry, Trade and Tourism (MITT) and the Reserve Bank. Work on these areas will continue in the coming year with the intention of developing a National Master Plan for the MSME sector in Fiji.

National Financial Inclusion Taskforce (NFIT)

The work of the NFIT is guided by the National Financial Inclusion Strategic (NFIS) Plan 2016-2020. The strong multi stakeholder partnership and collaboration amongst financial inclusion stakeholders were demonstrated during the year to expand financial services and increase awareness.

The iTaukei financial literacy programme, Noda i Lavo, was first launched and aired on Fiji Broadcasting Corporation Television in 2017. Hosted by Mr Tevita Gade of the RBF, the programme has since completed three seasons with Season 3 being aired from February to May 2019. The programme features partner stakeholders as guests discussing various financial issues pertaining to their organisations. Guests in Season 3 included representatives from capital markets, insurance industry (BIMA insurance and bundled insurance), Ministry of Agriculture, development partners and the RBF covering Viti Bonds, FIJICLEAR and complaints management. Season 4 is currently in the planning stage with the intention to air the programme in early 2020.

The Financial Literacy Working Group (FLWG) of the NFIT organised another two retirement expositions in Lautoka and Labasa to raise public awareness on the importance of financial planning and the need

to be financially prepared for retirement. Taglined "Retirement Exposition - Are You Ready?" the event provided a one-stop-shop for the public to access financial products and services and offered a good platform to create awareness on retirement.

In partnership with PFIP, the RBF continued to recognise and reward teachers and schools for creative approaches and initiatives in teaching Financial Education (FinEd) through the annual FinEd Innovation Awards. This was held at the Head Teachers' Association Annual Conference at Swami Vivekananda College in Nadi on 14 September 2018.

The National Microfinance Award (NMA) is one of the many initiatives of the NFIT that provides a platform to raise awareness and promote financial inclusion in Fiji. In November 2018, the RBF released a media note calling for submissions for the 5th NMA. The Awards event was held on 30 July 2019. The Awards continue to recognise exceptional achievers in the Individual, Partnership and Young Micro-entrepreneur categories as well as outstanding Microfinance Service Providers (MSPs). Three new categories were introduced, namely Best Innovative Microenterprise, Best Microfinance Farmer of the Year and Rising Star Start-Up. In addition, the event featured an Overall National Microfinance Business of the Year Award, increasing the total number of Award categories to eight from four in the previous year. The NMA is linked to the National Financial Inclusion Strategic Plan 2016-2020, empowering women and grassroots communities to improve their livelihoods through entrepreneurship.

Inclusive Insurance



The bundled insurance product initially launched to farmers (sugarcane, rice, dairy and copra) in 2017 has a combined cover of \$10,000 for funeral, term life, personal accident and fire with a premium of \$52 per annum (\$1 per week).

On 1 August 2018, the bundled insurance product was extended to 72,376 social welfare recipients and

35,041 civil servants. The second product variant includes a premium of \$70 per annum (\$1.35/week) for three different combined covers depending on age. Those below 70 years of age have a combined cover of \$10,000 for term life, funeral, personal accident and fire. Those between 70-75 years of age have a combined cover of \$7,000 excluding the term life component while those above 75 years of age are only covered for personal accident and fire while government subsidises the funeral component.

Insurance uptake by individuals and households prior to the introduction of the bundled product were mainly confined to middle and high income earners, registering around 12.0 percent of the adult population according to the 2015 Fiji Financial Services Demand Side Survey (DSS). The recent uptake of the bundled insurance product has resulted in a significant increase in insurance uptake to 42.0 percent, with many having insurance cover for the first time.

Realising the impact of climate change on farm households and national income, an Agriculture Insurance National Working Committee (AINWC) comprising relevant stakeholders (including line Ministries, the Fiji insurance industry and other private sector and international development agencies) was established in 2018. The main objective of the AINWC was to explore opportunities for the introduction of agriculture insurance in Fiji and its overall vision is to ensure that Fiji's agriculture sub-sectors (non-sugar crops, sugarcane, livestock, fisheries and forests) have access to sustainable and affordable agriculture insurance that is effective in mitigating the effects of climate and disaster-related adversities in the agriculture sector. The AINWC had its first meeting on 14 December 2018 and is co-chaired by the Governor and the Permanent Secretary for the Ministry of Agriculture, Mr David Kolitagane.

Sustainable Finance



Following from the September 2017 Workshop on Sustainable Finance Initiatives, the draft Fiji's Sustainable Finance Roadmap ("Roadmap") took shape with the assistance of the World Bank,

International Finance Corporation (IFC), Sustainable Banking Network (SBN), Indonesia Financial Services Authority (OJK) and China Banking Regulatory Commission (CBRC). The draft Roadmap was revised further to be more concise with core strategies that recognised the existing initiatives and considered risks and its impact for all players including the consumers as well as account for measurable and achievable targets.

In May 2019, the draft Roadmap was shared with the Climate Change Unit of the Ministry of Economy for their review and feedback.

The Roadmap provides guidance to the financial service providers to focus on three key focus areas: capacity building and awareness; product innovation, review and implementation; and environmental, social and governance (ESG) risk management and ESG disclosure. It is intended that by 2025, in partnership with Government and relevant stakeholders, Fiji would have financial deepening with a sound, dynamic and inclusive financial sector that supports sustainable economic growth.

Financial Services Disaggregated Data

Following extensive industry-wide consultations, the Reserve Bank issued its first Financial Sector Development Policy Statement on the Minimum Requirements for the Provision of Disaggregated Data. The Policy, which came into effect from 1 June 2019 outlines the minimum requirements for the provision of financial sector disaggregated data by supervised Financial Service Providers (FSPs). It standardises the collating and reporting of financial sector disaggregated data, allows comparison of data between FSPs, strengthens data availability and quality and assists in formulating evidence-based policy interventions for financial inclusion in Fiji.

Disaggregated data refers to data collected as the breakdown of primary observations or dimensions to a more detailed level to provide a broader picture. Under the Policy, disaggregated data refers to the breakdown of financial sector data by gender, location and age for account ownership, payment services, payment instruments, MSME financing, insurance, investments and personal remittances.

Capital Markets Advisory and Development Taskforce (CMADT)

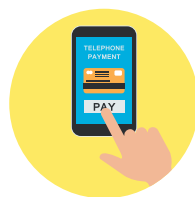
The CMADT held three meetings during the year, advocating for growth and expansion in Fiji's capital markets and keeping track of ongoing positive developments. The CMADT is supported by its three working groups - Capital Market Awareness and Capacity Building Working Group; Capital Market Legislative and Regulatory Environment Working Group and Capital Market Industry Development Working Group.

During the review period, the following key developments were noted: -

- Investor awareness and protection are key to the development of the capital markets in Fiji. As such, the Reserve Bank drafted the Investor Compensation Fund (ICF) Guideline as part of compensation framework established under the Companies Act 2015 for holders of security industry license. The compensation framework of the ICF provides for the settlement of claims made by investors who suffer pecuniary losses resulting from the failure of a holder of a securities industry licence to meet its contractual obligations, in this case, the licensed stockbrokers and dealers. The Guideline contains rules and guidance for the ICF Committee which is appointed by the Reserve Bank and describes applicable circumstances for compensation and how much compensation can be paid to a claimant. The Guideline was issued to the Capital Markets industry and made effective from 1 January 2019.
- Work on developing Fiji's corporate debt market continued under the Capital Markets Project 2017-2020 with the IFC. The IFC undertook a mission to gauge the appetite of major private sector investors for corporate bonds through one-on-one discussions with the heads and treasury teams of identified institutions. The mission also carried out a review of the regulatory environment for possible issuance of corporate bonds in Fiji. At the conclusion of the mission, a TA Report on Developing Corporate Debt Market was prepared setting out the observations and recommendations to consider for promoting an active corporate debt market in Fiji.

- An inaugural Corporate Bonds Forum was convened in February 2019 at the Grand Pacific Hotel attended by 70 participants including potential issuers and investors, regulators, intermediaries and government representatives. The content of the Report was used as the basis for discussion during the Forum. Subsequently, the Corporate Debt Market Initial Framework and a proposed Action Plan were formulated. A Corporate Bond Working Group was also established to assist in articulating the corporate debt market framework.
- The Taskforce supported the Reserve Bank initiatives to pursue an application for Associate Membership of the International Organisation for Securities Commission (IOSCO). The IOSCO is an international standard-setting body for capital markets and securities industries and also provides training and technical assistance for developing countries like Fiji. Fiji's application was submitted on 30 July 2019 and the Bank received confirmation of membership on 16 September 2019.
- In February 2019, taskforce members, representatives from the Ministry of Industry, Trade and Tourism together with the Governor and RBF staff attended the 2019 World Exchange Congress (WEC) in Beirut, Lebanon. The WEC was an eye opening experience with many lessons for capital markets development. The 2020 WEC to be held in Fiji will provide an opportunity for stakeholders in Fiji to hear about international experiences on capital markets developments.

e-Money Taskforce



In the review period, the Reserve Bank continued its contribution to developing the payments industry and re-established the e-Money Taskforce to examine the important trends in the payments system, particularly with regard to digital financial services. The e-Money Taskforce met twice and deliberated on key issues including fee-free EFTPOS transactions for local debit cards, mobile money developments, the impact of mobile money on monetary policy and a proposal for an electronic KYC²⁷ solution for Fiji's financial sector.

The e-Money Taskforce continues to explore new areas of development and appropriate policy responses to improve the efficiency of various payments services, particularly through leveraging new technology.

Local Advisory Boards

The Bank held three individual and one joint collaborative meeting with the local advisory boards of foreign owned commercial banks to discuss national development issues and government policies, financial development and inclusion initiatives and the banks' role in addressing these issues.

Financial Sector Development Plan (FSDP)

The Reserve Bank continued its work on the implementation of the Financial Sector Development Plan (2016-2025) through the existing Taskforces and relevant Working Groups.

²⁷ Know-Your-Customer.

COMBATING MONEY LAUNDERING

The FTR Act and the FTR Regulations are Fiji's primary laws for combating money laundering and protecting the financial system from money laundering activities and other serious offences. The FIU was established under the FTR Act in 2006 as the national agency responsible for administering and enforcing the FTR Act. The FIU is administered and fully funded by the Reserve Bank pursuant to the delegation of powers by the Minister for Justice to the Governor of the RBF.

The FIU is responsible to the Governor of the Reserve Bank in the discharge of its powers and functions and is the lead agency on anti-money laundering (AML) and combating the financing of terrorism (CFT) policy formulation, implementation and enforcement in Fiji. Pursuant to the FTR Act and Regulations, the RBF and the FIU are the designated AML/CFT supervisors in Fiji.

The FIU is responsible for the registration of AML compliance officers of financial institutions and designated non-financial businesses and professions (DNFBPs). The FIU supervises all other providers of financial services that are not supervised by the RBF, including lawyers, accountants, real estate agents and credit institutions.

Financial Institutions' Compliance with the FTR Act



During the year, the FIU conducted onsite compliance examination of seven real estate agents and three law firms.

The targeted onsite examination was to check the DNFBP sector's compliance with the AML/CFT preventative measures, namely customer due diligence, client identification and verification, record keeping, transaction monitoring, reporting of suspicious and other transactions, internal control policies and staff AML training and awareness.

The FIU issued two policy advisories during the year.

Policy Advisories Issued in 2018

Policy Advisory	Date Issued	Purpose of Policy Advisory
Parenthood Assistance Payment Programme	August 2018	To provide clarification on the application of customer due diligence (CDD) requirements on bank account opening for recipients of the Parenthood Assistance Payment Programme.
Change in Account Name for Existing Private Companies	November 2018	To provide clarification on the CDD requirements under the FTR Act and how it aligns to the requirements under the Companies Act on changes to names of existing Private Companies.

Source: Financial Intelligence Unit

The FIU also provided information and support to the RBF supervision team for their onsite compliance programmes for selected licensed entities.

The FIU issued 23 ad-hoc policy advisories during the year. These policy advisories related mainly to customer identification requirements of the FTR Act and Regulations.

There are currently 122 registered AML compliance officers from financial institutions and DNFBPs covered under the FTR Act. The FIU continued to increase awareness on the requirements of the FTR Act to a number of financial institutions and DNFBPs.

The FIU and the RBF continued to work closely with financial institutions and DNFBPs during the year to encourage and ensure compliance with the various provisions of the FTR Act and Regulations.

Receipt and Analysis of Financial Transaction Information

Financial institutions and DNFBPs are required under the FTR Act to report to the FIU any suspicious transaction (or attempted transaction) relating to money laundering, terrorist financing or other serious offences.

For the year ended July 2019, the FIU received 615 suspicious transaction reports (STRs) from various financial institutions and DNFBPs.

Suspicious Transactions Reported to the FIU (Number)

	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019
STRs	516	275	745	566	615

Source: Financial Intelligence Unit

The majority of STRs received was from commercial banks and the most common grounds of unusual and suspicious transactions were on tax evasion, fraud and advance fee fraud and internet enabled crimes.

Reporting Financial Institutions 2018-19 FY (Number)

Reporting Financial Entities or Persons	Number of STRs Received
Commercial Banks	398
Money Remittance Service Providers ¹	168
Finance Companies	11
Insurance and Superannuation	12
Regulatory Authorities	4
Law Firms	1
Securities and Unit Trust	6
Real Estate Businesses	1
Others	14
Total	615

¹Includes foreign exchange dealers and mobile phone banking service providers.

Source: Financial Intelligence Unit

The FIU referred 139 STR case reports to relevant law enforcement agencies for further investigation of possible money laundering and other serious offences.

Case Reports Disseminated to Law Enforcement Agencies (Number)

Law Enforcement Agency	Number of STRs Disseminated				
	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019
FRCS	171	88	88	390	91
Fiji Police Force	63	33	78	98	16
Immigration	1	2	4	9	0
Others	20	12	64	31	32
Total	255	135	234	528	139

¹ Includes RBF, Transnational Crime Unit, Fiji Independent Commission Against Corruption (FICAC), Land Transport Authority, Legal Practitioners Unit, Fijian Elections Office and Foreign FIUs.

Source: Financial Intelligence Unit

Financial institutions are also required under the FTR Act to report to the FIU all cash transactions of \$10,000 and above, and all international electronic fund transfers.²⁸

The FIU received 1,048,281 cash transaction reports (CTRs) and 1,433,747 international electronic fund transfers reports (EFTRs) during the 2018-19 FY.

Cash Transactions and Electronic Fund Transfers Reported (Number)

	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019
CTRs	579,849	333,037	616,191	640,478	1,048,281
EFTRs	1,029,993	618,723	1,216,835	1,295,105	1,433,747

Source: Financial Intelligence Unit

Border Currency Reporting

Persons travelling in or out of Fiji are required under the FTR Act to declare if they are carrying currency or negotiable bearer instruments of \$10,000 and above.

The FIU received 900 border currency reports during the year. These reports are analysed for possible currency smuggling, money laundering and related criminal offences.

Cash/Fund Declarations by Travellers (Number)

Persons Declaring	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019
Declarations made by inbound travellers	187	166	306	406	413
Declarations made by outbound travellers	304	171	403	400	487
Total	491	337	709	806	900

Source: Financial Intelligence Unit

Assistance to FIU's Partner Agencies

Under the FTR Act, the FIU may provide assistance to various partner agencies. The FIU handled 97 requests from Government agencies for due diligence and background checks on persons or entities of interest in the 2018-19 FY.

Background checks were carried out on 98 business entities and 166 individuals.

Requests for Background Checks from National Agencies 2018-19 FY (Number)

Requesting Agency	Number of Requests	Number of Checks on Entities	Number of Checks on Individuals
MITT	28	23	69
FRCS	20	21	43
Investment Fiji	11	5	22
RBF	12	8	21
Others	26	41	11
Total	97	98	166

Source: Financial Intelligence Unit

²⁸ Monetary threshold for these reports is zero.

The FIU handled 258 requests from local and foreign law enforcement agencies for assistance in money laundering and other related investigations.

Requests for Investigative Assistance 2018-19 FY

Requesting Agency	Number of Requests	Number of Checks on Entities	Number of Checks on Individuals
FICAC	26	13	57
Fiji Police Force	84	44	149
Foreign FIUs	13	88	34
FRCS	110	395	533
RBF	1	0	1
Others	24	51	135
Total	258	591	909

Source: Financial Intelligence Unit

The FIU provides law enforcement agencies with access to the FIU database for the purpose of information exchange.

National AML Council and Domestic Initiatives

The FIU continued to provide secretarial support to the National AML Council and its three working groups. The National AML Council held one meeting during the period. The Governor of the Reserve Bank and Director FIU are members of the National AML Council and contributed to the Council's discussions and decisions.

The FIU also contributes to a number of national committees on AML/CFT coordination and information exchange. The FIU provided ongoing advice to Government relating to proposed changes to laws, including further strengthening of legal framework to combat terrorist financing.

The FIU liaised with key Government agencies and stakeholders on the compilation of Fiji's third follow-

up report to Asia Pacific Group (APG) on Money Laundering. The report highlighted efforts of agencies in strengthening the AML/CFT framework for Fiji.

International Coordination and Initiatives



The FIU is a member of the Egmont Group, which is an international association of 164 FIUs from around the world. The FIU contributed to the activities of the Egmont Group during the year.

The FIU also contributed to APG initiatives such as surveys and other AML/CFT activities including attending the Annual Meeting of the APG, where Fiji's progress on compliance with international AML/CFT standards was discussed.

During the year, the FIU continued to provide technical assistance to other FIUs in the region.

Technology

The FIU further strengthened its information sharing and data analytics capability by implementing a case management system (CMS) that manages STR receipt, analysis and dissemination processes during the year. The successful rollout of the CMS in February 2019 ensured process improvements, including STR prioritisation, enquiries with reporting entities, link chart analysis and STR management.

The FIU database currently manages 15.2 million financial transaction information.

RBF IN THE COMMUNITY



The Bank as a responsible corporate citizen remains committed to ensuring it gives back to the community whether through the Bank's annual corporate donations, participation in the community, policy initiatives or staff involvement in community projects.

The following were the contributions to charitable causes made by the RBF during the year: -

Corporate Donations to Organisations

The following charitable organisations received contributions of \$1,000 each from the Bank in December 2018: -

- Suva Special Education School
- Fiji Hilton Organisation
- St. Christopher's Home
- Dilkusha Home
- Fiji Disabled People's Association
- Fiji Society for the Blind
- Father Law Home
- Salvation Army
- Homes of Hope
- Foundation for the Education of Needy Children (Fiji)²⁹

In addition, the Bank also donated six computers, three printers, 364 library books and peripherals to three schools in Dawasamu, Tailevu - Dawasamu Secondary School, Navunisea District School and Dawasamu District School.

Community Outreach



Various donations were made by Quality Management Teams and staff to families and individuals in need.

- Groceries for some families
- Visiting the sick with food items and cash contribution
- Cash contribution for medical treatment
- Donation of sporting equipment to primary schools
- Contribution towards food parcels to needy families during Diwali, Eid and Christmas through Rotary
- Cash donation to Fiji Cancer Society for Wows

The Bank also donated equipment and supplies to Korovou Hospital and refurbished the sanitation facility for Nataleira Village.

Participation in the community

- Some members of Team RBF served on boards and committees set up by the Government, international institutions, regional organisations, school committees, charitable organisations, non-governmental organisations and professional bodies. Three staff members were judges for Investment Fiji's Business Excellence, South Pacific Business Development and SPX awards.
- Each year the Reserve Bank awards a prize to the most outstanding Economics graduate at the University of the South Pacific (USP). The Bank also supported the USP's Career and Entrepreneurial Fair and Career's Expo including the USP Open Day where students were provided information about the Bank.



²⁹ FENC Fiji.

- In support of SMEs, the Reserve Bank sponsored the Services Award for the FDB SME Awards. The Bank also sponsors Investment Fiji's Prime Minister's International Business Award for Agriculture. The RBF Microfinance awards which recognises the achievements of the financial inclusion sector was held on 30 July 2019.
- The Bank also celebrated World Secretary's Day.
- The Bank continued to benchmark itself against similar institutions and participated in the SPX Annual Report Competition and was a finalist with the submission of the August 2017-July 2018 Report.

The Governors and senior staff made presentations and submissions to the Parliamentary Standing Committees on a number of occasions. The following presentations were made to the Standing Committee on Economic Affairs: -

- Presentation on the 2017 FIU Annual Report on 2 April 2019.
- Presentation on the 2017 Insurance Annual Report on 4 April 2019.
- Presentation on the RBF Annual Report August 2017-July 2018 on 4 April 2019.
- Personal Property Securities Act was passed in September 2017 and came into effect in May 2019. The Registry was launched on 31 May 2019. The RBF team conducted key stakeholder presentations in order to create awareness on the Act and the Registry.
- In its efforts to build relationships across a broad spectrum of the community and gain first hand insight into developments across the country, the Bank continues to devote resources to industry visits and meetings. The Board Directors also accompany Bank officials on some of the visits.
- The Bank participated in the activities of the Fiji Institute of Bankers (FIB) which included the Quiz Night, seminar series and Sports Day.
- In an effort to keep the public informed of its assessment of the economy, the Governor and senior staff regularly gave presentations on the latest economic developments to Government, businesses, industry groups, community groups and educational institutions. Presentations on

the Fijian economy and policies of the Bank were also made to Fiji embassies abroad and to locals earmarked for diplomatic postings. The Bank also makes available information on its website and Facebook page including the NFIT and FIU website that users can easily access.

- To create awareness of RBF operations, the Bank participated in talkback radio shows in Hindi and English. The Bank also featured in a financial literacy programme in the iTaukei language by hosting the "Noda i Lavo" programme which recorded its third season in 2018.
- The Bank's Sports and Social Club also organised social events and cultural activities such as Easter Prayer Breakfast, Diwali, Eid, Chinese New Year and Sports Day for staff. The Bank also participated in marathons (e.g. Olympic Day Run, Island Chill Marathon and Munro Leys Corporate Challenge Marathon) and sports organised by business houses.

School Visits to the Bank



Every year, the Bank facilitates sessions where school students get to learn the operations of a central bank. The visit ends with a question and answer session and tour of the Bank's numismatic centre. In the last financial year, 12 schools visited the Bank. These included Burenitu School, Namosi Secondary School, Lomaivuna High School, Raralevu District School, Vunisea Secondary School, Adi Maopa Secondary School, Rev. Thomas Baker Memorial School, Kadavu Provincial Secondary School, Jasper Williams Primary School, Nadi Muslim College, Assemblies of God High School and Wainimala Secondary School. The students also get to meet and network with their school alumni working in the Bank.

The Reserve Bank also visited the Christian Mission Fellowship College to conduct a presentation about the Bank to the students.

The RBF has a programme that allows work attachment and training for new graduates and young individuals seeking on the job training and business attachment as part of their school completion programme.

MISSION**PROVIDE PROACTIVE AND SOUND
ADVICE TO GOVERNMENT**

Policy advice to the Government is provided in many ways. During the 2018-19 FY, the Governor met with Government officials on a number of occasions to discuss issues pertaining to the economy.

RBF also accompanied Government officials on visits and consultations abroad. Presentations on the economy were made to Ministries and other Government agencies, as and when requested.

Policy Coordination

Policy formulation is critical to the effectiveness of Government's macroeconomic management, therefore, must be appropriately undertaken by relevant economic policymaking agencies. RBF

continued to assist the Government through various Policy Committees during the year.

The MC and its Technical Committees prepared forecasts on Fiji's trade, GDP and balance of payments. These projections are critical inputs into monetary policy formulation and other national policy decision making.

The Governor of the Reserve Bank continued to chair the MC, whose membership comprised officials from the Ministry of Economy, MITT, Fiji Bureau of Statistics, Prime Minister's Office, Ministry of Infrastructure & Transport, FRCS, Investment Fiji and the Reserve Bank. During the 2018-19 FY, there were two forecasting rounds, five Macroeconomic Technical Committee meetings and two MC meetings.

As part of the macroeconomic forecasting process, the Reserve Bank met with key industry groups in the 2018-19 FY. Information gathered from these meetings formed the basis for forecasting national macroeconomic indicators, as well as providing advice to the Government through the MC reports and the 2019-2020 National Budget submission.

The Reserve Bank continued to be actively involved in many Committees of national interest. The Governor chairs the Green Bond Steering Committee that oversees the development of Fiji's Green Bond Framework, necessary preparatory work, flotations, and the monitoring and reporting mechanisms. The Reserve Bank is also currently reviewing the Terms of Reference for the Debt and Cashflow Policy Committee that would evaluate the Government's financing needs.

Registry and Banking Services

The Reserve Bank is the registrar for debt securities issued by Government and statutory corporations. The registry service includes bond issuance, redemption, transfer of securities and interest payments. As a fiscal agent, the Bank also provides banking services, such as the "lender of last resort" facilities to the Government and commercial banks.

Outstanding Bonds as at 31 July 2019 (\$ Million)

	Issued	Redeemed	Outstanding
Total Government	630.8	235.3	3,970.9
o/w Fiji Development Loan Bonds	-	207.7	1,545.1
o/w Fiji Infrastructure Bonds	624.5	26.2	2,278.6
o/w Fiji Green Bonds	-	-	100.0
o/w Viti Bonds	6.3	1.5	47.3
FDB	113.0	44.0	242.8
EFL ³⁰	-	29.3	8.0
HA	15.0	21.0	28.7
FSC	-	-	25.0
Total	758.8	329.5	4,275.5

Figures may not precisely add up to the totals due to rounding.

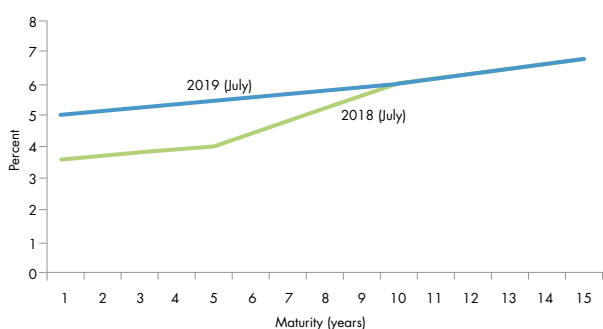
Source: Reserve Bank of Fiji

³⁰ Energy Fiji Limited.

As at 31 July 2019, the RBF registry recorded a total nominal value of \$4,275.5 million in bonds compared to \$3,846.2 million in the previous financial year. For the review period, Government bonds recorded a net issuance of \$395.5 million which led to the increase in value of outstanding bonds by 11.1 percent to \$3,970.9 million. A similar trend was noted with statutory corporation bonds whose outstanding balance rose by a combined 12.4 percent to \$304.5 million.

Total registry payments more than doubled (\$569.2m) to reach \$1,131.5 million at the end of July 2019. The higher payments resulted from an increase in Treasury Bills redemptions by \$341.1 million to \$519.0 million. In addition, bond redemptions also increased by \$110.4 million to \$329.5 million.

Weighted Average Yields on Long-Term Government Securities



Source: Reserve Bank of Fiji

Coupled with the tightened financial conditions and increased demand for funds by issuers, the yield curve has skewed upward from the short to medium end of the maturity spectrum.

Treasury Bills (\$ Million)

	Jan - Jul 2016	Aug 2016 - Jul 2017	Aug 2017 - Jul 2018	Aug 2018 - Jul 2019
Flotations	265.0	230.0	240.0	805.0
Allotments	213.2	241.6	269.0	639.0
Redemptions	193.6	310.4	177.9	519.0
Outstanding	165.2	96.4	187.5	307.5

Source: Reserve Bank of Fiji

For the 2018-19 FY, the Fijian Government Treasury Bills recorded total issues of \$639.0 million and redemptions worth \$519.0 million, with an outstanding balance of \$307.5 million at the end of July. In comparison to Government bonds, Treasury Bills yields noted slight increases throughout the maturity spectrum.

Excerpt from the Governor's Speech - Launch of the August 2019 - July 2024 RBF Strategic Plan



MISSION

DISSEMINATE TIMELY AND QUALITY INFORMATION

In line with the mission to disseminate timely and quality information to the public and relevant stakeholders, the Reserve Bank releases economic and financial information through major publications (monthly Economic Reviews, Quarterly Reviews and Annual Reports), Press Releases, its website and Facebook page.

FINANCIAL PERFORMANCE

Income



The Reserve Bank's total income largely comprises interest income from foreign currency investments and domestic securities.

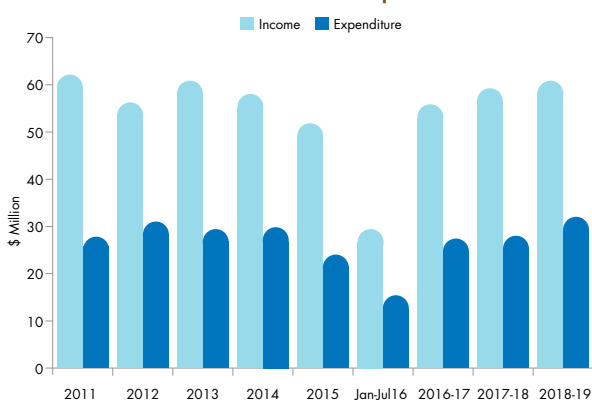
RBF Foreign and Domestic Income (\$ Million)

	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019
Foreign Interest Income	20.4	39.8	44.8	46.6
Domestic Interest Income	5.8	9.7	9.7	10.2
Other Income	3.3	6.6	5.3	4.4
Total	29.5	56.1	59.8	61.2

Source: Reserve Bank of Fiji

For the financial year ended 31 July 2019, total income was \$61.2 million led by the high foreign interest income emanating from the high yields on the foreign reserves held by the Bank.

Total Income and Total Expenses



Source: Reserve Bank of Fiji

Expenditure

Total expenditure incurred during the year was \$32.3 million. Administrative expenditure was \$22.3 million with staff costs representing the single largest operating expenditure for the Reserve Bank accounting for over

49.5 percent of total operating costs. Other expenses for the year totalled \$6.2 million.

Operating Expenses by Type

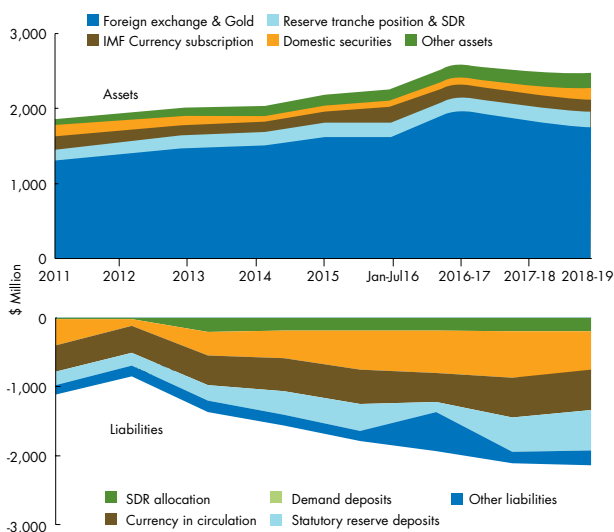


Source: Reserve Bank of Fiji

Assets and Liabilities

The Bank's total assets stood at \$2.7 billion as at 31 July 2019, representing a 1.7 percent growth due to the increase in domestic holdings. On average, the Bank's total assets have grown by 12.5 percent over the past eight years. On the liabilities side, the increase is mainly reflected in the build-up of the SRDs and currency in circulation.

Composition of the RBF's Balance Sheet



Source: Reserve Bank of Fiji

Operating Profit and Payment to Government

The operating profit for the year ended 31 July 2019 was \$28.9 million. The Minister for Economy approved the transfer of \$1.0 million from the operating profit to the General Reserve Account. As required under the RBF Act (1983), the balance of the operating profit was subsequently transferred to Government at the end of September.

The Act also requires the Reserve Bank to transfer one-fifth of the RRA balance to Government, which amounted to \$1.5 million as at 31 July 2019. The amount transferred from the RRA was \$2.0 million in the previous financial period.

The Bank transferred \$29.4 million to the Government for the year ended 31 July 2019 compared to the \$32.5 million paid for the year ended 31 July 2018.

Reserve Bank's Profit Payable to Government (\$ Million)

	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019
Operating Profit	13.9	28.3	31.5	28.9
Less				
Transfer to General Reserves	0.0	1.0	1.0	1.0
Balance Paid to Government	13.9	27.3	30.5	27.9
One-fifth of RRA	3.0	2.1	2.0	1.5
Total Paid to Government	16.9	29.4	32.5	29.4

Source: Reserve Bank of Fiji

Publications and Press Releases



Disseminating timely and quality information is one of the missions of the RBF. Communication is considered an important aspect of the Bank's operations. The Corporate Communications

function coordinates internal and external communication by the Bank through publications, press releases, website management, responses to external enquiries and media relations.

Publications by the Bank are through annual reports, stability reports, quarterly reviews, economic reviews, monetary policy statements and development plans regarding the Bank's developmental role.

During the FY, the Bank released the August 2017-July 2018 RBF Annual Report after it was tabled in

Parliament on 28 September 2018 and submitted the 2018 Insurance Annual Report to the Minister for Economy as required under section 165 of the Insurance Act on 28 June 2019. The 2017 FSR for October 2018 was released in December 2018. The 2018 Fiji FIU Annual Report was tabled in Parliament on 2 September 2019.

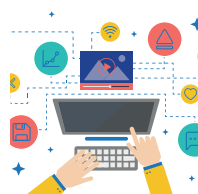
Tender results of Treasury bills and Government bonds were posted on the Bank's website, Bloomberg and Reuters. The Bank's website also included commercial banks' key disclosure statements.

The Reserve Bank issued 24 Press Releases during the year. Press Releases are aimed at ensuring that media stakeholders are provided with accurate and timely information which would then be reported to the public.

The Reserve Bank website remains the first port of call for many stakeholders of the Bank and acts as a vital information hub where the public can find out how the Reserve Bank operates. The Bank also maintains a Facebook account to provide updates in a timely manner to our stakeholders.

The Reserve Bank's website and Facebook page were regularly updated during the year to ensure timely and relevant content. The website is currently being reviewed as the Bank seeks to ensure that it continues to be designed around the principle of making the most relevant information as accessible as possible for all its audience.

Information Technology (IT)



The Bank continued to align its processes for delivery of IT services with industry best practices and international standards. The Bank also continued to focus on the achievement of IT strategic goals.

IT operations and digital asset remained critical for the delivery of the functions of the Bank.

Furthermore, the Bank continued to ensure that IT systems and infrastructure remained stable, relevant, dynamic, resilient and adaptable to future needs through IT governance, risk and controls framework.

The Bank placed strong emphasis on the SWIFT infrastructure to ensure we align to the SWIFT Customer Security Controls Framework in terms of mandatory and advisory security controls for all SWIFT users.

The growing demand for information and communications technology services has led to continued automation of business processes. The Bank completed major automation projects including the online lodgment of Exchange Control Applications. Other automation projects completed were the Source Code Control and Release Management Integration and Currency Numismatic Module. Projects currently under development are Economics Data Management, Analysis & Reporting platform and enhancements to the RBF FIJICLEAR System.

The Bank continues to perform simulation tests between its primary site and the BRS in its effort to manage business continuity through effective disaster preparedness and recovery.

Records Management

The Reserve Bank's Archives repository is located at the Bank's BRS and aligns with the requirements of good governance and the Public Records Act (Rev. 2006) for proper recording and preservation of vital official records.

The Bank uses Total Records Information Management, an integrated Electronic Document Records Management System (EDRMS), for storing and retrieving indexed and digitised records. The Bank's EDRMS project continued during the year and will be ongoing during the rest of 2019.

Property Management and Security



The Bank ensured that the main RBF Building, Domodomo House and the BRS were well maintained. Repairs and maintenance programmes were completed to ensure the efficient operation of all systems. This was possible through contractual agreements with reputable vendors for a period of two years.

The Bank carried out refurbishment for the following floor levels - podium 2 and 3 including tower 2 and tower 5. The refurbishment was necessary to provide adequate spacing for additional staff and to modernise the workspace. The Bank is in the process of engaging Engineering consultants to conduct a building condition assessment to enhance the operational efficiency for all plant and equipment.

The security management for the RBF building, BRS and Governor's residence were well maintained throughout the year without any major security breach.

Domestic Relations

Over the 2018-19 FY, the Reserve Bank continued to engage and conduct economic presentations in strengthening its relationship with stakeholders.

The Bank continued consultation with commercial banks, credit institutions, insurers, brokers and foreign exchange dealers in the 2018-19 FY. RBF also met with stakeholders in the industry, namely the Association of Banks in Fiji (ABIF), Finance Companies Association, Insurance Taskforce and Association of Foreign Exchange Dealers on a quarterly basis.

Bilateral meetings were held with RBF and commercial banks, insurance companies and FNPF. The Reserve Bank visited 10 sites around the country and made several presentations on the economy while 6 industry meetings were held at the Bank to discuss economic issues and provide economic briefs to the business community. The Bank also provided economic and financial briefs to officials from Government ministries and other statutory bodies.

A number of schools also visited the Reserve Bank to learn more about the role and responsibilities of the Bank as well as to view the numismatics display.

International Relations



The Reserve Bank places special emphasis on its international relations and participation in relevant international forums and programmes.

Regular correspondences with multinational agencies were ongoing during the year on matters relating to the IMF, the World Bank, the ADB and other related agencies. In September 2018, the Bank was represented at the 10th Alliance for Financial Inclusion (AFI) Global Policy Forum in Sochi, Russia and the Currency Conference in Dubai in April 2019. The Governor attended the annual meetings of the IMF and the World Bank, as well as the SBN, in Bali, Indonesia in October 2018. Representations were also made in November 2018 at the South Pacific Central Bank Governors' meeting in Samoa, the Pacific Financial Technical Assistance Centre (PFTAC) Steering Committee meeting in Nadi on 28 March 2019, 25th anniversary of PFTAC, High Level Dialogue on IMF Capacity Development and Growth in December 2018 and the ADB Annual Meeting in Nadi, Fiji in May 2019.

An IMF Staff Visit took place on 11-14 June 2019 with the full mission scheduled for the latter part of 2019. In addition, an Actuarial Mission was held on 12-21 December 2018, FSSR Mission from 14-27 February and December 2018, while an IMF Article IV Consultation Mission was held on 16-18 December 2018.

The Bank also hosted the inaugural South Pacific Central Banking Research Conference in December 2018, co-hosted by RBF, Griffith University and BPNG, CBSI and RBV. The two-day conference was a culmination of several years of research collaboration between these institutions, whereby around 25 papers were presented on the macro-economy, financial sector, private sector development and wealth creation.

Increased liaison was also noted during the year with partner agencies supporting Fiji in various projects including the ADB and IFC on disaster risk financing, the PFIP on expansion of inclusive insurance in Fiji and the IMF's PFTAC on the review of the Insurance Act.

The Bank continued to be represented in various technical forums in the region and abroad, at senior and technical levels and hosted visits by several foreign dignitaries and regional central banks and FIUs.



Photo Credit: Department of Information, Fiji

SOUTH PACIFIC CENTRAL BANKING RESEARCH CONFERENCE



The Bank was privileged to host the inaugural South Pacific Central Banking (SPCB) Research Conference, at the

Holiday Inn, on 12-13 December 2018. The two-day Conference was co-hosted by Griffith University, RBF, Bank of Papua New Guinea, CBSI and RBV.

Years of research collaboration between Griffith University and South Pacific central banks resulted in the Conference, which saw central bank researchers, academics, business leaders and policymakers convening to share on various economic and financial issues affecting the region, as well as, explore vital links between research and policy issues related to central banking and the private sector through presentations of 25 research findings from respective central banks. The papers, mostly co-authored by Griffith University and the hosting central banks under the Griffith-SPCBs partnership, covered themes such as the macro-economy, financial sector, private sector development and wealth creation. Since 2014, one joint paper from this collaboration had been published in an international journal - the 'Review of Pacific Basin Financial Markets and Policies' and another had been accepted for publication in the 'Journal of the Asia Pacific Economy'.

Governor Ali in his keynote address stated that it was "pleasing to see participants strategically strengthening their research capacity and taking the bold step to scale up and mainstream their research output for public consumption and discourse." He went on to congratulate the presenters adding that the research papers were the culmination of critical thinking and innovative proposals that should be encouraged to the next step of being published in reputable journals.



Participating central banks and stakeholders are in agreement that the research conference will become an annual event, the next one being scheduled for November 2019, in Vanuatu.

ENHANCED GENERAL DATA DISSEMINATION SYSTEM

In August 2018, an IMF mission team assisted the RBF along with the Fiji Bureau of Statistics and the Ministry of Economy in implementing the Enhanced General Data Dissemination System (e-GDDS) for Fiji, which led to the development of a National Summary Data Page (NSDP) on the RBF website. Fiji's NSDP, which was a milestone achievement, was launched on 13 September 2018 as one of the first wave of countries in the Pacific to implement the e-GDDS.

The NSDP aims to serve as an all-in-one publication vehicle for key macroeconomic and financial data. It provides national policy makers, local and external stakeholders, including investors and rating agencies, with easy access to information that the IMF Executive Board has identified as critical for monitoring economic conditions and policies in a country. The e-GDDS will enhance the availability of comprehensive and timely statistics that will support policy making and improve data transparency.

The e-GDDS was endorsed by the IMF Executive Board in May 2015 to support improved data transparency, encourage statistical development, and help create synergies between data dissemination and surveillance. The e-GDDS is an advance beyond the GDDS, which was established in 1997.

Fiji's NSDP can be found on the following link:

www.rbf.gov.fj/Statistics/e-GDDS



MISSION**RECRUIT, DEVELOP AND RETAIN A PROFESSIONAL TEAM**

Human resources (HR) represent the Bank's greatest asset in the delivery of its corporate goals. The primary objective of HR management is to attract, develop, retain and motivate staff to deliver the vision of Leading Fiji to Economic Success.

Staffing

As at 31 July 2019, the Reserve Bank staff complement was 209. During the review period, 10 staff left the Bank, of which, three left for other local employment opportunities, two left to pursue business opportunities, two retired and three migrated. At the end of the FY, the Bank recruited eight staff.

RBF Staff Statistics (as at 31 July 2019)

	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019
Total Staff	213	214	214	210	211	209
Average Years of Service	9.8	9.9	9.8	9.9	9.9	10.5
Annual Staff Turnover (%)	6.6	6.5	7.5	9.1	8.6	4.8

Source: Reserve Bank of Fiji

Management Remuneration as at 31 July 2019

The approval for the Governor's remuneration package is vested with the Constitutional Offices Commission while for the Executive Management and Managers, the Board Governance Committee endorses the salary review. The Executive Management and other management staff are employed on an individual contract basis and are remunerated in line with the market.

Management Remuneration as at 31 July 2019

Total Cash Remuneration	Staff Numbers
i. \$335,061	1
ii. \$242,574	1
iii. \$177,191	5
iv. \$62,061-\$98,613	29
(i) - (iii) Executive Management.	
(iv) Other Management staff.	

Source: Reserve Bank of Fiji

Staff Development

The Staff Development Policy and Staff Training Needs Analysis (TNA) supports a continuous learning culture in the Bank through on-the-job training, job rotations, full time study leave with/without pay, part time studies, correspondence and short courses at both local and overseas institutions.

Accordingly, the Bank organised induction, mentoring programmes and on-the-job training for Bank staff. Management is required to prepare a TNA for each member of the staff which is updated annually. The Bank continued to sponsor staff for further academic qualifications through full time, part time, correspondence, short courses and seminars at local and overseas institutions.

In the 2018-19 FY, one staff was on study leave with pay, pursuing Masters Studies in New Zealand. In addition, 14 staff pursued part time studies at the USP and the Fiji National University (FNU) towards Masters, Postgraduate and Degree programmes.

In the 2018-19 FY, 224 staff undertook various short courses locally such as those organised by the USP, FNU, FIA, SWIFT, Pure Magic International, Ministry of Labour, National Fire Authority, FICAC, CPA, Fiji Institute of Internal Auditors (IIA), Fiji Human Resources Institute (FHRI) and those organised internally.

Moreover, 98 staff attended various courses abroad that were organised by the IMF, SEACEN, ADB, APRA, Bank of Thailand, Bank of PNG, APG, PFTAC and the World Bank.

The Bank also sponsored staff professional memberships for the FIA, FIB, IIA, FHRI and Australian Human Resource Institute.

Employment Relations



The Bank continues to maintain a cordial relationship with the Fiji Bank and Finance Sector Employees Union (FBFSEU). The Bank continues to engage with the Union on Log of Claims matters.

Under the Bank's Rewards and Recognition System, performance bonuses were paid out to eligible staff in July 2019.

Labour Management Consultation Cooperation

The Employment Relations Promulgation No. 36 of 2007 section 9(3) requires the Bank to establish a Labour Management Consultation and Cooperation (LMCC) Committee as a forum for meaningful consultation, cooperation and exchange of workplace information to promote good faith employment relations and improve productivity.

The Committee was registered with the Ministry of Labour under Regulation 7 in August 2009. The Committee comprises seven management and seven staff representatives. There were four meetings held in the 2018-19 FY.

Quality Management Teams (QMT)



The Bank over the years, has been actively encouraging staff to focus on quality management practices in their daily work processes. Through these quality management teams, Groups are able to make continuous improvement in processes and performance.

National Employment Centre



The Bank has an agreement with the National Employment Centre (NEC) in compliance with the NEC Decree. Under this agreement, the Bank is required to provide workplace attachments to at least 11 unemployed persons registered with the NEC. The Bank actively seeks to comply with the NEC requirements.

Internship

The Bank introduced an Internship policy in November 2016. The policy aims to provide students with an opportunity to engage with the Bank and obtain practical work experience. The Bank engages five interns at any one time to enable the efficient and effective management of the programme.

The Bank also participated in the Careers Fair at the University of the South Pacific, which generated interest amongst students. Consequently, the Bank engaged five interns who were second year USP students, for a period of three months.

Health and Safety in the Workplace



The Bank is committed to providing and maintaining a safe and healthy working environment for its employees and visitors.

During the National Disaster Awareness Week in October 2018, the Bank participated in the nationwide Tsunami drill held on 31 October 2018.

There was a Fire drill organised in March 2019 whereby staff took part in the evacuation exercise. The National Fire Authority also conducted a building inspection in July 2019 to provide a report on the current fire safety compliance of the structure.

In the 2018-19 FY, the Bank's Occupational Health and Safety (OHS) Committee met three times. The Bank continued to provide OHS related trainings and monitor OHS issues regularly to ensure that we maintain a safe and healthy work environment.

and meritorious service to the Bank. In the 2018-19 FY, nine staff achieved 15 years of service, six staff achieved 20 years of service and one staff achieved 25 years of service while two employees achieved 30 years of service.

Service Recognition

The Governor's Service Recognition and Long Service Loyalty Award recognises dedicated, long

During the year, the Governor and Chief Managers also rewarded staff for their performance.



30 years

Ms Rigamoto Motufaga



30 years

Ms Laureena Wong



25 years

Mr Viliame Cikamatana

Excerpt from the Governor's Speech - Launch of the August 2019 - July 2024 RBF Strategic Plan



"Our people are our greatest asset...we need to be united and function like a well-oiled machine, just like our champion rugby sevens team."

THE YEAR AHEAD

The Reserve Bank will continue to focus on fulfilling its core responsibilities in the 2019-20 FY. Listed below are priority areas where special efforts will focus.

Strategic Direction and Alliances



The Bank will begin the implementation of its August 2019-July 2024 Strategic Plan. The Bank's executives and management will monitor this and ensure that the key deliverables in the new Strategic Plan are achieved.

The Bank will continue to strengthen its alliance with strategic partners and institutions/organisations abroad and locally.

Legislation

The Reserve Bank will continue to work on the review of the Insurance Act 1998, with technical assistance from the IMF PFTAC. It is also envisaged that the current review of the credit union sector through the proposed new credit union legislation will progress to finalisation and submission for parliamentary approval.

The Reserve Bank also has further plans to initiate a review of the Banking Act 1995 in the next 12 months.

Monetary Policy



The Reserve Bank of Fiji will continue to ensure that appropriate and effective monetary policy are implemented accordingly to protect its dual mandate of maintaining low inflation and achieving a sufficient

level of foreign reserves.

To strengthen and enhance macroeconomic stability, the Reserve Bank will continue to facilitate investment and enhance inclusive economic growth and development.

Financial System Regulation and Supervision

The Reserve Bank will continue the protection of its financial stability mandate through effective,

efficient and inclusive financial system regulation and supervision.

The evolving impact of FinTech developments in the financial sector leaves no room for complacency by the Reserve Bank as Fiji's financial system regulator, for the continued enhancement of its risk-based supervision processes, development and implementation of relevant regulations and prudential policies, and continuing to ensure that all supervised financial institutions in Fiji remain safe and sound.

Development of a market conduct framework for the regulation and supervision of market conduct of licensed financial institutions and increased awareness and customer protection programmes will also be prioritised.

Management of systemic risk will be a priority in the year ahead as the Reserve Bank seeks to finalise its supervision framework for cyber risk, and undertake its second thematic review on culture and conduct risk across all supervised sectors. Credit and liquidity risks will be under closer monitoring in a period of economic slowdown forecasted for the next 12 months, as vulnerabilities in the real sector begin to elevate risks in the financial sector.

Corporate Services Enhancements

The Reserve Bank will continue to strengthen its work processes to reduce its carbon footprint. Additionally, work will be ongoing on record keeping for good governance.

The Bank will continue to employ appropriate processes and systems to convert all forms of documentation to digital form. In addition, the Bank's website will be redesigned to be more user-friendly and ensure all relevant information is easily accessible to all users.

The Bank will maintain its focus towards a work environment that supports innovation in terms of new tools and technology, process reengineering, diverse ideas and optimisation of the use of data.

SELECTED EVENTS AUGUST 2018-JULY 2019

7-8 Aug RBF participated in the USP Careers Day	15-21 Aug IMF e-GDDS Mission	1 Sep Governor attended the presentation on 'Economic Outlook for 2025', Fiji Chamber of Commerce & Industry, Business 2025
3-7 Sep Participation at the 10th Alliance for Financial Inclusion Global Policy Forum, Sochi, Russia	13 Sep Governor launched Fiji's National Summary Data Page on the RBF website	28 Sep Governor and Deputy Governor attended the South Pacific Stock Exchange Annual Awards
12-14 Oct WBG and IMF 2018 Annual Meetings, Bali, Indonesia	14-15 Nov Deputy Governor attended the South Pacific Central Banks Governors' Meeting, Samoa	24 Nov Governor attended the 2018 PM's International Business Awards, Nadi
26-27 Nov Governor and Deputy Governor attended the Alliance for Financial Inclusion: Smart Policies for Green Financial Inclusion: Securing Development Gains and Building Resilience, Nadi	5-18 Dec IMF TA Mission on Banking Supervision	5-14 Dec IMF Article IV Consultation Mission
6-7 Dec Governor and Deputy Governor attended 25th Anniversary of Pacific Financial Technical Assistance Centre – High Level Dialogue on Capacity Development and Growth, Nadi	12-21 Dec IMF TA Mission on Crisis Management	11-13 Dec RBF hosted the Inaugural SPCB Research Conference, Holiday Inn, Suva
26-27 Feb Governor attended the WEC (World Exchange Congress)	2 Mar Deputy Governor attended the 2019/2020 National Budget Consultations, Labasa	15-16 Mar Management & Board's Strategic Planning Workshop, Intercontinental Fiji Resort
28 Feb Deputy Governor officiated at the FDB 2018 National Small Medium Enterprise Awards		
1-5 May RBF participated at the 52nd Annual Meeting of ADB Board of Governors in Fiji	24-25 May Governor attended the Fiji Institute of Accountants 47th Congress: Prioritising Humanity – Inspire, Empower, Innovate, Shangri-La's Fijian Resort & Spa, Yanuca Island, Coral Coast	31 May Personal Properties Securities Registry became Live
3-6 Jun 5th Pacific Islands Regional Initiative High-level forum, Honiara, Solomon Islands	11-14 Jun IMF Staff Visit	30 Jul RBF National Microfinance Awards
	27 Jun 2019/2020 Work Plan and Budget	

Financial Statements

For the year ended 31 July 2019

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Reserve Bank of Fiji

Directors' report

The Directors present their report together with the financial statements of the Reserve Bank of Fiji ("the Bank") for the year ended 31 July 2019 and the auditor's report thereon.

Directors

The Directors in office during the financial year and at the date of this report were:

Ariff Ali – (Chairman and Governor)
 Makereta Konrote (Ex-officio member)
 Pradeep Patel
 Tevita Kuruvakadua
 Tony Whitton

State of affairs

In the opinion of the Directors:

- there were no significant changes in the state of affairs of the Bank during the financial year under review not otherwise disclosed in this report or the financial statements;
- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Bank as at 31 July 2019 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Bank for the year then ended.

Principal activities

The Reserve Bank's role as a central bank, as defined in the Reserve Bank of Fiji Act, 1983 and the Reserve Bank of Fiji Act (Amendment) Decree 2009, is:

- (a) to regulate the issue of currency and the supply, availability and international exchange of money;
- (b) to promote monetary stability;
- (c) to promote a sound financial structure;
- (d) to foster credit and exchange conditions conducive to the orderly and balanced economic development of the country;
- (e) to regulate the insurance industry; and
- (f) to regulate the capital markets and the securities industry.

Operating results

The net profit of the Bank for the year ended 31 July 2019 was \$28.9m (2018: \$31.5m).

Reserves

In accordance with Section 8(1) of the Reserve Bank of Fiji Act, 1983, the Minister and the Directors have agreed to transfer \$1.0m (2018: \$1.0m) to the General reserves as at the end of the financial year.

External reserves

Under the provisions of Section 31 of the Reserve Bank of Fiji Act, 1983, the value of the External reserves provided for in Section 30 shall not be less than 50% of the total Demand liabilities of the Bank. At 31 July 2019, the value of the External reserves was 88% (2018: 92%) of total Demand liabilities.

Payable to the Fijian Government

In accordance with the Reserve Bank of Fiji Act, 1983, the following amounts totalling \$29.4m for the year ended 31 July 2019 (2018: \$32.5m) are payable to the Fijian Government:

Section 8(3): Net profit after transfer to General reserves - \$27.9m for the year ended 31 July 2019 (2018: \$30.5m)

Section 34(3): One-fifth balance of Revaluation reserve account - foreign currency - \$1.5m (2018: \$2.0m)

Reserve Bank of Fiji Directors' report

Bad and doubtful debt

The Directors took reasonable steps before the financial statements of the Bank were made out to ascertain that all known bad debts were written off and adequate allowance was made for doubtful debts. At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provisions for doubtful debts, inadequate to any substantial extent.

Provisions

There were no material movements in provisions during the financial year from the normal amounts set aside for such items as doubtful debts, depreciation and employee entitlements.

Assets

The Directors took reasonable steps before the Bank's financial statements were made out to ascertain that the assets of the Bank were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business. At the date of this report, the Directors were not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

Directors' benefit

No Director of the Bank has, since the end of the previous financial period, received or become entitled to receive a benefit by reason of contract made by the Bank with the Director or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest.

Events subsequent to balance date


There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Bank, to affect significantly the operations of the Bank, the results of those operations, or the state of affairs of the Bank, in future financial periods.

Other circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render amounts stated in the financial statements misleading.

Dated at Suva this 26th of September 2019.

Signed in accordance with a resolution of the Board of Directors:



Ariff Ali
Chairman of the Board and Governor



Pradeep Patel
Director

Reserve Bank of Fiji

Statement by Directors

In the opinion of the Directors:

- (a) the accompanying statement of comprehensive income is drawn up so as to give a true and fair view of the results of the Bank for the year ended 31 July 2019;
- (b) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the changes in equity of the Bank for the year ended 31 July 2019;
- (c) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 July 2019;
- (d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Bank for the year ended 31 July 2019;
- (e) at the date of this statement, there are reasonable grounds to believe the Bank will be able to pay its debts as and when they fall due;
- (f) all related party transactions have been adequately recorded in the books of the Bank; and
- (g) the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") except as noted in Note 2(a) to the financial statements. In accordance with the provisions of Section 34 of the Reserve Bank of Fiji Act, 1983, exchange gains and losses are credited or charged directly to the Revaluation reserve account - foreign currency and are not included in the computation of annual profits or losses of the Bank. This is at variance with International Accounting Standard 21 ("IAS 21") "Effects of Changes in Foreign Exchange Rates" which requires that currency translation gains and losses be credited or charged to profit or loss.

In the opinion of the Directors, the accounting treatment adopted is appropriate in view of the requirement of Section 34 of the Reserve Bank of Fiji Act, 1983. Had the Bank adopted IAS 21 there would have been a net profit of \$28.5m, decrease of \$0.40m being the currency translation loss for the year ended 31 July 2019.

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 26th of September 2019.



Ariff Ali
Chairman of the Board and Governor



Pradeep Patel
Director



Independent Auditor's Report

To the Board of Directors of Reserve Bank of Fiji

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of the Reserve Bank of Fiji (the 'Bank'), which comprise the statement of financial position of the Bank as at 31 July 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the accounting policies described in Note 2 of the financial statements and in the manner required by the Reserve Bank of Fiji Act, 1983.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2(a) to the financial statements which refers to the reporting framework and the policy on the treatment of exchange gains and losses and its variance with IAS 21 "Effect of changes in Foreign Exchange Rates". Our opinion is not qualified in respect of this matter.

Independence

We are independent of the Bank in accordance with the ethical requirements of the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in Fiji, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other Information

Directors and management are responsible for the other information. The other information comprises the information included in the Bank's Annual Report for the year ended 31 July 2019 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers, Level 8 Civic Tower, 272 Victoria Parade, Suva, Fiji.
GPO Box 200, Suva, Fiji.
T: (679)3313955 / 3315199, F: (679) 3300981 / 3300947

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of Directors and Management for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Reserve Bank of Fiji Act, 1983, and for such internal control as the directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors and management are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors and management either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors and management are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors and management.



- Conclude on the appropriateness of the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Use

This report is made solely to the Board of Directors of the Bank, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

Chartered Accountants

A handwritten signature in blue ink, appearing to read 'Grant Burns', written in a cursive style.

Grant Burns

26 September 2019

Suva, Fiji

Reserve Bank of Fiji
Statement of comprehensive income
For the year ended 31 July 2019

	Note	31 July 2019 \$000	31 July 2018 \$000
Income			
Interest income	4(a)	56,764	54,523
Other revenue	4(b)	4,435	5,260
Total income		<u>61,199</u>	<u>59,783</u>
Expenses			
Interest expense	4(c)	2,150	1,584
Administration expenses	4(d)	22,286	19,430
Amortisation of securities	6	1,154	1,331
Allowance for impairment losses	20(c)	597	-
Other expenses	4(e)	6,118	5,937
Total expenses		<u>32,305</u>	<u>28,282</u>
Net profit for the period	13	<u>28,894</u>	<u>31,501</u>
Other comprehensive income/(losses)			
Amortisation of available-for-sale reserve		(1,133)	(1,334)
Change in value of available-for-sale assets		10,380	(2,923)
Asset revaluation reserve movement	18	5,107	(52)
Currency translation (losses)/gains		(403)	1,459
Total other comprehensive income/(losses)		<u>13,951</u>	<u>(2,850)</u>
Total comprehensive income for the period		<u>42,845</u>	<u>28,651</u>

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 74 to 107.

Reserve Bank of Fiji
Statement of changes in equity
For the year ended 31 July 2019

	Paid-up capital	General reserves	Revaluation reserve account -foreign currency	Available-for-sale reserve	Asset revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 August 2017	2,000	40,050	8,361	11,485	19,767	-	81,663
Total comprehensive income for the year							
Net profit	-	-	-	-	-	31,501	31,501
Transfer to General reserves (Note 18)	-	1,000	-	-	-	(1,000)	-
<u>Other comprehensive income/(losses)</u>							
Amortisation of available-for-sale reserve	-	-	-	(1,334)	-	-	(1,334)
Change in value of available-for-sale assets	-	-	-	(2,923)	-	-	(2,923)
Asset revaluation reserve movement (Note 18)	-	-	-	-	(52)	-	(52)
Net gains arising from currency translation differences	-	-	1,459	-	-	-	1,459
Total other comprehensive income/(losses)	-	-	1,459	(4,257)	(52)	-	(2,850)
Total comprehensive income/(losses) for the year	-	1,000	1,459	(4,257)	(52)	30,501	28,651
	2,000	41,050	9,820	7,228	19,715	30,501	110,314
<u>Transactions with owners, recorded directly in equity</u>							
Payable to the Fijian Government (Note 13)	-	-	(1,964)	-	-	(30,501)	(32,465)
Balance at 31 July 2018	2,000	41,050	7,856	7,228	19,715	-	77,849

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 74 to 107.

Reserve Bank of Fiji

Statement of changes in equity - continued
For the year ended 31 July 2019

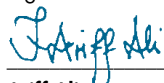
	Paid-up capital	General reserves	Revaluation reserve account -foreign currency	Available-for-sale reserve	Asset revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 August 2018	2,000	41,050	7,856	7,228	19,715	-	77,849
Total comprehensive income for the year							
Net profit	-	-	-	-	-	28,894	28,894
Transfer to General reserves (Note 18)	-	1,000	-	-	-	(1,000)	-
<u>Other comprehensive income/(losses)</u>							
Amortisation of available-for-sale reserve	-	-	-	(1,133)	-	-	(1,133)
Change in value of available-for-sale assets	-	-	-	10,380	-	-	10,380
Asset revaluation reserve movement (Note 18)	-	-	-	-	5,107	-	5,107
Net losses arising from currency translation differences	-	-	(403)	-	-	-	(403)
Total other comprehensive income/(losses)	-	-	(403)	9,247	5,107	-	13,951
Total comprehensive income/(losses) for the year	-	1,000	(403)	9,247	5,107	27,894	42,845
	2,000	42,050	7,453	16,475	24,822	27,894	120,694
<u>Transactions with owners, recorded directly in equity</u>							
Payable to the Fijian Government (Note 13)	-	-	(1,491)	-	-	(27,894)	(29,385)
Balance at 31 July 2019	2,000	42,050	5,962	16,475	24,822	-	91,309

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 74 to 107.

Reserve Bank of Fiji
Statement of financial position
As at 31 July 2019

	Note	31 July 2019 \$000	31 July 2018 \$000
Foreign currency assets			
Short-term commercial paper and current accounts	5	401,289	326,283
Marketable securities	5	1,479,967	1,632,881
Gold	5	2,581	2,139
Accrued interest		17,685	17,828
International Monetary Fund			
- Reserve tranche position	5/19	72,384	70,675
- Special drawing rights	5/19	131,009	129,953
- PRGF - HIPC Trust	19	578	573
- Currency subscription	19	220,581	219,804
Total foreign currency assets		2,326,074	2,400,136
Local currency assets			
Cash on hand	16	1,598	1,597
Domestic securities	6	166,342	81,450
Financing facilities	7	158,753	123,232
Currency inventory	8	23,382	19,903
Other assets	9	4,255	11,579
Intangible assets	10	710	318
Property, plant and equipment	11	35,926	32,823
Total local currency assets		390,966	270,902
Total assets		2,717,040	2,671,038
Foreign currency liabilities			
Demand deposits	12	134	59
IMF - PRGF - HIPC Trust	19	578	573
IMF - Special drawing rights allocation	19	199,790	198,064
Total foreign currency liabilities		200,502	198,696
Local currency liabilities			
Demand deposits	12	513,949	502,635
Payable to the Fijian Government	13	29,385	32,465
Currency in circulation	14	852,219	837,377
Statutory reserve deposits		801,007	794,197
IMF - Notes currency subscription		219,792	219,329
Other liabilities	15	8,877	8,490
Total local currency liabilities		2,425,229	2,394,493
Total liabilities		2,625,731	2,593,189
Net assets		91,309	77,849
Capital and reserves			
Paid-up capital	17	2,000	2,000
General reserves	18	42,050	41,050
Revaluation reserve account - foreign currency	18	5,962	7,856
Available-for-sale reserve	18	16,475	7,228
Asset revaluation reserve	18	24,822	19,715
		91,309	77,849

Signed in accordance with the resolution of the Board of Directors:



Ariff Ali
Chairman of the Board and Governor



Pradeep Patel
Director

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 74 to 107.

Reserve Bank of Fiji
Statement of cash flows
For the year ended 31 July 2019

	Note	31 July 2019 \$000	31 July 2018 \$000
Operating activities			
Rental lease income		476	476
Numismatic sales		789	882
Interest received		55,352	50,967
Other income		1,951	2,537
Interest paid		(2,150)	(1,584)
New currency payments		(277)	(3,322)
Administration and other expenses		(22,170)	(19,854)
Net movement of short-term commercial paper		(139,533)	146,864
Net movement in fixed term deposits		54,584	172,706
Net movement in International Monetary Fund accounts		731	1,050
Net movement of domestic securities		(86,308)	88
Net movement in financing facilities		(35,718)	(25,003)
Net movement in other assets		(348)	(184)
Cash flows from operating activities		<u>(172,621)</u>	<u>325,623</u>
Investing activities			
Payment for property, plant and equipment and intangibles		(812)	(893)
Net movement of bonds		108,840	(188,049)
Cash flows used in investing activities		<u>108,028</u>	<u>(188,942)</u>
Financing activities			
Net movement in demand deposits		11,314	(249,206)
Payment to the Fijian Government		(32,465)	(29,374)
Net movement in currency in circulation		14,842	77,761
Net movement in statutory reserve deposits		6,810	35,838
Cash flows from financing activities		<u>501</u>	<u>(164,981)</u>
Net effect of currency translation		<u>(403)</u>	<u>1,459</u>
Net (decrease) in cash		<u>(64,495)</u>	<u>(26,841)</u>
Cash and cash equivalents at the beginning of the period		<u>306,713</u>	<u>333,554</u>
Cash and cash equivalents at the end of the period	16	<u>242,218</u>	<u>306,713</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 74 to 107.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

1. Principal activities and principal place of operations

The Reserve Bank's role as a central bank, as defined in the Reserve Bank of Fiji Act, 1983 and the Reserve Bank of Fiji (Amendment) Decree 2009 is:

- (a) to regulate the issue of currency and the supply, availability and international exchange of money;
- (b) to promote monetary stability;
- (c) to promote a sound financial structure;
- (d) to foster credit and exchange conditions conducive to the orderly and balanced economic development of the country;
- (e) to regulate the insurance industry; and
- (f) to regulate the capital markets and the securities industry.

The Bank's principal place of operations is located at 1 Pratt Street, Suva, Fiji.

2. Statement of significant accounting policies and statutory requirements

(a) Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Reserve Bank of Fiji Act, 1983 and International Financial Reporting Standards (IFRS) except as detailed below.

The provisions of Section 34 of the Reserve Bank of Fiji Act, 1983 requires exchange gains and losses to be credited or debited directly to the Revaluation reserve account - foreign currency and not be included in the computation of annual profits or losses of the Bank. This is at variance with IAS 21 "*Effects of Changes in Foreign Exchange Rates*" which requires that currency translation gains and losses be credited or debited to profit or loss.

In accordance with Section 34, losses arising from exchange fluctuations are set off against any credit balance in the Revaluation reserve account - foreign currency; if such balance is insufficient to cover such losses, the Fijian Government is required to transfer to the ownership of the Bank non-negotiable non-interest bearing securities to the extent of the deficiency. Any credit balance in the Revaluation reserve account - foreign currency at the end of each financial period is applied first, on behalf of the Fijian Government, to the redemption of any non-negotiable non-interest bearing notes previously transferred to the Bank by the Fijian Government to cover losses and thereafter one-fifth of any remaining balance is paid to the Fijian Government.

In the opinion of the Directors, the accounting treatment adopted is appropriate in view of the requirement of Section 34 of the Reserve Bank of Fiji Act, 1983. Had the Bank adopted IAS 21 there would have been a net profit of \$28.5m for the year ended 31 July 2019 (2018: \$33.0m), a decrease of \$0.4m (2018: an increase of \$1.5m), being the net loss arising from currency translation differences.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

2. Statement of significant accounting policies and statutory requirements - continued

(b) Basis of preparation

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements are disclosed in Note 3.

Reserve Bank of Fiji ("the Bank") operates under the Reserve Bank of Fiji Act, 1983. The financial statements are prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value;
- held-to-maturity financial assets are measured at amortised cost; and
- property is measured at fair value.

The accounting policies as set out below have been applied consistently and, except where there is a change in accounting policy, are consistent with those of the previous periods.

Changes in accounting policies

IFRS 9 *Financial Instruments*

The Bank has adopted IFRS 9 "*Financial Instruments*" with a date of initial application of 1 August 2018. The requirements of IFRS 9 represent a significant change from IAS 39 "*Financial Instruments: Recognition and Measurement*". The nature and effects of the key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below.

The transitional requirements of IFRS 9 necessitates a review of the designation of financial instruments at fair value. IFRS 9 requires that the designation is revoked where there is no longer an accounting mismatch at 1 August 2018 and permits the designation to be revoked or additional designations created at 1 August 2018 if there are mismatches at that date. There was no accounting mismatch for the Bank's financial assets designated at fair value at 1 August 2018.

As a result of the adoption of IFRS 9, the Bank adopted consequential amendments to IAS 1 "*Presentation of Financial Statements*" which requires impairment of financial assets to be presented in a separate line item in the statement of changes in net assets. Previously, the Bank's approach was to include the impairment of financial assets, if any, in operating expenses. In addition, the Bank adopted consequential amendments to IFRS 7 "*Financial Instruments: Disclosures*" that are applied to disclosures for 2019 but generally have not been applied to comparative information.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

2. Statement of significant accounting policies and statutory requirements - continued

(b) **Basis of preparation - continued**

Classification of financial assets and financial liabilities - continued

For an explanation of how the Bank classifies and measures financial assets and accounts for related gains and losses under IFRS 9, refer to Note 26.

The adoption of IFRS 9 has not had a significant effect on the Bank's accounting policies for classification of financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. Refer to Note 26 for the impact of the change in measurement.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised as at 1 August 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

The nature and effects of the key changes to the Bank's accounting policies resulting from the adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The table in Note 26 shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Bank's financial assets and financial liabilities as at 1 July 2018.

The Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2 (e). The application of these policies resulted in the reclassifications as shown in Note 26.

A reconciliation of the carrying amounts of financial assets under IAS 39 against the carrying amounts under IFRS 9 resulting from the transition to IFRS 9 is detailed in Note 26.

IFRS 15 Revenue from Contracts with Customers

The Bank has adopted IFRS 15 with a date of transition of 1 August 2018.

The Bank has assessed that such adoption did not result in changes in accounting policies and adjustments to the amounts recognised in the financial statements in relation to revenues. The main revenue stream

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

2. Statement of significant accounting policies and statutory requirements - continued

considered under this standard is the rental income until such time as the Bank adopts IFRS 16. The Bank satisfies its performance obligations over time with revenue continuing to be recognised.

(b) Basis of preparation - continued

New standards and interpretations not adopted

Certain new standards, amendments to standards and interpretations are effective for financial years beginning on or after 1 January 2019 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are stated below.

IFRS 16 "Leases"

IFRS 16 "Leases" has an effective date for annual periods beginning on or after 1 January 2019. IFRS 16 results in accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are accounted for under IAS 17 "Leases". Lessees will recognise the right to use (ROU) asset and a corresponding financial liability on the balance sheet. The assets will be amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as under IAS 17. The Bank does not anticipate any likely impact from the adoption of IFRS 16 as it does not have any operating leases.

(c) Foreign currency transaction

Foreign currency balances have been translated to Fijian currency at rates of exchange ruling at period end. Transactions in foreign currencies are recorded in Fijian currency at the exchange rate applicable at the time of the transaction. As set out in Note 2(a) the gains or losses arising from foreign currency transactions are taken through other comprehensive income to the Revaluation reserve - foreign currency.

(d) Functional currency

The financial statements are presented in Fijian dollars, which is the Bank's functional currency.

(e) Financial instruments

The Bank measures and classifies its financial instruments into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the market at measurement date. The fair value of a financial instrument on initial recognition is the transaction price or the fair value of the consideration given or received. The fair value of financial instruments is measured on an individual basis.

(i) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include fixed deposits, other assets, financing facilities, discounted

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

2. Statement of significant accounting policies and statutory requirements - continued

securities, domestic bonds, other assets and staff housing loans. In addition, most of the Bank's financial liabilities are measured at amortised cost.

(e) Financial instruments - continued

(i) Financial instruments measured at amortised cost - continued

The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the fair value is less than the cash amount advanced, the difference is deferred and recognised over the life of the loan through the recognition of interest income.

The Bank may commit to underwriting loans on fixed contractual terms for a specified period of time. When the loan arising from the lending commitment is expected to be held for trading, the commitment to lend is recorded as a derivative. When the Bank intends to hold the loan, the loan commitment is included in the impairment calculations set out below.

Non-trading reverse repurchase, repurchase and similar agreements

When debt securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet, as a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase price and the resale price is treated as interest and recognised as net interest income over the life of the agreement.

Contracts that are economically equivalent to reverse repo or repo agreements (such as sales or purchases of debt securities entered into together with total return swaps with the same counterparty) are accounted for similarly to, and presented together with, reverse repo or repo agreements.

(ii) Financial assets measured at fair value through other comprehensive income

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling, which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily marketable securities, cash and cash equivalents, gold and the IMF holdings. They are recognised at the trade date when the Bank enters into contractual arrangements to purchase and are derecognised when they are sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains or losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains and losses in the comprehensive income are recognised in the income statement as 'gains and losses from financial instruments'. Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

(iii) Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;

Reserve Bank of Fiji

Notes to and forming part of the financial statements
For the year ended 31 July 2019**2. Statement of significant accounting policies and statutory requirements** - continued

- a group of financial assets or liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a risk management or investment strategy; and
- the financial liability contains one or more non-closely related embedded derivative.

(e) Financial instruments - continued*(iii) Financial instruments designated at fair value through profit or loss - continued*

Designated financial assets are recognised when the Bank enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Bank enters into contracts with counterparties, which is generally at settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement in 'Net income from financial instruments held for trading on a fair value basis' or 'Net income/ (expense) from assets and liabilities measured at fair value through profit or loss'.

Impairment of amortised cost and FVOCI financial assets

Expected credit losses ('ECL') are recognised for staff housing loans, non-trading reverse repurchase agreements, other financial assets held at amortised cost and financial assets measured at FVOCI. At initial recognition, allowance (or provision in the case of loan commitments) is required for ECL resulting from default events that are possible over the lifetime of the instrument, or less, where the remaining life is less than 12 months. In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument.

Measurement of ECL

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of the future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account time value of money.

In general, the Bank calculates ECL using three main components: a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD'). The ECL is calculated by multiplying the PD, LGD and the EAD. The PD represents the probability of default occurring over the lifetime of the instrument. The EAD represents the expected balance at default, taking into account repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

2. Statement of significant accounting policies and statutory requirements - continued

(e) **Financial instruments - continued**

The table below sets out how the value of the key drivers of the Bank's ECL model have been determined to meet the differing IFRS 9 requirements.

Model	RBF	IFRS 9 Requirement
PD	<ul style="list-style-type: none"> • Weighted average global corporate bond annual default rates (35 year period) leveraged on the Bank's foreign investment portfolio. • Sovereign ratings leveraged on the financial assets in the Bank's domestic portfolio. • Gold and IMF financial assets categorised as extremely low risk foreign holdings. • Staff loans and advances categorised as the riskiest of all the Bank's domestic holdings. • Standard & Poor's rate tables are used. 	<ul style="list-style-type: none"> • Point in time (based on current conditions, adjusted to take into account future estimates that will impact PD).
EAD	<ul style="list-style-type: none"> • Not lower than the current balance. 	<ul style="list-style-type: none"> • Amortisation captured for financial instruments.
LGD	<ul style="list-style-type: none"> • Basel II guidance assessments yielded rates of 10%-30% for the financial assets in the Bank's foreign investment portfolio and 20%-40% for the financial assets in the domestic commercial portfolios. • LGDs for senior and subordinate exposures are extrapolated from the landed floor rates. 	<ul style="list-style-type: none"> • Expected LGD (based on the estimate loss given default including the expected impact of future economic conditions such as changes in value of collateral). • Discounted using the effective interest rate.

Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL is the maximum contractual period over which the Bank is exposed to credit risk. The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceed the gross carrying amount of the asset, in which case the ECL is recognised as a provision.

Reserve Bank of Fiji

Notes to and forming part of the financial statements For the year ended 31 July 2019

2. Statement of significant accounting policies and statutory requirements - continued

(f) Accounting policies applied to financial instruments prior to 1 August 2018

Investment securities

The Bank classifies its investment securities into the following three categories: held-to-maturity, held-for-trading and available-for-sale assets.

Investment securities with fixed maturities where the Bank has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities to be held for an indefinite period of time, which may be sold in response to changes in interest rate, exchange rates or equity prices, are classified as held-for-trading. Investment securities that are not classified in any of the other categories are classified as available-for-sale. The Bank determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transactions costs). Held-for-trading financial assets are valued at market value. Unrealised gains and losses arising from the valuation adjustments of these securities at period end are included in the computation of annual profits or losses of the Bank.

Held-to-maturity investments are carried at amortised cost. Any premium or discount on purchase is capitalised and amortised over the term to maturity on a constant yield to maturity basis.

Available-for-sale financial assets are carried at fair value and the premium or discount is captured in the profit or loss over the term to maturity or a shorter period if this is the period to which the premium or discount relate to. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income/(losses). When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the profit or loss.

In 2011 certain domestic securities classified as Available-for-sale at that time, were reclassified to Held-to-maturity. The fair value gains for these securities that were previously recorded in this reserve is being amortised from the reserve to other revenue over the life of these securities. During the period, \$1.15m (2018: \$1.33m) has accordingly been amortised to other revenue.

All purchases and sales of investment securities are recognised at settlement date, which is the date that the asset is transferred to/from the Bank.

Other financial assets and liabilities

Local and foreign cash, deposits and short-term advances are valued at transaction date value. Reserve Bank of Fiji notes are valued at amortised cost.

Derecognition

The Bank derecognises its financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any gain or loss that had been recognised in other comprehensive income is recognised in profit and loss.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

2. Statement of significant accounting policies and statutory requirements - continued

(g) Gold

Gold is valued at the market price ruling at period end. Revaluation gains and losses on gold due to change in fair value are transferred to asset revaluation reserve. Currency translation gains and losses on gold are transferred to the Revaluation reserve-foreign currency account.

(h) Numismatic items

The Bank sells or receives royalties on notes and coins which are specifically minted or packaged as numismatic items. These numismatic items have not been accounted for as currency in circulation as they are not issued for monetary purposes. In terms of Section 55(2) of the Reserve Bank of Fiji Act, 1983, the Minister for Economy has specified by notice made under the provisions of paragraph (b) of the provision to Section 31 of the Act that the Bank shall not be required to include the face value of these numismatic items in circulation in its financial statements. It is considered that no material liability will arise in respect of these numismatic items.

(i) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash held at bank, short-term commercial paper and current accounts with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Bank in the management of its short-term commitments.

(j) Currency inventory

Currency inventory relates to notes and coins purchased for circulation and include the new notes and coins design series. The amount expensed in profit or loss is based on the cost of producing legal tender notes and coins that are issued for circulation and adjustments for write-offs relating to superseded design notes and coins series. Currency costs is determined on a first-in, first-out basis.

(k) Loans and advances

Loans are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for an allowance for bad and doubtful debts. A provision for impairment allowances is made based the impairment model as set out in Note 2(e). Movement in the provision is charged to profit or loss.

All known bad debts are written off against the provision in the period in which they are recognised. Bad debts, in respect of which no specific provisions have been established, are charged directly to profit or loss.

(l) Demand deposits

Demand deposits representing funds placed with the Bank by financial institutions and other organisations are brought to account on a cost basis. These deposits are at call. Interest is paid on demand deposits of commercial banks held with the Bank.

(m) Currency in circulation

The exclusive rights of national currency issue are vested with the Bank. Currency in circulation comprises notes and coins issued by the Bank and represent a claim on the Bank in favour of the holder. Currency in circulation relates to the issue of notes and coins and demonetised currency that has yet to be redeemed, less notes and coins redeemed. The liability for currency in circulation is recorded at face value.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

2. Statement of significant accounting policies and statutory requirements - continued

(n) Property, plant and equipment

Recognition and measurement

Freehold land and buildings are measured at fair value, based on valuations by an independent registered valuer less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Items of capital expenditure, with the exception of freehold land, are depreciated on a straight line basis over the following estimated useful lives:

Buildings	50 years
Building improvements	5-15 years
Motor vehicles	6 years
Computers and equipment	4-5 years
Plant & machinery, equipment & furniture & fittings	5-10 years

Assets are depreciated from the date of acquisition. Expenditure on repairs and maintenance of property, plant and equipment incurred which does not add to future economic benefits expected from the assets is recognised as an expense when incurred.

(o) Statutory reserve deposit

Under Section 40 of the Reserve Bank of Fiji Act, 1983, the Reserve Bank may specify the reserves required, by each financial institution, to be maintained against deposits and other similar liabilities. The statutory reserve deposit is a direct monetary policy tool that is used from time to time to complement the RBF's market based policy instrument. The last time the RBF changed the statutory reserve deposit was in 2010 when it was raised from 8.5% to 10%.

(p) Intangible assets

Acquired intangible assets are initially recorded at their cost at the date of acquisition being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Intangible assets with finite useful lives are amortised on a straight line basis over the estimated useful lives of the asset being the period in which the related benefits are expected to be realised (shorter of legal duration and expected economic life). Amortisation rates and residual values are reviewed annually and any changes are accounted for prospectively. The annual amortisation rate used for intangible assets is 25%.

(q) Impairment

The carrying amounts of the Bank's non-financial assets are reviewed periodically to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Reserve Bank of Fiji**Notes to and forming part of the financial statements
For the year ended 31 July 2019****2. Statement of significant accounting policies and statutory requirements - continued****(r) Employee entitlements***Short-term benefits*

Short-term employee benefits comprising annual leave and entitlement to Fiji National Provident Fund are measured on an undiscounted basis and are expensed as the related service is provided.

Other long-term employee benefits

The Bank's net obligation in respect of long-term benefits is the amount of future benefit that employees have earned in return for their service in the current and prior period; that benefit is discounted to determine its present value. The discount rate is based on the domestic bond portfolio.

(s) Income tax

The Bank is exempt from income tax in accordance with Section 57 of the Reserve Bank of Fiji Act, 1983.

(t) Revenue recognition*Interest income*

Interest income is brought to account on an accruals basis using the effective interest method.

Income from financial instruments

Gains and losses realised from the sale of financial instruments are reflected in profit or loss at the time of transaction.

Other income

Rental income is brought to account as the performance obligations are satisfied over time. All rents are payable within a 30 day period.

All other income sources are generally brought to account as the performance obligations are satisfied at a point in time, with the exception of license and application fees which are brought to account over time.

(u) Operating leases

Where the Bank is the lessee, the lease rentals payable on operating leases are recognised in profit or loss over the term of the lease.

Where the Bank is the lessor, the assets leased out are retained in property, plant and equipment and the related income is brought to account evenly over the period of the lease.

(v) Comparative figures

Where necessary, comparative figures have been reclassified or regrouped to conform to changes in presentation in the current period.

(w) Rounding

Amounts in the financial statements are rounded to the nearest thousand dollars unless otherwise stated.

Reserve Bank of Fiji**Notes to and forming part of the financial statements
For the year ended 31 July 2019****3. Critical accounting estimates and judgements**

Estimates and judgments are continually evaluated and based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial period are as follows:

- Fair value of financial assets accounted for at FVOCI – refer Note 21;
- Determination of expected credit losses for financial assets – refer Note 20(c); and
- Valuation of properties – refer Note 11.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

4. Revenue and expenses	31 July 2019 \$000	31 July 2018 \$000
(a) Interest income		
Overseas investments	44,469	43,369
International Monetary Fund	2,055	1,463
Domestic securities	8,811	8,465
Financing facilities	1,383	1,172
Staff loans	46	54
	<u>56,764</u>	<u>54,523</u>
(b) Other revenue		
Rent received	476	476
Numismatic sales	874	913
License and application fees	367	323
Foreign currency trading gains	1,319	1,660
Amortisation of available-for-sale reserve	1,133	1,334
Other miscellaneous income	266	554
	<u>4,435</u>	<u>5,260</u>
(c) Interest expense		
International Monetary Fund	2,129	1,525
Other	21	59
	<u>2,150</u>	<u>1,584</u>
(d) Administration expenses		
Staff costs	15,982	13,806
Other costs	6,304	5,624
	<u>22,286</u>	<u>19,430</u>
Total number of employees at period end	<u>209</u>	<u>211</u>
(e) Other expenses		
Depreciation	2,037	1,996
Amortisation of intangible assets	136	53
Auditor's remuneration		
- Audit fees	52	52
Board remuneration	30	31
Currency issue	3,780	3,775
Numismatic	83	30
	<u>6,118</u>	<u>5,937</u>

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

5. External reserves	31 July 2019 \$000	31 July 2018 \$000
Short-term commercial paper	245,906	117,882
Current accounts	155,414	208,401
	<u>401,320</u>	<u>326,283</u>
Less: Allowance for impairment losses	(31)	-
	<u>401,289</u>	<u>326,283</u>
Marketable securities		
- Fixed term deposits	103,463	158,047
- Bonds	1,376,546	1,474,834
	<u>1,480,009</u>	<u>1,632,881</u>
Less: Allowance for impairment losses	(42)	-
	<u>1,479,967</u>	<u>1,632,881</u>
Gold	2,581	2,139
International Monetary Fund		
- Reserve tranche position	72,384	70,675
- Special drawing rights	131,009	129,953
	<u>203,393</u>	<u>200,628</u>
Total External reserves	<u>2,087,230</u>	<u>2,161,931</u>

Under the provisions of Section 31 of the Reserve Bank of Fiji Act, 1983, the value of the External reserves provided for in Section 30 shall not be less than 50% of the total Demand liabilities of the Bank. At 31 July 2019, the value of the External reserves was 88% (2018: 92%) of total Demand liabilities. Allowances for impairment losses have been provided on the short term commercial paper, current accounts and marketable securities in accordance with the requirements of IFRS 9.

6. Domestic securities	31 July 2019 \$000	31 July 2018 \$000
Domestic securities principally comprise investment in the Fijian Government bonds.		
During the year, \$1.15m (2018: \$1.33m) was amortised in respect of securities held in the Domestic Bond Portfolio.		
<i>Movement of Hold to collect financial assets</i>		
Opening balance	81,450	82,869
Acquisitions	104,393	2,179
Redemptions	(18,085)	(2,267)
Amortisation	(1,154)	(1,331)
	<u>166,604</u>	<u>-</u>
Less: Allowance for impairment losses	(262)	-
Closing balance	<u>166,342</u>	<u>81,450</u>

An allowance for impairment losses has been provided for the Bank's domestic securities in accordance with the requirements of IFRS 9.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

7. Financing facilities	31 July 2019 \$000	31 July 2018 \$000
Import Substitution and Export Finance Facility	103,489	82,087
Natural Disaster Rehabilitation Facility	14,327	14,862
Housing Facility	41,134	26,283
	<u>158,950</u>	<u>123,232</u>
Less: Allowance for impairment losses	(197)	-
	<u>158,753</u>	<u>123,232</u>

The RBF has three financing facilities that have been approved by the Board with a total approved limit of \$340 million as at 31 July 2019 (\$200 million: 2018) provided as back-to-back financing to various financial institutions at concessional rates of interest and varying maturities of up to 5 years. The aims of these facilities are to support import and export substitution businesses, assist businesses and home owners affected by natural disasters and assist first home buyers to own a home, respectively. Credit guidelines are determined by the financial institutions that tap into these facilities on behalf of their clients as ultimately, they bear the credit risk. An allowance for impairment losses has been provided on the Bank's financing facilities in accordance with the requirements of IFRS 9.

8. Currency inventory	31 July 2019 \$000	31 July 2018 \$000
<i>Movement of currency inventory</i>		
Opening balance	19,903	21,162
Consignments received	7,259	2,516
Currency issued	(3,780)	(3,775)
Closing balance	<u>23,382</u>	<u>19,903</u>

9. Other assets	31 July 2019 \$000	31 July 2018 \$000
Accrued interest	1,854	2,329
Currency prepayments	277	7,259
Prepayments and other receivables	1,220	872
Staff loans and advances	921	1,119
	<u>4,272</u>	<u>11,579</u>
Less: Allowance for impairment losses	(17)	-
	<u>4,255</u>	<u>11,579</u>

Currency prepayments represent advance payment for the purchase of notes and coins. An allowance for impairment losses has been provided on accrued interest and staff loans and advances.

10. Intangible assets	31 July 2019 \$000	31 July 2018 \$000
Cost		
Opening balance	4,108	4,027
Acquisitions	528	-
Disposals	(42)	-
Transfers from work in progress	-	81
Closing balance	<u>4,594</u>	<u>4,108</u>
Accumulated amortisation		
Opening balance	3,790	3,737
Amortisation charge for the period	136	53
Disposal	(42)	-
Closing balance	<u>3,884</u>	<u>3,790</u>
Carrying amount		
Opening balance	318	290
Closing balance	<u>710</u>	<u>318</u>

Reserve Bank of Fiji
Notes to and forming part of the financial statements
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10. Intangible assets - continued

Intangible assets include costs incurred in acquiring the Bank's computer software. Computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software.

11. Property, plant and equipment	Freehold land and buildings	Building Improvements	Motor vehicles	Computers and equipment	Plant & machinery, equipment & furniture & fittings	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost/Valuation							
Balance at 1 August 2017	34,928	1,146	461	2,847	1,854	209	41,445
Additions	-	-	-	-	-	893	893
Transfer from work in progress	-	48	-	214	235	(578)	(81)
Revaluations	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance at 31 July 2018	34,928	1,194	461	3,061	2,089	524	42,257
Balance at 1 August 2018	34,928	1,194	461	3,061	2,089	524	42,257
Additions	-	171	155	328	34	282	970
Transfers from work in progress	-	-	-	-	-	(686)	(686)
Revaluations	4,856	-	-	-	-	-	4,856
Write-down on revaluation	(5,466)	-	-	-	-	-	(5,466)
Disposals	-	-	(84)	-	-	-	(84)
Balance at 31 July 2019	34,318	1,365	532	3,389	2,123	120	41,847
Accumulated depreciation							
Balance at 1 August 2017	2,453	905	321	2,100	1,659	-	7,438
Depreciation for the year	1,542	61	45	306	42	-	1,996
Transfers	-	-	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-	-	-
Balance at 31 July 2018	3,995	966	366	2,406	1,701	-	9,434
Balance at 1 August 2018	3,995	966	366	2,406	1,701	-	9,434
Depreciation for the year	1,542	66	45	333	51	-	2,037
Transfers	-	-	-	-	-	-	-
Depreciation reversal on revaluation	(5,466)	-	-	-	-	-	(5,466)
Depreciation on disposals	-	-	(84)	-	-	-	(84)
Balance at 31 July 2019	71	1,032	327	2,739	1,752	-	5,921
Carrying amount							
Balance at 1 August 2017	32,475	241	140	747	195	209	34,007
Balance at 31 July 2018	30,933	228	95	655	388	524	32,823
Balance at 31 July 2019	34,247	333	205	650	371	120	35,926

A valuation of the Bank's freehold land and buildings was undertaken in 2019 by independent registered valuers Rolle Associates. Based on the independent valuation, a revaluation increment of \$4.9m was recognised in the financial statements as at 31 July 2019. These level three valuations were done on a capitalisation of income approach which applies a capitalisation rate to the potential net income for commercial properties and a market approach for the other properties.

Reserve Bank of Fiji
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12. Demand deposits	31 July 2019 \$000	31 July 2018 \$000
Foreign		
International Monetary Fund	134	59
Local		
Banks' exchange settlement balances	506,557	496,854
Fijian Government	1,257	592
State NBF Trust account	1,380	1,470
International Monetary Fund	835	475
Other depositors	3,920	3,244
	<u>513,949</u>	<u>502,635</u>

State NBF Trust Account

In accordance with an agreement dated 12 September 1996 between the Fijian Government, the Reserve Bank of Fiji and NBF AMB, the State established a trust account, known as the State NBF Trust Account, with the Reserve Bank of Fiji, on the basis, among other things, that all money in the trust account is the property of the Fijian Government at all times. The purpose of the State NBF Trust Account is to meet the obligations of the AMB.

The National Bank of Fiji Restructuring Act, 1996, provides that the State, the Reserve Bank of Fiji and AMB may at any time enter into one or more deeds, agreements, arrangements and understandings relating to the performance by the State of its obligations under the guarantees of deposits with AMB. From 1 April 2007, under Section 30(2)(c)(i) of the Banking Act, 1995, Cabinet agreed that the Bank assume controllership and the ultimate winding down process of the AMB. It also permits the Bank to use money from the State NBF Trust Account to meet any controllership expenses.

13. Payable to the Fijian Government	31 July 2019 \$000	31 July 2018 \$000
Net profit for the year	28,894	31,501
Transfer to General Reserve	(1,000)	(1,000)
One-fifth balance of 'Revaluation reserve account - foreign currency'	1,491	1,964
	<u>29,385</u>	<u>32,465</u>

The amount payable to the Fijian Government is made in accordance with Section 8(3) of the Reserve Bank of Fiji Act, 1983. The balance payable at 31 July 2018 was paid in full to the Fijian Government during the year.

14. Currency in circulation	31 July 2019 \$000	31 July 2018 \$000
Notes	787,814	776,547
Coins	64,405	60,830
	<u>852,219</u>	<u>837,377</u>

The exclusive rights of national currency issue are vested with the Bank. Currency in circulation comprises notes and coins issued by the Bank and represent a claim on the Bank in favour of the holder. Currency in circulation relates to the issue of notes and coins and demonetised currency that have yet to be redeemed, less notes and coins redeemed. The liability for currency in circulation is recorded at face value.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

15. Other liabilities	31 July 2019 \$000	31 July 2018 \$000
Employee entitlements	1,776	1,525
SME Credit Guarantee Scheme	3,908	3,923
Accruals	1,581	1,864
Other liabilities	1,612	1,178
	<u>8,877</u>	<u>8,490</u>
<i>Movements in employee entitlements:</i>		
Opening balance	1,525	1,586
Net movement during the period	251	(61)
Closing balances	<u>1,776</u>	<u>1,525</u>

The small and medium enterprises (SME) credit guarantee scheme is a Government guarantee to pay up to 50% of the principal outstanding on defaulted SME loans to a limit of \$50,000 per business. The total allocation of \$4.0m that was established in 2012 is administered by the Bank and covers lending to all sectors except for loans to sugarcane farmers and government-subsidised businesses.

16. Cash and cash equivalents	31 July 2019 \$000	31 July 2018 \$000
Cash and cash equivalents included in the statement of cash flows comprise of the following:		
Cash on hand - local currency	1,598	1,597
Cash - foreign currency	240,620	305,116
	<u>242,218</u>	<u>306,713</u>

Cash - foreign currency forms part of short-term commercial paper and current accounts in Note 5.

17. Share capital	31 July 2019 \$000	31 July 2018 \$000
Authorised capital	<u>5,000</u>	<u>5,000</u>
Issued and paid-up capital	<u>2,000</u>	<u>2,000</u>

The authorised capital established under the Reserve Bank of Fiji Act, 1983 is \$5,000,000 which may be increased from time to time by any amount proposed by the Board of Directors and approved by the Minister for Economy. Upon the establishment of the Bank, an initial amount of \$2,000,000 was issued by the Fijian Government as paid capital stock. Any subsequent amount of paid capital stock shall be proposed by the Board of Directors and approved by the Minister for Economy.

18. Reserves

Reserves are maintained to cover the broad range of risks to which the Bank is exposed.

General reserves

The General reserves provide for events which are contingent and which are non-foreseeable. Transfers to this account from the profit payable to the Fijian Government, can only take place following an agreement between the Minister for Economy and the Board of Directors, in accordance with Section 8(1)(c) of the Reserve Bank of Fiji Act, 1983.

At the end of the year, the Minister and the Board of Directors have agreed to transfer \$1.0m (2018: \$1.0m) into the General reserves from the profits that is payable to the Fijian Government.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

18. Reserves - continued

Available-for-sale reserve

This reserve records fair value gains and losses on the Bank's financial instruments measured at fair value through other comprehensive income. In 2011 certain domestic securities classified as Available-for-sale at that time, were reclassified to Held-to-maturity. The fair value gains for these securities that were previously recorded in this reserve is being amortised from the reserve to other revenue over the life of these securities. During the period \$1.13m (2018: \$1.33m) has been accordingly amortised to other revenue.

Revaluation reserve account - foreign currency

Currency translation gains and losses arising from revaluation of Bank's assets and liabilities in, or denominated in gold or foreign currencies are transferred to the Revaluation reserve account - foreign currency (refer Note 2(a)).

Asset revaluation reserve

This reserve records movements between the carrying value and the fair values of the Bank's property and gold holdings. The Bank's freehold land and buildings were revalued in 2019 (refer to Note 11). As at 31 July 2019, the valuation movements of the Bank's gold holdings were captured in the asset revaluation reserve. The asset revaluation reserve comprises the following:

Asset revaluation reserve	31 July 2019 \$000	31 July 2018 \$000
<i>Property</i>		
Opening balance	18,830	18,830
Revaluation	4,856	-
Closing balance	23,686	18,830
<i>Gold</i>		
Opening balance	885	937
Revaluation	251	(52)
Closing balance	1,136	885
Total asset revaluation reserve		
Opening balance	19,715	19,767
Net movement	5,107	(52)
Closing balance	24,822	19,715

Management of capital and reserves

The Bank's capital and reserves management focuses on the Bank's total equity reported in its financial statements. The main drivers of the reported equity are the reported results and the Bank's distribution to the Fijian Government. The Bank's distribution to the Fijian Government is determined under the provisions of the Reserve Bank of Fiji Act, 1983 referred to in Note 13.

The Bank's main capital management objective is to have adequate reserves to effectively carry out its statutory responsibilities. The Bank assesses the extent of the financial risks and the resulting potential for losses arising from its operation. These financial risks are assessed across the statement of financial position to determine the appropriate amount of equity. Such assessments are supplemented with analysis and judgement, where appropriate.

Reserve Bank of Fiji**Notes to and forming part of the financial statements
For the year ended 31 July 2019****19. International Monetary Fund**

The Bank was designated to serve with effect from 17 December 1976 as the Fijian Government's fiscal agent for the purposes of the International Monetary Fund, and assumed the Republic of Fiji's obligation of membership from that date.

As at 31 July 2019, the Republic of Fiji's membership subscription to the International Monetary Fund was \$293.0m (2018: \$290.5m). Of this amount \$72.4m (2018: \$70.7m) is shown as Reserve Tranche Position and is included as part of the External reserves of the Reserve Bank (refer Note 5) and the balance representing the Currency subscription portion of \$220.6m (2018: \$219.8m) is held mainly in the form of a non-interest bearing notes payable on demand, which is subject to an allowance for impairment losses of \$0.05m (2018: \$Nil).

Special drawing rights holdings ("SDR") is an interest bearing international reserve asset created by the IMF and is allocated to members on the basis of their quotas in the IMF. As at balance date this Special drawing rights holdings (asset) had a balance of \$131.0m (2018: \$130.0m) and is included as part of External reserves of the Bank (refer to Note 5). IMF - Special drawing rights allocation (liability) with a balance of \$199.8m (2018: \$198.1m) is included under foreign currency liabilities.

The Poverty Reduction and Growth Facility (PRGF) Trust was established by the IMF to meet the objectives of poverty reduction and growth more central to lending operations in its poorest member countries. The facility is administered in line with the Heavily Indebted Poor Countries (HIPC) Initiative, and at balance date this account had a balance of \$0.6m (2018: \$0.6m).

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

20. Financial risk management policies

a) Introduction and overview

The Reserve Bank is involved in policy oriented activities. The Bank identifies risks and implements controls in its operation and management of foreign reserves holdings. The main financial risks that the Bank faces include:

- liquidity risk
- credit risk
- market risk
- operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and procedures for measuring and managing risk.

Risk management framework

Like most central banks, the nature of the Bank's operations creates exposures to a range of operational and reputational risks. The Board of Directors has overall responsibility of the establishment and oversight of the Bank's risk management framework.

Bank management seeks to ensure that strong and effective risk management and controls systems are in place for assessing, monitoring and managing risk exposures. The Board of Directors, the Governors and Senior Management are responsible for managing and monitoring the business, strategy, risks and performance of the Bank. Internal Audit forms part of the Bank's risk management framework. This function reports to the Governor and the Board Audit and Risk Committee on internal audit and related issues. All areas in the Bank are subject to periodic internal audit review.

The majority of the Bank's financial risk arises from the management of foreign and domestic reserves. The Middle Office is responsible for monitoring and reporting compliance with various risk limits and policies. The Bank is subject to an annual external audit. Both external and internal audit arrangements are overseen by the Board Audit and Risk Committee comprising three of the Board's Directors. The Committee meets regularly and reports to the Board of Directors on its activities.

b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

To limit the liquidity risk, the Bank maintains an adequate level of reserves and taking into consideration the transaction demand on foreign exchange, ensures that an acceptable amount is maintained in current accounts at all times. The Bank invests in high quality instruments, including commercial paper and debt issued by Governments and Supranationals, all of which are easily converted to cash (refer to maturity analysis on liquidity).

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net Liquid assets to total Demand liabilities. The Bank's investment guidelines requires that minimum value of foreign currency assets to be held at any point shall not be less than 50% of the total Demand liabilities of the Bank. (Demand liabilities include currency in circulation but exclude non-interest bearing notes issued to international financial institutions).

As at 31 July 2019, the value of External reserves was 88% (2018: 92%) of the total Demand liabilities.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

20. Financial risk management policies - continued

b) Liquidity risk - continued

Maturity analysis as at 31 July 2019

The maturity analysis noted below includes all financial and non-financial assets and liabilities as at 31 July 2019.

	0-3 Months \$000	3-12 Months \$000	1-5 Years \$000	Over 5 Years \$000	No Specific Maturity \$000	Total \$000
Foreign currency assets						
Short-term commercial paper and current accounts	240,602	160,687	-	-	-	401,289
Marketable securities	244,317	472,834	762,816	-	-	1,479,967
Gold	2,581	-	-	-	-	2,581
Accrued interest	17,685	-	-	-	-	17,685
IMF - Reserve tranche position	72,384	-	-	-	-	72,384
- Special drawing rights	131,009	-	-	-	-	131,009
- PRGF - HIPC Trust	-	-	578	-	-	578
- Currency subscription	220,581	-	-	-	-	220,581
	929,159	633,521	763,394	-	-	2,326,074
Local currency assets						
Cash on hand	1,598	-	-	-	-	1,598
Domestic securities	24,817	77,885	39,337	24,303	-	166,342
Financing facilities	17,264	16,450	125,039	-	-	158,753
Currency inventory	23,382	-	-	-	-	23,382
Other assets	4,255	-	-	-	-	4,255
Intangibles	-	-	-	-	710	710
Property, plant and equipment	-	-	-	-	35,926	35,926
	71,316	94,335	164,376	24,303	36,636	390,966
Total assets	1,000,475	727,856	927,770	24,303	36,636	2,717,040
Foreign currency liabilities						
Demand deposits	134	-	-	-	-	134
IMF - PRGF - HIPC Trust	-	-	578	-	-	578
IMF - Special drawing rights Allocation	-	-	-	-	199,790	199,790
	134	-	578	-	199,790	200,502
Local currency liabilities						
Demand deposits	513,949	-	-	-	-	513,949
Payable to the Fijian Government	29,385	-	-	-	-	29,385
Currency in circulation	-	-	-	-	852,219	852,219
Statutory reserve deposit	-	-	-	-	801,007	801,007
IMF - Notes currency subscription	-	-	-	-	219,792	219,792
Other liabilities	4,969	3,908	-	-	-	8,877
	548,303	3,908	-	-	1,873,018	2,425,229
Total liabilities	548,437	3,908	578	-	2,072,808	2,625,731
Net assets	452,038	723,948	927,192	24,303	(2,036,172)	91,309

Reserve Bank of Fiji

Notes to and forming part of the financial statements
For the year ended 31 July 2019

20. Financial risk management policies - continued

b) Liquidity risk - continued

Maturity analysis as at 31 July 2018

The maturity analysis noted below includes all financial and non-financial assets and liabilities as at 31 July 2018.

	0-3 Months \$000	3-12 Months \$000	1-5 Years \$000	Over 5 Years \$000	No Specific Maturity \$000	Total \$000
Foreign currency assets						
Short-term commercial paper and current accounts	305,116	21,167	-	-	-	326,283
Marketable securities	276,316	520,637	835,928	-	-	1,632,881
Gold	2,139	-	-	-	-	2,139
Accrued interest	17,828	-	-	-	-	17,828
IMF - Reserve tranche position	70,675	-	-	-	-	70,675
- Special drawing rights	129,953	-	-	-	-	129,953
- PRGF - HIPC Trust	-	-	573	-	-	573
- Currency subscription	219,804	-	-	-	-	219,804
	1,021,831	541,804	836,501	-	-	2,400,136
Local currency assets						
Cash on hand	1,597	-	-	-	-	1,597
Domestic securities	500	17,794	19,824	43,332	-	81,450
Financing facilities	17,214	15,686	90,332	-	-	123,232
Currency inventory	19,903	-	-	-	-	19,903
Other assets	11,579	-	-	-	-	11,579
Intangibles	-	-	-	-	318	318
Property, plant and equipment	-	-	-	-	32,823	32,823
	50,793	33,480	110,156	43,332	33,141	270,902
Total assets	1,072,624	575,284	946,657	43,332	33,141	2,671,038
Foreign currency liabilities						
Demand deposits	59	-	-	-	-	59
IMF - PRGF - HIPC Trust	-	-	573	-	-	573
IMF - Special drawing rights Allocation	-	-	-	-	198,064	198,064
	59	-	573	-	198,064	198,696
Local currency liabilities						
Demand deposits	502,635	-	-	-	-	502,635
Payable to the Fijian Government	32,465	-	-	-	-	32,465
Currency in circulation	-	-	-	-	837,377	837,377
Statutory reserve deposit	-	-	-	-	794,197	794,197
IMF - Notes currency subscription	-	-	-	-	219,329	219,329
Other liabilities	4,567	3,923	-	-	-	8,490
	539,667	3,923	-	-	1,850,903	2,394,493
Total liabilities	539,726	3,923	573	-	2,048,967	2,593,189
Net assets	532,898	571,361	946,084	43,332	(2,015,826)	77,849

Reserve Bank of Fiji

Notes to and forming part of the financial statements
For the year ended 31 July 2019

20. Financial risk management policies - continued

c) Credit risk

Credit risk relates to the risk of loss to the Bank from the failure of a counter-party to a transaction to meet its contractual obligations and arises principally from the Bank's investments and loans and advances to customers and other banks. For risk management purposes, the Bank prescribes minimum credit ratings acceptable for investment and specifies the maximum permissible credit exposure to individual banks and countries. The minimum credit ratings for investments are P1/A3 for short-term debt and P1/Aaa for long-term.

The Bank uses Standard and Poor's, Moody's and Fitch credit ratings for assessing the credit risk of foreign counterparties. The credit ratings of counterparties, which are used in the calculation of the allowances for impairment losses, are closely monitored and are updated as new market information becomes available. Foreign exchange limits per bank are imposed for all currency dealings.

The total exposure of credit risk in the Bank's portfolio is as follows:

	31 July 2019 \$000	31 July 2018 \$000
Foreign currency assets		
Short-term commercial paper and current accounts	401,320	326,283
Marketable securities	1,480,009	1,632,881
International Monetary Fund	424,597	421,005
Gold	2,581	2,139
Accrued Interest	17,688	17,828
	<u>2,326,195</u>	<u>2,400,136</u>
Less: Allowance for impairment losses	(118)	-
	<u>2,326,077</u>	<u>2,400,136</u>
Local currency assets		
Domestic securities	166,604	81,450
Financing facilities	158,950	123,232
Cash on hand	1,598	1,597
Other assets	2,775	3,448
	<u>329,927</u>	<u>209,727</u>
Less: Allowance for impairment losses	(479)	-
	<u>329,448</u>	<u>209,727</u>
	<u>2,655,525</u>	<u>2,609,863</u>

The Bank monitors credit risk by currency and sector. An analysis of concentrations of credit risk is shown below:

Concentration by currency	31 July 2019		31 July 2018	
	\$000	%	\$000	%
USD	761,070	29	776,030	30
YEN	94,419	4	99,141	4
GBP	873	-	20	-
EURO	78,622	3	62,794	2
AUD	587,933	22	654,308	25
NZD	378,139	14	386,369	15
SDR	425,117	16	421,459	16
FJD	329,949	12	209,742	8
	<u>2,656,122</u>		<u>2,609,863</u>	
Less: Allowance for impairment losses	(597)	-	-	-
Total financial assets	<u>2,655,525</u>	<u>100</u>	<u>2,609,863</u>	<u>100</u>

Reserve Bank of Fiji

Notes to and forming part of the financial statements
For the year ended 31 July 2019

20. Financial risk management policies - continued

c) Credit risk - continued

Concentration by sector	31 July 2019		31 July 2018	
	\$000	%	\$000	%
Foreign currency assets				
Central banks	200,034	9	263,849	11
Commercial banks	549,961	24	528,957	22
Government	640,666	28	547,664	23
Semi Government	3,023	-	19,211	1
Supranational	490,217	21	601,616	25
International Monetary Fund	424,597	18	421,005	18
Others	17,697	-	17,834	-
Less: Allowance for impairment losses	(118)	-	-	-
	<u>2,326,077</u>	<u>100</u>	<u>2,400,136</u>	<u>100</u>
Local currency assets				
Government and statutory bodies	288,509	88	187,710	90
Commercial banks	38,643	12	18,569	9
Others	2,775	-	3,448	1
Less: Allowance for impairment losses	(479)	-	-	-
	<u>329,448</u>	<u>100</u>	<u>209,727</u>	<u>100</u>
Total financial assets	<u>2,655,525</u>		<u>2,609,863</u>	

Credit exposure by credit rating

The Bank averages the credit ratings provided by the above agencies, rounded down to the lower rating in case the composite is between two ratings. The rating agencies are evenly weighted when calculating the composite. An analysis of the credit quality based on Standard and Poor's, Moody's and Fitch credit ratings is as follows:

Summary by major credit category	31 July 2019		31 July 2018	
	\$000	%	\$000	%
<i>Foreign currency financial asset by major credit category:</i>				
Aaa	885,543	38	1,013,590	42
Aa1	15,583	1	-	-
Aa2	96,929	4	81,344	3
Aa3	420,059	18	308,900	13
A1	103,845	5	85,343	4
A2	51,996	2	102,841	4
A3	-	-	12	-
International Monetary Fund	424,597	18	421,005	18
Central Banks	200,034	9	263,849	11
Others and Not rated	127,609	5	123,252	5
Less: Allowance for impairment losses	(118)	-	-	-
	<u>2,326,077</u>	<u>100</u>	<u>2,400,136</u>	<u>100</u>
<i>Local currency financial asset by major credit category:</i>				
Others	329,927	100	209,727	100
Less: Allowance for impairment losses	(479)	-	-	-
	<u>329,448</u>	<u>-</u>	<u>209,727</u>	<u>-</u>
Total financial assets	<u>2,655,525</u>	<u>100</u>	<u>2,609,863</u>	<u>100</u>

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

20. Financial risk management policies - continued

c) **Credit risks - continued**

Credit exposure by credit rating - continued

Foreign currency assets under 'Others and Not Rated' include financial instruments held with other commercial banks. Local currency assets under 'Others' include financial instruments held with the Fijian Government, the Fiji Sugar Corporation Limited and staff loans and advances.

d) **Market risks**

Market risk is the risk that relates to changes in market prices such as interest rates and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk management

The principal risk to which trading portfolios is exposed is the risk of loss from fluctuations in future cash flows or fair value of financial instruments because of a change in market interest rates. The Bank limits interest rate risk by modified duration targets. The investment strategy in relation to the duration for the total portfolio is six months. The duration of the portfolio is re-balanced regularly to maintain the targeted duration.

Foreign exchange risk management

Exchange rate risk relates to the risk of loss of foreign reserves arising from changes in the exchange rates against the Fijian dollar. The Bank has adopted a currency risk management policy, which maintains the Fijian dollar value of the foreign reserves and manages the fluctuations in the Revaluation reserve account - foreign currency.

The Bank's exposure to foreign exchange risk, based on notional amounts, was as follows:

Notional carrying amounts as at 31 July 2019

	USD \$000	YEN 000	GBP \$000	EURO 000	AUD \$000	NZD \$000	SDR 000
Foreign currency assets							
Short-term commercial paper and current account	82,115	5,240,629	7	5,375	175	9,111	-
Marketable securities	266,033	-	-	20,117	415,084	257,134	-
Gold	1,192	-	-	-	-	-	-
Accrued interest	2,198	-	-	173	5,803	2,327	(6)
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	24,307
- Special drawing rights	-	-	-	-	-	-	43,993
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	74,086
Total foreign currency assets	351,538	5,240,629	7	25,665	421,062	268,572	142,574
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(45)
IMF - PRGF - HIPC Trust IMF	-	-	-	-	-	-	(194)
- Special drawing rights Allocation	-	-	-	-	-	-	(67,090)
Total foreign currency liabilities	-	-	-	-	-	-	(67,329)
Carrying amount	351,538	5,240,629	7	25,665	421,062	268,572	75,245

Reserve Bank of Fiji

Notes to and forming part of the financial statements
For the year ended 31 July 2019

20. Financial risk management policies - continued

d) Market risks - continued

Notional carrying amounts as at 31 July 2018

	USD \$000	YEN 000	GBP \$000	EURO 000	AUD \$000	NZD \$000	SDR 000
Foreign currency assets							
Short-term commercial paper and current account	95,453	5,240,629	7	5,375	175	9,111	-
Marketable securities	270,795	-	-	20,117	415,084	257,134	-
Gold	1,018	-	-	-	-	-	-
Accrued interest	1,889	-	-	40	4,947	3,042	(6)
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	23,941
- Special drawing rights	-	-	-	-	-	-	44,022
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	74,459
Total foreign currency assets	369,155	5,240,629	7	25,532	420,206	269,287	142,610
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(20)
IMF - PRGF - HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights allocation	-	-	-	-	-	-	(67,094)
Total foreign currency liabilities	-	-	-	-	-	-	(67,308)
Carrying amount	369,155	5,240,629	7	25,532	420,206	269,287	75,302

The following significant exchange rates were used at period end to convert foreign currency balances to the Fijian dollar equivalent.

Reporting date spot rate	31 July 2019	31 July 2018
USD	0.4619	0.4759
YEN	50.18	52.86
GBP	0.3802	0.3624
EURO	0.4141	0.4066
AUD	0.6719	0.6427
NZD	0.6982	0.6977
SDR	0.3358	0.3388

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

20. Financial risk management policies - continued

d) Market risks - continued

Sensitivity analysis for exchange rate

A 10% strengthening and a 10% weakening of the Fijian dollar against the above currencies at 31 July would have the following impact on equity as shown below.

Effect on equity - Increase in equity/(Decrease in equity)

Period end	Strengthening by 10%		Weakening by 10%	
	31 July	31 July	31 July	31 July
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
USD	(69,188)	(70,518)	84,563	86,189
YEN	(9,494)	(9,013)	11,604	11,016
GBP	(2)	(2)	2	2
EURO	(5,634)	(5,709)	6,886	6,977
AUD	(56,970)	(59,438)	69,630	72,646
NZD	(34,969)	(35,088)	42,740	42,885
SDR	(38,598)	(38,266)	47,176	46,770
FJD impact	<u>(214,855)</u>	<u>(218,034)</u>	<u>262,601</u>	<u>266,485</u>

e) Operational Risk Management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than liquidity, credit and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Bank's operations.

Managing operational risk in the Bank is an integral part of day-to-day operations and oversight. This includes adherence to Bank wide corporate policies. There is also an active internal audit function carried out on a quarterly basis.

To reduce operational risks in foreign reserves operations there is a clear segregation of duties between the Front Office (dealing) and the Back Office (settlements function). The Front Office comprises teams of officers (dealers) who are duly authorised to transact on behalf of the Bank. The Back Office comprises officers who independently process and settle all the deals undertaken by the Front Office.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management within each business group. This responsibility is supported by the development of overall and business group-specific policies and procedures. The Middle Office and Internal and External Audit functions also ensure that operational risk is effectively minimised and managed.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

21. Fair values of financial assets and liabilities

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organised and liquid market that is able to absorb a significant transaction without moving the price against the trader.

The valuation of the Bank's financial assets and liabilities are discussed below:

External reserves

The reported value of External reserves is considered to be its fair value due to the short-term nature of the financial assets. Bonds are valued at mark to market.

Domestic securities

The fair value of the Bank's Domestic securities is \$180.14m (2018: \$96.44m), based on quoted market prices.

Statutory reserve deposits

The carrying value of Statutory reserve deposits are considered to approximate their fair value as they are denominated in cash.

Demand deposits

The carrying value of Demand deposits are considered to approximate their fair value as they are payable on demand.

Currency in circulation

The carrying value of Currency in circulation is considered to be its fair value as reported in the financial statements.

Other financial assets and liabilities

The reported values of other financial assets and liabilities are considered to be their fair value.

Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

21. Fair values of financial assets and liabilities - continued

Valuation of financial instruments - continued

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
31 July 2019				
<i>Foreign currency assets</i>				
Hold to collect and sell financial assets at quoted market price	1,266,625	-	-	1,266,625
Fijian Government bonds	-	109,921	-	109,921
Less: Allowance for impairment losses	(34)	(3)	-	(37)
	<u>1,266,591</u>	<u>109,918</u>	<u>-</u>	<u>1,376,509</u>

31 July 2018

Foreign currency assets

Hold to collect and sell financial assets at quoted market price	1,369,411	-	-	1,369,411
Fijian Government bonds	-	105,423	-	105,423
	<u>1,369,411</u>	<u>105,423</u>	<u>-</u>	<u>1,474,834</u>

During the period ended 31 July 2019, there were no transfers in and out of the fair value hierarchy levels mentioned above.

Sensitivity analysis

A 10% strengthening of the quoted market prices against the above foreign Hold to collect and sell financial assets at 31 July would have increased equity by the amounts shown below. A 10% weakening of market prices at 31 July would have had the equal but opposite effect.

Effect on equity

Period end	31 July 2019 \$000	31 July 2018 \$000
USD	48,832	48,385
EURO	7,706	4,948
AUD	54,653	61,597
NZD	26,464	32,554
FJD impact	<u>137,655</u>	<u>147,484</u>

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

22. Related Parties

Identity of related parties

The Bank has related party relationships with the Board of Directors, the Executive Management and the Fijian Government and NBF AMB. The members of the Board of Directors during the year were:

Ariff Ali – Chairman and Governor
 Makereta Konrote (Ex-officio member)
 Pradeep Patel
 Tevita Kuruvakadua
 Tony Whitton

In April 2007 Cabinet agreed under the Banking Act for the Reserve Bank to assume controllership of the winding down process of NBF AMB.

During the period the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for planning and controlling the activities of the Bank:

Ariff Ali	Governor
Esala Masitabua	Deputy Governor
Lorraine Seeto	Chief Manager Governor's Office and Board
Razim Buksh	Director Financial Intelligence Unit
Caroline Waqabaca	Chief Manager Financial Markets
Susan Kumar	Chief Manager Risk Management and Communications from 1 April 2019 and Chief Manager Currency and Corporate Services up to 31 March 2019
Vilimaina Dakai	Chief Manager Financial Institutions from 1 April 2019 and Chief Manager Risk Management and Communications up to 31 March 2019
Petaia Tuimanu	Chief Manager Economics
Poasa Werekoro	Acting Chief Manager Financial System Development
Savaira Manoa	Acting Chief Manager Financial Institutions from 1 August 2018 to 30 September 2018
Ragni Singh	Acting Chief Manager Financial Institutions from 1 October 2018 to 30 November 2018
Shanil Totaram	Acting Chief Manager Financial Institutions from 1 December 2018 to 31 January 2019
Lepani Uluinaviti	Acting Chief Manager Financial Institutions from 1 February 2019 to 31 March 2019
Praneel Prasad	Acting Chief Manager Currency and Corporate Services from 1 April 2019
Subrina Hanif	Board Secretary

Transactions with related parties

In the normal course of its operations, the Bank enters into transactions with related parties identified above. The transactions with the Board of Directors and Executive Management include the payment of board remuneration and salaries, respectively.

The transactions with the Fijian Government include banking services, foreign exchange transactions, registry transactions and purchase of Government securities. During the year, the Bank earned \$16.87m (2018: \$15.03m) of interest income relating to their investments in Government securities including foreign currency denominated bonds. The Bank is also obligated to pay \$29.38m (2018: \$32.47m) to the Fijian Government in accordance with Section 8(3) of the Reserve Bank of Fiji Act, 1983. The Bank has interest receivable on Government securities as at 31 July 2019 of \$5.79m (2018: \$4.41m). The balance of the Bank's investment in Government securities including foreign currency denominated bonds at period end amounted to \$276.26m (2018: \$186.87m).

The Bank also provides an overnight standby facility to the Fijian Government. At the end of the period, the approved facility of \$20m (2018: \$20m) was not utilised.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

22. Related Parties - continued

The transactions with the respective related parties are carried out on normal trading terms.

During the period the following transactions were incurred with the related parties:

	31 July 2019 \$000	31 July 2018 \$000
Board remuneration expenses	30	31
Key management personnel:		
- Short-term employee benefits	2,026	1,857
- Long-term employee benefits	30	99
	<u>2,086</u>	<u>1,987</u>

23. Commitments

Commitments not otherwise provided for in the financial statements and which existed at 31 July 2019 comprise:

	31 July 2019 \$000	31 July 2018 \$000
Foreign exchange transactions:		
- Sales	8,973	8,670
- Purchases	9,480	-
Capital commitments		
- Other assets	38	148

24. Lease receivable

The Bank leases out certain floors of the Reserve Bank building. The operating lease rentals receivable are as follows:

	31 July 2019 \$000	31 July 2018 \$000
Receivable not later than one year	186	519
Receivable later than one year but not later than five years	469	351
	<u>655</u>	<u>870</u>

25. Events subsequent to balance date

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Bank, to affect significantly the operations of the Bank, the results of those operations, or the state of affairs of the Bank, in future financial periods.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

26. Effects of transition to IFRS 9

a) Classification impact

	IAS 39 Measurement category	IFRS 9 Measurement category	IAS 39 Balance as at 31 July 2018 \$000	IFRS 9 Balance as at 1 August 2018 \$000
Short-term commercial paper and current accounts	Amortised Cost (Held to maturity)	Amortised Cost (Hold to collect)	326,283	326,283
Fixed term deposits	Amortised Cost (Held to maturity)	Amortised Cost (Hold to collect)	158,047	158,047
Bonds	FVOCI (Available for sale assets)	FVOCI (Hold to collect and sell)	1,474,834	1,474,834
Gold	FVOCI (Available for sale assets)	FVOCI (Hold to collect and sell)	2,139	2,139
Accrued interest	Amortised Cost (Held to maturity)	Amortised Cost (Hold to collect)	17,828	17,828
International Monetary Fund holdings	FVOCI (Available for sale assets)	FVOCI (Hold to collect and sell)	421,005	421,005
Cash on hand	Amortised Cost (Held to maturity)	Amortised Cost (Hold to collect)	1,597	1,597
Domestic securities	Amortised Cost (Held to maturity)	Amortised Cost (Hold to collect)	81,450	81,450
Financing Facilities	Amortised Cost (Held to maturity)	Amortised Cost (Hold to collect)	123,232	123,232
Accrued interest	Amortised Cost (Held to maturity)	Amortised Cost (Hold to collect)	2,329	2,329
Staff loans and advances	Amortised Cost (Held to maturity)	Amortised Cost (Hold to collect)	1,119	1,119
Total assets			<u>2,609,863</u>	<u>2,609,863</u>

There was no impact of changes in the measurement bases of the Bank's financial assets during the transition from IAS 39 to IFRS 9.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2019

26. Effects of transition to IFRS 9 - continued

b) Measurement impact – expected credit losses

	Opening Balance as at 1 August 2018	Closing Balance as at 31 July 2019	Allowance for impairment losses 31 July 2019	Adj. Closing Balance as at 31 July 2019
	\$000	\$000	\$000	\$000
Short-term commercial paper and current accounts	326,283	401,320	(31)	401,289
Fixed term deposits	158,047	103,463	(5)	103,458
Bonds	1,474,834	1,376,546	(37)	1,376,509
Gold	2,139	2,581	-	2,581
Accrued interest	17,828	17,688	(3)	17,685
International Monetary Fund holdings	421,005	424,597	(45)	424,552
Cash on hand	1,597	1,598	-	1,598
Domestic securities	81,450	166,604	(262)	166,342
Financing Facilities	123,232	158,950	(197)	158,753
Accrued interest	2,329	1,854	(4)	1,850
Staff loans and advances	1,119	921	(13)	908
Total			<u>(597)</u>	<u>2,655,525</u>

The Expected credit loss allowances summarised in the table above outline the breakdown of the allocations to the respective financial asset categories. The Bank did not previously recognise impairment losses on financial assets under IAS 39.

The Bank determined the impact of applying the IFRS 9 impairment provisions to its balances at 31 July 2018. The impact was to require an impairment allowance provision of \$393,000. At year end, the Bank determined an additional allowance of \$204,000 was required.

The Bank does not have a retained earnings account and all profits and one fifth of the Revaluation Reserve Account balance are remitted to the Fijian Government at the end of each financial year as disclosed in Note 13. The Bank meets the IFRS 9 requirements for not restating prior periods. However, because of the legislative requirements it cannot recognise the initial impact of adopting IFRS 9 against retained earnings, hence the Bank has absorbed this cost into the current year's operating result.

FIVE-YEAR HISTORICAL INFORMATION

	Audited 2015	Audited 2016	Audited 2016-17	Audited 2017-18	Audited 2018-19
	\$000	\$000	\$000	\$000	\$000
Five Year Financial Position					
Assets					
Foreign Currency	2,113,048	2,211,521	2,541,258	2,400,136	2,326,074
Local Currency	258,207	258,896	249,723	270,902	390,966
Total Assets	2,371,255	2,470,417	2,790,981	2,671,038	2,717,040
Liabilities & Equity					
Foreign Currency	198,519	194,928	190,719	198,696	200,502
Local Currency	2,086,517	2,186,088	2,518,599	2,394,493	2,425,229
Net Assets/Equity	86,219	89,401	81,663	77,849	91,309
Total Liabilities & Equity	2,371,255	2,470,417	2,790,981	2,671,038	2,717,040
Five Year Financial Performance					
Income					
Interest Income	46,585	26,223	49,522	54,523	56,764
Other Income	5,537	3,261	6,561	5,260	4,435
Total Income	52,122	29,484	56,083	59,783	61,199
Expenses					
Interest Expense	108	97	610	1,584	2,150
Administration Expenses	17,935	10,711	20,398	19,430	22,286
Amortisation of Securities	1,387	790	1,349	1,331	1,154
Other Expense	4,790	3,973	5,442	5,937	6,715
Total Expenses	24,220	15,571	27,799	28,282	32,305
Net Profit for the year	27,902	13,913	28,284	31,501	28,894
Five-year Profit and One-fifth balance of Revaluation Reserve Paid to the Fijian Government (\$M)					
Net Profit after transfer to general reserves	27.9	13.9	27.3	30.5	27.9
One-fifth balance of revaluation reserve account	4.3	3.0	2.1	2.0	1.5
Total Payment to Fijian Government	32.2	16.9	29.4	32.5	29.4

Notes:

Details of the financial year periods in the above 5-year historical information are outlined below:

2015: 1 Jan 2015 to 31 Dec 2015
 2016: 1 Jan 2016 to 31 Jul 2016
 2016-17: 1 Aug 2016 to 31 Jul 2017
 2017-18: 1 Aug 2017 to 31 Jul 2018
 2018-19: 1 Aug 2018 to 31 Jul 2019

FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

	2014	2015	2016	2017	2018	2019
I. GDP¹						
GDP at Market Price (\$ Million)	9,167.0	9,822.1	10,327.3r	11,065.0r	11,557.4p	11,951.3f
GDP per Capita at Market Price (\$)	10,611.3	11,321.2	11,852.3r	12,504.4r	12,983.0p	13,345.4f
Constant Price GDP Growth Rate (%)	5.6	4.7	2.5r	5.4r	3.5p	1.0f
II. LABOUR MARKET²						
Labour Force	367,154e	346,214e		356,789e	n.a	n.a
Wage and Salary Earners (mid-year)	129,500e	199,515e		174,833e	n.a	n.a
III. INFLATION (year-on-year % change)						
All Items	0.1	1.6	3.9	2.8	4.8	0.7 ³
IV. EXTERNAL TRADE⁴						
Current Account Balance (\$ Million)	-531.5	-343.0r	-374.7r	-743.6r	-982.6p	-655.8f
Capital Account Balance (\$ Million)	8.2	6.4r	9.0r	9.1r	10.4p	10.4f
Financial Account Balance (\$ Million) ⁵	-1,216.5	-315.1r	-643.1r	-1,050.9r	-1,402.4p	-1,248.0f
Current Account Balance (% of GDP)	-5.8r	-3.5r	-3.6r	-6.7r	-8.5p	-5.5f
V. FOREIGN EXCHANGE RESERVES (\$ Million)⁶						
Foreign Reserves	1,810.7	1,943.7	1,921.2	2,272.8	2,012.4	2,087.3
VI. MONEY AND CREDIT (year-on-year % change)⁸						
Narrow Money	5.5	13.4	4.0	13.9	0.7	-1.6
Currency in Circulation	11.0	11.7	9.5	7.1	1.1	3.4
Quasi-Money	10.6	14.3	4.6	8.5	2.9	1.2
Domestic Credit ⁶	18.7	13.4	7.6	5.9	9.7	8.3
VII. INTEREST RATES (% p.a.)⁸						
RBF OPR ⁷	0.50	0.50	0.50	0.50	0.50	0.50
Lending Rate	5.71	5.89	5.80	5.65	5.69	6.09
Savings Deposit Rate	0.57	1.01	0.97	1.34	1.32	1.19
Time Deposit Rate	2.15	2.71	2.95	3.21	3.61	4.25
Minimum Lending Rate - RBF	1.00	1.00	1.00	1.00	1.00	1.00
VIII. EXCHANGE RATES (mid rates, F\$1 equals: end of period)⁸						
US dollar	0.5031	0.4701	0.4695	0.4874	0.4669	0.4619
Real Effective Exchange Rate (January 1999 = 100)	98.68	99.86	102.31	102.02	106.23	101.04
IX. Government Finance (\$ Million)⁹	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Total Revenue and Grants	2,379.0	2,857.3	2,801.9	3,202.0	3,144.5r	3,438.2b
Total Expenditure (excluding loan repayments)	2,663.4	3,245.6	3,030.6	3,704.4	3,560.6r	3,787.4b

Sources: Commercial Banks, Fiji Bureau of Statistics, Ministry of Economy, Macroeconomic Committee and Reserve Bank of Fiji

Notes:

¹ GDP Figures from 2014 to 2019 are based on the 2014 GDP base.

² For 2015, both the Labour Force and Wage & Salary Earners (mid-year) are sourced from 2015/16 Employment & Unemployment Survey.

³ 2019 – July inflation rate (2014 base).

⁴ Balance of Payments values include aircraft imports and financing.

⁵ "-" Indicates Net Borrowing i.e. the economy receives funds from the rest of the world.

⁶ Credit to the private sector is adjusted for AMB's non-performing loans and advances.

⁷ The RBF OPR came into effect in 2010.

⁸ Data for 2019 is July end.

⁹ The Government Finance 2019-20 FY is sourced from the cash flow statement.

Key:

e - estimate

p - provisional

b - budgeted

r - revised

p.a. - per annum

n.a - not available

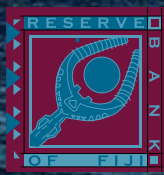
ABBREVIATIONS

ABIF	Association of Banks in Fiji	e-GDDS	Enhanced General Data Dissemination System	Reporting Standards	
ADB	Asian Development Bank	EMDE	Emerging Market & Developing Economies	IIA	Institute of Internal Auditors
AFI	Alliance for Financial Inclusion	ESA	Exchange Settlement Account	IMF	International Monetary Fund
AICD	Australian Institute of Company Directors	ESG	Environmental, social and governance	IOSCO	International Organisation for Securities Commission
AINWC	Agriculture Insurance National Working Committee	EU	European Union	ISEFF	Import Substitution and Export Finance Facility
AMB	Asset Management Bank	EUR	Euro	IT	Information Technology
AML	Anti-Money Laundering	FBFSEU	Fiji Bank and Finance Sector Employees Union	ITSC	Information Technology Steering Committee
APG	Asia Pacific Group	FDB	Fiji Development Bank	JPY	Japanese Yen
APRA	Australian Prudential Regulations Authority	FBC	Fiji Broadcasting Corporation	KFL	Kontiki Finance Limited
ATM	Automated Teller Machine	FBOS	Fiji Bureau of Statistics	KPI	Key Performance Indicator
AUD	Australian dollar	FENC	Foundation for the Education of Needy Children	KPMG	Klynveld Peat Marwick Goerdeler
BCP	Business Continuity Plan	FHL	Fijian Holdings Limited	KRA	Key Result Area
bp	basis points	FHRI	Fiji Human Resources Institute	KYC	Know-Your-Customer
BIMA	refers to an insurance product	FIA	Fiji Institute of Accountants	LFIs	Licensed Financial Institutions
BPNG	Bank of Papua New Guinea	FIB	Fiji Institute of Bankers	LHS	Left-hand side
BRS	Business Resumption Site	FICAC	Fiji Independent Commission Against Corruption	LMCC	Labour Management Consultation and Cooperation
CARE	Cyclone Assistance Relief Effort	FIJICLEAR	A type of payment system	MC	Macroeconomic Committee
CBRC	China Banking Regulatory Commission	FinEd	Financial Education	MDF	Market Development Facility
CBSI	Central Bank of Solomon Islands	FIU	Financial Intelligence Unit	MIS	Managed Investment Schemes
CCA	Central Coordinating Agency	FLWG	Financial Literacy Working Group	MITT	Ministry of Industry, Trade and Tourism
CDD	Customer due diligence	FNPF	Fiji National Provident Fund	MNO	Mobile Network Operator
CEMC	Consumer Empowerment and Market Conduct	FNU	Fiji National University	M-PAiSA	A mobile phone money transfer service
CFT	Combating the Financing of Terrorism	FRCS	Fiji Revenue & Customs Service	MSC	MicroSave Consulting
CIRA	Credit information reporting agency	FSC	Fiji Sugar Corporation	MSME	Micro, Small and Medium Enterprise
CMADT	Capital Markets Advisory & Development Taskforce	FSDP	Financial Sector Development Plan	MSP	Microfinance Service Provider
CMS	Case management system	FSP	Financial Service Provider	NDC	Net domestic credit
COP23	Conference of Parties 23	FSR	Financial Stability Report	NEC	National Employment Centre
CPA	Certified Practising Accountants	FSSR	Financial Sector Stability Review	NEER	Nominal Effective Exchange Rate
CTR	Cash Transaction Report	FTR	Financial Transactions Reporting	NFIS	National Financial Inclusion Strategic Plan
DNFBP	Designated Non-Financial Businesses and Profession	FY	Financial Year	NFIT	National Financial Inclusion Taskforce
DSS	Demand Side Survey	GDP	Gross Domestic Product	NMA	National Microfinance Award
ECB	European Central Bank	GRCL	General Reserves for Credit Losses	NSDP	National Summary Data Page
ECLs	Expected Credit Losses	HA	Housing Authority	NZ	New Zealand
EDRMS	Electronic Document Records Management System	HR	Human Resources	NZD	New Zealand dollar
EFL	Energy Fiji Limited	IAS	International Accounting Standards	OF	Order of Fiji
EFTPOS	Electronic Funds Transfer at Point of Sale	ICF	Investor Compensation Fund	OHS	Occupational Health and Safety
EFTR	Electronic Fund Transfers Reports	IFC	International Finance Corporation	OJK	Otoritas Jasa Keuangan
		IFRS	International Financial	OMO	Open Market Operations
				OPR	Overnight Policy Rate

P2P	Person-to-Person	RIA	A remittance service provider	TA	Technical Assistance
PFIP	Pacific Financial Inclusion Programme	ROA	Return on Assets	TCTS	Tonnes cane to tonnes sugar
PFTAC	Pacific Financial Technical Assistance Centre	ROE	Return on Equity	TELS	Tertiary Education Loan Scheme
PNG	Papua New Guinea	ROI	Return on Investment	TNA	Training Needs Analysis
PPSA	Personal Property Securities Act	RRA	Revaluation Reserve Account	TWG	Technical Working Group
PPSR	Personal Properties Securities Registry	SBN	Sustainable Banking Network	UK	United Kingdom
RBA	Reserve Bank of Australia	SEACEN	South East Asian Central Banks	UN	United Nations
RBF	Reserve Bank of Fiji	SME	Small to medium enterprise	US	United States
RBNZ	Reserve Bank of New Zealand	SMECGS	Small and Medium Enterprises Credit Guarantee Scheme	USD	US Dollar
RBV	Reserve Bank of Vanuatu	SPCB	South Pacific Central Banking	USP	University of the South Pacific
REER	Real Effective Exchange Rate	SPX	South Pacific Stock Exchange	VAT	Value Added Tax
RFED	Restricted Foreign Exchange Dealers	SRD	Statutory Reserve Deposits	WEC	World Exchange Congress
RHS	Right-hand side	STR	Suspicious Transaction Report	WEO	World Economic Outlook
		STRI	SPX Total Return Index		
		SWIFT	Society for Worldwide Interbank Financial Telecommunication		

Note:

r	revised
p	provisional
e	estimate
f	forecast

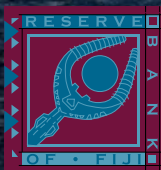


RESERVE BANK OF FIJI

The great double-hulled, ocean-going canoes (Drua) of the ancient Fijians were remarkable crafts capable of long voyages. The tagaga (pronounced "tangaga") or masthead, was crucial for holding in place the sails, woven from the leaves of the pandanus tree. It was the tagaga which enabled the navigators to keep their drua sailing towards their destinations.

For the Reserve Bank of Fiji, a logo based on the tagaga masthead, symbolises the Bank's role in contributing towards a sure and steady course for Fiji's economy.





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