

RESERVE BANK OF FIJI



AUGUST 2020 - JULY 2021 REPORT

PARLIAMENTARY PAPER NO. 23 OF 2021



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 and
- Develop, empower and retain a professional team

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Our Values

- Professionalism in the execution of our duties
- Respect for each other
- Integrity in our dealings
- Dynamism in our operations and
- 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 and
- To regulate the capital markets and the securities industry

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LETTER TO THE MINISTER

RESERVE BANK OF FIJI



Governor

Our Reference: D21/3099

Your Reference:

24 September 2021

Honourable Aiyaz Sayed-Khaiyum
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 2021

In terms of sub-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 2021 certified by the Auditors and
- (ii) A report on the RBF's Operations for the 2020-2021 financial year.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ariff Ali'.

Ariff Ali
Governor

OUR FUNCTIONS

The Reserve Bank of Fiji (RBF)¹ is the central bank of the Republic of Fiji established in 1984 through an Act of Parliament - the RBF Act of 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 of Fiji and the Minister responsible for finance².”

Monetary Stability

Under sub-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) and 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 (1952).

Financial Stability

Under sub-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, superannuation and capital markets 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 supervision has been established to ensure system 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 Government, as well as, commercial banks and provides payment and settlement services through FIJICLEAR. This is administered under the Payment and Settlement Systems Oversight Regulations

(2004). The authority for the Bank to supervise the capital markets industry is provided under the Companies Act (2015), which also covers 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.

The Fair Reporting of Credit Act (2016) places specific responsibilities with the Reserve Bank to register, license 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

Under sub-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.

Financial System Development

The RBF also undertakes development work for the financial industry under the framework of the Fiji Financial Sector Development plan 2016-2025 (FSDP), which includes driving financial inclusion activities, capital market developments, improving access to finance for micro, small and medium enterprises (MSMEs) and overseeing the complaints management process for all supervised entities.

Under the Personal Property Securities Regulations (2019), the RBF is designated as Registrar of the Fiji Personal Property Securities Registry (PPSR).

Other

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

¹ Hereinafter, the Reserve Bank of Fiji, RBF, the Reserve Bank or the Bank may be used interchangeably when making reference to the institution.

² This position is now referred to as the Minister for Economy.

GOVERNOR'S FOREWORD



The 2020-21 financial year (FY) was an economically challenging one for the Reserve Bank of Fiji as the COVID-19 pandemic plunged the country into a public health crisis that claimed many lives, disrupted livelihoods and the enactment of stringent containment measures brought everyday economic activity to a near standstill. The Fijian economy has suffered gravely. The halt in international tourism led to a significant economic contraction of 15.7 percent in 2020, while the transmission of the Delta variant through a second wave of the COVID-19, further weakened the economy in 2021. Another economic contraction, albeit smaller at 4.1 percent is now anticipated in 2021, given the achievement of the targeted vaccination rate for the population towards the end of the year.

Notwithstanding these extraordinary challenges, the RBF continued to safeguard its mandates by ensuring monetary and financial stability in the 2020-21 FY. With the support of the Government and financial institutions, the Bank has managed to cushion the immediate impact of the COVID-19 pandemic on the financial system and the economy through broad-ranging measures.

The Reserve Bank maintained its accommodative monetary policy stance by keeping the Overnight Policy Rate (OPR) at a low of 0.25 percent and flushing the system with liquidity to place downward pressure on interest rates.

The twin monetary policy mandates of low inflation and an adequate level of foreign reserves were preserved during the FY. In July 2021, inflation was recorded at -0.4 percent while foreign reserves stood at a historical high of \$3.1 billion, sufficient to cover 10.8 months of retained imports.

The Fijian financial system continued to be assessed as stable on the back of strong capital and liquidity positions which allowed licensed financial institutions to support eligible customers through the provision of relief packages. The extension of these relief packages in light of the prolonged border closures and depressed economic activity however, has increased the need for closer monitoring by the RBF of the financial conditions of licensed lending institutions.

To maintain credit flows in the economy and support financial conditions, the RBF continued to inject additional liquidity into the financial system through quantitative easing measures. With the objective of assisting businesses sustain operations and in turn support employment during the pandemic, the allocation for the Disaster Rehabilitation and Containment Facility (DRCF) was raised to \$350 million from the previous funding of \$150 million. The facility also offers a limited and tiered guarantee targeting Micro, Small and Medium Enterprises (MSMEs), streamlining debt recovery processes with the removal of related fees and charges by participating financial institutions for a period of two years. The Import Substitution and Export Finance Facility (ISEFF) allocation of \$300 million continued to offer relief during the 2020-21 FY. To complement this increase in the amount available for the private sector, the RBF also reduced the maximum interest rate on these Facilities to 3.99 percent from 5.00 percent. In addition, the Reserve Bank issued a new wholesale corporate bonds regulation aimed at assisting firms to diversify their options for raising finance and improve the competitiveness of Fiji's financial sector.

Similar to other financial institutions and in line with global practice, the RBF with the onset of the pandemic had to rapidly build organisational resilience and adopt new measures that ensured continuity of our operations. The Bank continued work on its strategic objectives to leverage technology for operational efficiency and enhancing

resilience against risk and cybersecurity threats. The prolonged containment measures kept the majority of RBF staff (approximately 75.0%) working from home and for a much longer period compared to the last financial year. Staff adjusted to the remote working environment by delivering critical and essential outputs while the payment systems operated without any challenges validating the Bank's robust continuity plan.

To support the national development strategy of digital transformation, the Bank has embarked on the reform of the National Payment System (NPS) in Fiji with the objective of achieving a safe and efficient payment system, considered vital to the country's financial stability and economic growth. The efficient and smooth functioning of the payment, remittances and securities settlement system facilitates the discharge of financial obligations and the safe transfer of funds across institutions, individuals and businesses. The reform is expected to be completed in 2022.

On the financial performance and operations of the Bank, the Reserve Bank reported a net profit of \$31.7 million, slightly higher than the \$30.1 million recorded in the preceding financial year despite the challenging global economic and financial conditions. In these unprecedented difficult times, for the second year running, the Bank has maintained its cost prioritisation and containment efforts and this has offset the fall in revenue to a great extent. In accordance with sub-section 34(3) of the RBF Act, a transfer of \$32.9 million was made to Government which accounts for \$1.0 million transfer to the General Reserve Account and inclusive of \$2.2 million being one-fifth of the Revaluation Reserve Account.

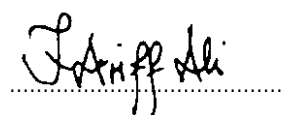
In the midst of the challenges during the 2020-21 FY, the Bank marked an important milestone for the nation by launching the specially designed \$50 note and 50 cent coin to commemorate Fiji's 50th year of independence in October 2020. Engaging the community and being a

socially responsible corporate citizen plays an integral role in the fabric of the Bank's culture. The RBF has continued to reach out to the community through its Quality Management Teams by donating cash and essential items, coordinating commemorative coin distributions to schools and participating in community drives, as well as, policy initiatives such as financial literacy programmes, awareness presentations on the economy and development awards.

Looking ahead, the severity and duration of the second wave of the COVID-19 pandemic remain a major threat to the already fragile domestic economy. Economic recovery hinges on the progressive easing of restrictions and the resumption of international tourism and this is tied directly to the vaccination of at least 90 percent of the target population.

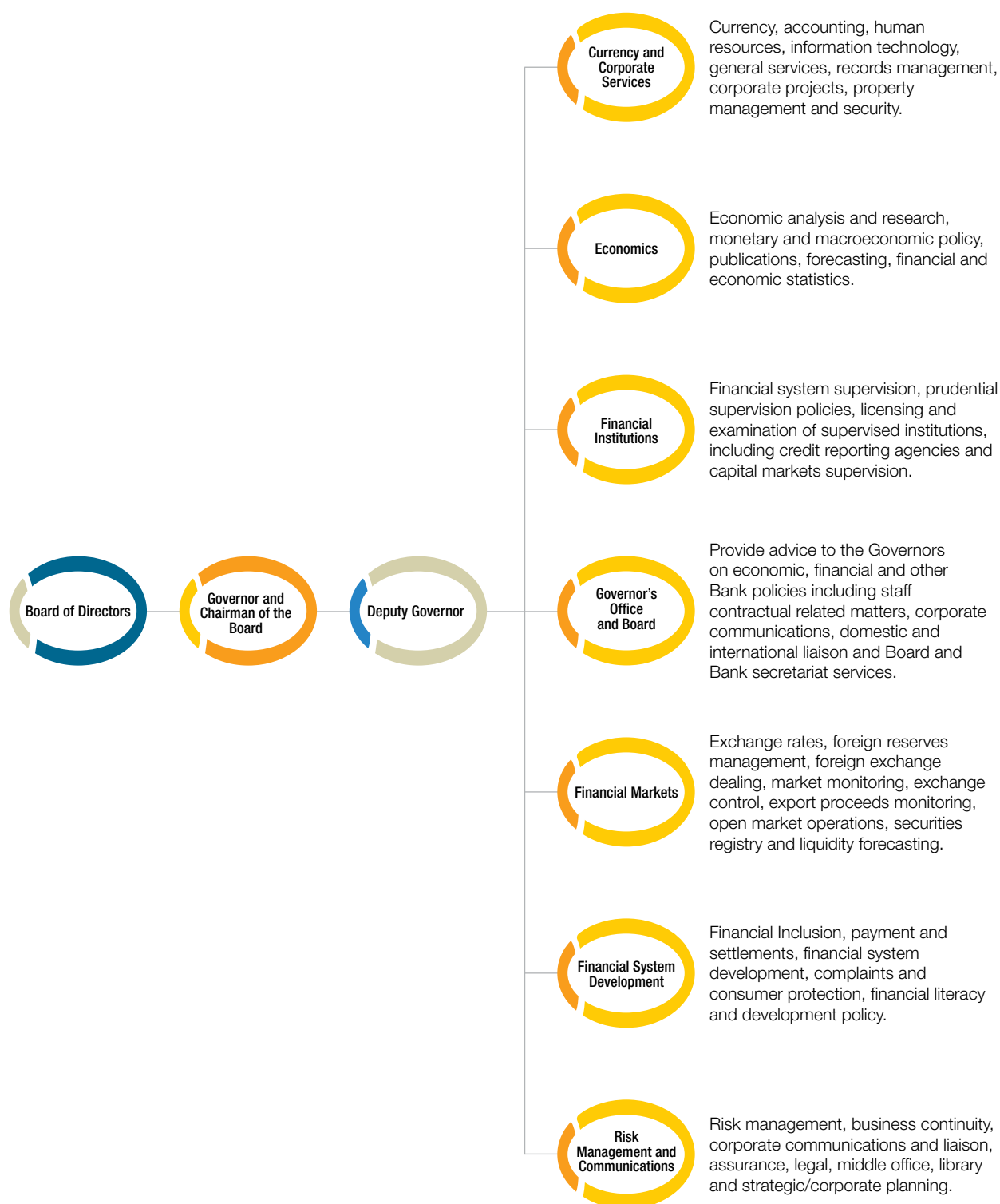
Furthermore, assisting businesses and households ride out the pandemic and in particular ensuring vulnerable segments of society are supported is imperative for economic growth in the long run. Against this setting, the Reserve Bank will continue to focus on supporting the domestic economy and preserving financial stability moving ahead.

Finally, I would like to acknowledge and thank the Board of Directors, Management and external stakeholders for their continuous support and guidance. My sincere appreciation is extended to Team RBF for their dedication and commitment despite the challenging environment during the 2020-21 FY.



Ariff Ali
Governor and Chairman of the Board

ORGANISATIONAL STRUCTURE





"What the world needs now is solidarity. With solidarity we can defeat the virus and build a better world."

UN Secretary-General Antonio Guterres

BOARD OF DIRECTORS



Tevita Kuruvakadua
Director

Appointed to the Board on 9 June 2014. Reappointed on 9 June 2021 for three years. Chairman of RBF's Board Governance Committee (BGC). Member of RBF's Board Audit and Risk Committee (BARC). Chief Executive Officer of iTaukei Land Trust Board. Board Member of the Fiji Sugar Corporation Limited (FSC) and Fiji Ports Terminal Limited.



Pradeep Patel
Director

Appointed to the Board on 9 June 2014. Reappointed on 9 June 2021 for three years. Chairman of RBF's BARC and Member of the RBF's BGC. Senior Partner of BDO, Chartered Accountants. Member of the Fiji Institute of Accountants (FIA), CPA Australia and Australian Institute of Company Directors (AICD). Former President of the FIA and has served on committees of the FIA, including Standards Committee and Business & Government Committee.



Ariff Ali
Governor and Chairman of the Board¹

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 Macroeconomic Committee (MC). Chairman of the Capital Markets Advisory and Development Taskforce (CMADT). Chairman of the National Financial Inclusion Taskforce. Chairman of the Secured Transactions Taskforce. Chairman of the Government Tender Board. Chairman of the Accident Compensation Commission Fiji. Chairman of the Fiji Roads Authority. Member of the Council of the Fiji Institute of Bankers and the National Anti-Money Laundering (AML) Council.



Shiri Krishna Gounder
Acting Permanent Secretary,
Ministry of Economy (Ex-officio)²

Appointed to the Board on 16 March 2021. Board Director of the Fiji National Provident Fund (FNPF) and FRCS. Board Member of Energy Fiji Limited, Unit Trust of Fiji and Fiji Investment Corporation Limited. Member of RBF's BARC and Member of the Macroeconomic Committee. Alternate Governor for Fiji at the World Bank and the Asian Infrastructure Investment Bank.



Tony Whitton (OF)
Director

Appointed to the Board on 3 March 2015. Reappointed on 2 March 2021 for three years. Member of RBF's BGC. Managing Director of the Rosie Travel Group of Companies and Ahura Resorts. Board Member of Fijian Holdings Limited and Chairman of Pacific Cement Limited. 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 Cure Kids Fiji and the International School Nadi. Trustee of the Koroipta Model Towns Charitable Trust. In July 2019, Mr. Whitton was awarded the Officer of the Order of Fiji (OF) by his Excellency the President of Fiji for his distinguished service of a high degree to Fiji and humanity.



Nikita Patel
Director

Appointed to the Board on 14 February 2021 for three years. Chief Financial Officer for Vinod Patel & Company Pte Limited. Full member of Chartered Accountants ANZ. Board Member of Pacific Cement Limited and Basic Industries Pte Limited. Commissioner with Public Service Commission.



Bobby Naimawi
Director

Appointed to the Board on 14 February 2021 for three years. Chief Financial Officer and Board Secretary for Energy Fiji Limited. Member of FIA and AICD. Also serves as a Board Director of Fiji Rugby Union (FRU) and is the Chairman of the Human Resource & Audit & Finance Sub Committee of FRU.



Makereta Konrote²

¹ Board Director of the Fiji Revenue and Customs Service (FRCS) up to 25 May 2021.

² Former Permanent Secretary for Economy, served as a Board Member up to 15 March 2021.

EXECUTIVE MANAGEMENT



Esala Masitabua
Deputy Governor



Caroline Waqabaca
Chief Manager Financial Markets



Susan Kumar
Chief Manager Currency and
Corporate Services



Vilimaina Dakai
Chief Manager Financial
Institutions



Petaia Tuimanu
Chief Manager Economics



Poasa Werekoro
Chief Manager Financial System
Development



Ragni Singh
Acting Chief Manager Risk
Management and Communications³



Subrina Hanif
Board Secretary



Lanieta Rauqueqe⁴

³ Appointed as Acting Chief Manager Risk Management and Communications with effect from 1 April 2021.

⁴ Appointed as Acting Chief Manager Risk Management and Communications from 1 April 2020 to 31 March 2021.



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), the Banking Act (1995), the Insurance Act (1998), the Exchange Control Act (1952), the FTR Act (2004), the National Payment System Act (2021), the Fiji National Provident Fund Act (2011), the Companies Act (2015) and the Fair Reporting of Credit Act (2016).

Article 153 of the 2013 Constitution of the Republic of Fiji states as follows:

(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 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 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 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 sub-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 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 serves as 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 term of five years. He served as the Deputy Governor with effect from 27 May 2014. On 28 May 2017, he was

appointed as acting Governor.

Board of Directors

The Reserve Bank Board comprises the Governor, who serves as the Chairman, the Permanent Secretary for Economy, as an ex-officio member and five other non-executive members, a total of seven. Appointments to the Board are made by the Minister for Economy, as stipulated in the RBF Act. A Director may be appointed for a period not exceeding three years and is eligible for re-appointment. Ms Makereta Konrote, the former Permanent Secretary for Economy (PSE), served at the Board up to 15 March 2021. She was replaced by Mr Shiri Krishna Gounder, who was appointed as the Acting PSE and ex-officio member of the Board on 16 March 2021. On 14 February 2021, two Board Directors were appointed to the Board, Ms Nikita Patel and Mr Bobby Naimawi. Other Board Directors, Mr Pradeep Patel, Mr Tevita Kuruvakadua and Mr Tony Whitton (OF), were reappointed for another three years. As at 31 July 2021, the Bank had a full complement of 7 members, including the Governor.

Board Meetings

Under the RBF Act, the Board is required to meet at least ten times in a 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. In addition, in the absence of the Governor, another Director present shall be appointed by consensus to chair the Board meeting.

Board meetings are usually held on the last Thursday of each month. Given the current COVID-19 outbreak, the Bank held virtual Board meetings from April 2021. The Bank's Corporate Governance Charter allows for entirely virtual Board and internal Committee meetings.

On appointment to the Board, each Director is required under the RBF Act to sign a declaration to maintain confidentiality in relation to the affairs of the Board and the Reserve Bank.

The Bank maintains a Conflict of Interest Policy and a Conflict of Interest Register for its Board Directors. Depending on the nature of matters discussed and the conflict

declared, Directors may be excused from the meeting.

The Board met 11 times during the review period. Attendance by members at meetings of the Board and Board Committees is shown in the table below.

Apart from the Deputy Governor, other members of Executive Management attend the Board meetings, as required.

Board Committees

The RBF Board has two 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. The Deputy Governor attends meetings of both the Committees on a regular basis as the chief representative of the Bank's management. Other senior Bank executives are also invited to these meetings, as required.

The *Board Audit and Risk Committee* (BARC) 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 its responsibilities, the Committee reviews and monitors the following functions:

- external and internal audit;
- risk management and business continuity;
- statutory compliance; and
- internal accounting control.

The *Board Audit and Risk Committee* is chaired by Mr Pradeep Patel with Mr Tevita Kuruvakadua and now Mr Shiri Krishna Gounder as members. The Committee met on five occasions during the year, one being a special meeting.

The newly appointed Board Members, Ms Nikita Patel and Mr Bobby Naimawi were also invited to the BARC meetings as observers, to

Board and Board Committee Meetings August 2020-July 2021 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	11	11	NM		NM	
Makereta Konrote	5	6	2	3	NM	
Shiri Krishna Gounder	3	5	0	2	NM	
Pradeep Patel	11	11	5	5	4	4
Tevita Kuruvakadua	8	11	5	5	4	4
Tony Whitton	11	11	NM		4	4
Nikita Patel	5	5	2	2	2	2
Bobby Naimawi	5	5	2	2	2	2
NM - Not a Member						

Source: Reserve Bank of Fiji



11 RBF Board Meetings during the financial year

prepare them for this role when the membership is reviewed.

The role of the Board Governance Committee (BGC) 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 undertake the bi-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 also invited to assess the performance of the Governors. In addition, all staff related matters such as the review of the terms and conditions of employment for staff and members of Executive Management are reviewed and approved by this Committee.

The BGC is chaired by Mr Tevita Kuruvakadua and the members include Mr Pradeep Patel and Mr Tony Whitton (OF). The Committee met four times during the review period. Similar to the BARC meetings, the two newly appointed Board Directors (Ms Patel and Mr Naimawi) were invited as observers to two meetings, subsequent to their appointment.

For continuous improvement, the Board undertakes an annual assessment of its own performance, as well as, that of its two Committees, a process which has been in place since 2013. The Executive Management also provides a performance assessment of the Board Directors on an annual basis, commencing in 2017.

Annual evaluations are conducted for the Bank's internal and external auditors. Results of the assessments are shared with the internal and external auditors, respectively.

On a quarterly basis, a report on all conflicts of interest declared is provided to the BGC. Directors are also required to complete a Declaration of Compliance at the end of the year. The Declaration of Conflict of Interest database is updated during the course of the year by the Directors.

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 stability;
- 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 the financial system and developments in capital markets, payment systems, financial inclusion and consumer issues including complaints management;

- the *Corporate Services Policy Committee* meets quarterly to discuss matters relating to internal services;
- the *Currency Technical Committee* meets monthly to discuss issues relating to currency management and numismatics;
- the *Information Technology Steering Committee* 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 operations of the Bank, formulate effective strategies to address these risks, as well as respond, manage and recover from any major incident or crisis event.

The Governor (or in his absence, the Deputy Governor) chairs all these Committees.

The Bank also has special and technical Committees, such as the Ethics Committee, Tenders Committee, as well as, Project Committees for the National Payment System (NPS) and Website, amongst others. These committees are chaired by the Deputy Governor for operational oversight and to create an independent channel for appeals or complaints.

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 financial reports comparing the actual outcomes against budget.

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

The Declaration of Compliance, signed annually by all staff, provides assurance of understanding and compliance with the Code of Conduct, Delegation of Authority and all internal policies of the Bank.

The Delegation of Authority is updated regularly to ensure that it is current and relevant. During the review period, changes were made to the Delegation of Authority amidst the COVID-19 pandemic, for operations with external counterparties to continue during the lockdown period.

The Bank's most significant risks are Strategic, Financial, Operational and Reputational risks. Governance risk is a sub-set of strategic risk. The Bank has an established framework to ensure risks to corporate governance are regularly evaluated and properly managed by the Board.

The framework has structures, policies and procedures, which set the delegation of roles & responsibilities, accountability & transparency in decision making processes, manage conflict of interest situations, test fitness & propriety against benchmarked performance and scrutinises remuneration arrangements.

Conflict of Interest

As part of ensuring good governance practices and providing transparency, the Bank has in place policies

and procedures to guide staff and Board members regarding actual or perceived conflicts of interest (COI). These policies require disclosure of any known and potential conflicts of interest and requires all representatives of the Bank to conduct themselves with honesty and integrity in all dealings in the course of their work for the RBF, both within and outside of the Bank. During the year, the Bank improved COI internal controls by ensuring the signing of annual declarations by staff. COI is also covered in bank-wide awareness sessions.

Strategic Plan

The Bank's 2019-24 Strategic Plan guides the direction and initiatives of the Bank from which annual work plan deliverables are distilled. Achievement of these deliverables is assessed against predefined measures of success and compared to actual outcomes during the reporting periods. A continued focus on excellence and innovation in policy formulation and operational efficiency, underpins the success of the themes and priorities identified within the Strategic Plan.

The initial formulation of the Bank's Work Plan for the new FY commences in April. The Work Plan is developed and presented in line with the strategic priorities and missions of the Bank. Every strategy, output and process must align with a mission statement or focus area of the strategic priority, 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 links to individual KPIs.

While the current Vision as well as the themes and priorities of the strategic

plan were assessed as still relevant, some outputs were re-prioritised during the year as staff focused on new strategies incorporated by the Bank to meet immediate requirements relating to the Bank's core mandate and to ensure that they remained protected despite the challenging circumstances faced due to COVID-19.

Planning Cycle and Monitoring

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

From April, extensive discussions were then held on the new Annual Work Plan. The difference this year was that the majority of our staff were on a Work From Home (WFH) arrangement so these sessions were conducted using licensed ZOOM and WEBEX platforms. Each Group held an interactive planning workshop and feedback was obtained from mostly internal stakeholders, due to COVID-19 restrictions. Where possible, Groups held online feedback sessions with stakeholders, e.g. PFTAC Macro Advisor or internal staff surveys using the 'Survey Monkey' platform.

In resourcing the Annual Work Plan, 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. Given the projections for this year's income, the Bank again carried out extensive cost-cutting exercises, especially in revisiting operating expenditure, as well as, reviewing any large capital expenses

that would be either brought forward or re-scheduled for a later date. The operating expenditure for the 2020-21 FY decreased by \$1.29 million compared to the 2019-20 FY and \$1.39 million in comparison to the 2018-19 FY, which was a typical year. Expenditure was brought down by cost rationalisation. Similarly, capital projects were reviewed in line with prioritised needs and proceeded to ensure continued efforts towards driving the strategic theme of renewing ways of doing business and reinforcing a culture of innovation.

The final Annual Work Plan and Budget for the 2021-22 FY were

presented and approved by the Board in its June meeting.

In terms of monitoring, Heads of Group are responsible for ensuring that scheduled outcomes within both the Strategic and Work Plans are achieved. A review of the progress in the implementation of the 2019-24 Strategic Plan is undertaken on a quarterly basis. For the 2020-21 FY, there was some reprioritisation of outputs as the Bank realigned resources to the strategic theme of strengthening its central banking role.

During the second year of the 2019-24 Strategic Plan, the Bank met the

majority of its planned outcomes and targets. A few outputs needed to be reprioritised and some shelved as a result of the persisting COVID-19 situation, as well as, cost and resource rationalisation efforts.

While refocussing priorities to manage the COVID-19 situation increased the workload, the Bank maintained a hiring freeze. The staff turnover for the year was at four percent.

2020-21

AT A GLANCE

Fiji's Real GDP

-4.1%

Fiji's economic growth rate forecast for 2021

Overnight Policy Rate

0.25%

OPR maintained

Foreign Reserves

\$3.1b

\$3,113.7 million of Foreign Reserves in July 2021, sufficient to cover 10.8 months of retained imports

Inflation Rate

-0.4%

In July 2021

Reserve Bank's Financial Performance

\$31.7m

Reserve Bank profits for 2020-21 FY

Currency in Circulation

\$932.7m

As at 31 July 2021

No. of RBF Staff

195

Male - 106 | Female - 89 in 2020-21 FY

Gross Assets of the Financial System

\$24.1b

Fijian financial system grew by 5.4 percent on an annual basis in July 2021

Personal Properties Securities Registry

75,000

Filings on the registry by 6 commercial banks, 4 credit institutions, 12 non-bank financial institutions, 6 car dealers, 5 hire purchase companies and 52 law firms as at 31 July 2021

Disaster Rehabilitation & Containment Facility

\$109.6m

Against the total allocation of \$150m in 2020-21 FY

Import Substitution & Export Finance Facility

\$168.7m

Against the total allocation of \$300m in 2020-21 FY

Financial Inclusion

80.1%

Percentage of Total Adult Population with Access to Formal Financial Services in December 2020

ECONOMIC OVERVIEW

The global economy is expected to rebound this year, however, it remains hobbled by the COVID-19 pandemic and its impacts. For the Fijian economy, there is considerable uncertainty due to the second wave of the COVID-19 outbreak and another economic contraction is now projected for 2021.

International Economic Developments

The IMF³ projects the world economy to grow by 5.9 percent in 2021, following a 3.1 percent decline in 2020. The global expansion is mainly led by improved growth prospects for emerging markets and developing economies, especially for commodity exporters in the region, while global supply chain disruptions particularly in the US and Germany have downgraded the economic outlook for advanced economies. The global growth estimates for 2022 remains unchanged at 4.9 percent. Downside risks to the global economic outlook persist and largely include the emergence of new COVID-19 variants, pandemic-induced supply disruptions & shortages, inflationary pressures and unique policy challenges such as having to

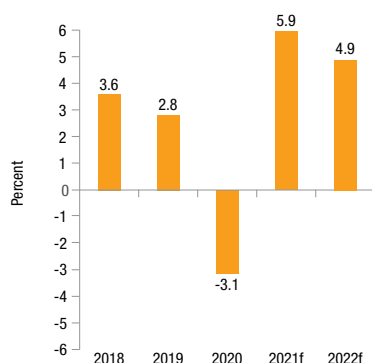
tighten monetary policy sooner than warranted by underlying economic conditions.

Following unprecedented levels of output losses in 2020, Fiji's major trading partner economies are expected to strengthen in 2021 despite a resurgence of COVID-19 cases amidst recovering external demand and substantial fiscal support measures. Along with the projected pace of recovery in 2021, inflation pressures have also increased as a result of pandemic-induced transient supply-demand mismatches and higher freight costs. For the labour market, employment fell substantially in the second and third quarters of 2020 for all trading partners and even with some recovery, conditions remain subdued and below pre-pandemic rates.

The US economy is forecast to rebound strongly by 6.0 percent in 2021 from a 3.4 percent contraction noted in 2020. The projected expansion reflected continued economic recovery, following the reopening of businesses, as well as, the support from the fiscal stimulus programme to assist businesses and workers affected by the pandemic. Apart from maintaining its federal funds target rate at 0-0.25 percent in its July 2021 meeting, the Federal Reserve Board kept its bond-buying at a monthly pace of US\$120 billion and reaffirmed its commitment to providing a full range of tools to support the ongoing economic recovery.

The Eurozone economy is forecast to expand by 5.0 percent in

World Gross Domestic Product (GDP) Growth Rates



Source: IMF World Economic Outlook October 2021

5.9% ↑

World GDP 2021(f)
growth rate

6.0% ↑

US 2021(f) growth rate

5.0% ↑

Eurozone 2021(f) growth
rate

2.4% ↑

Japan's 2021(f)
growth rate

3.5% ↑

Australia's 2021(f)
growth rate

5.1% ↑

New Zealand's 2021(f)
growth rate

³ October 2021 World Economic Outlook (WEO).



2021, after a grave 6.3 percent contraction in 2020. The positive outturn represented the expected rebound in business and household spending due to lifting of lockdowns and increasing implementation of vaccination programmes within the region. The European Central Bank (ECB) has kept its benchmark interest rate at zero percent⁴ (unchanged since March 2016), the deposit facility rate at a record-low of -0.5 percent and continued with its unprecedented level of emergency bond purchases programme to maintain favourable financing conditions in a bid to counter the negative shocks from the pandemic.

The Japanese economy is envisaged to expand by 2.4 percent this year compared to a 4.6 percent fall in 2020. The projected recovery will mainly be led by progress on vaccinations, an increase in external demand, accommodative financial conditions and increased fiscal measures. The Bank of Japan left its policy interest rate unchanged at -0.1 percent, maintained the target for the 10-year Japanese government bond yield at zero percent, and extended its pandemic relief programme for another six months starting from July 2021.

The Australian economy is forecast to expand by 3.5 percent in 2021, following the contraction of 2.4 percent in 2020. The projected recovery this year will be driven mainly by significant fiscal and monetary policy stimulus, progress in vaccinations and higher consumption spending. In its commitment to

continued policy support, the Reserve Bank of Australia lowered the cash rate further from 0.25 percent to an all-time low of 0.10 percent in November 2020 and extended its government bond purchase programme to mid-November 2021, scaling back the amount purchased by AU\$1 billion a week.

The New Zealand (NZ) economy is projected to grow by 5.1 percent in 2021 compared to the 2.1 percent decline last year. The expansion is expected to be driven by rebounds in services and manufacturing activities. The Reserve Bank of NZ maintained its official cash rate at a record low of 0.25 percent and agreed to halt its Large Scale Asset Purchase programme by the end of July 2021 to mitigate medium-term risks to inflation and employment objectives.

Economic Developments in Fiji

The Fijian economy is forecast to contract by 4.1 percent in 2021 following an estimated 15.7 percent contraction in 2020. The latter, considered the most severe economic contraction in Fiji's modern history, was attributed to the halt of international tourism and its spill-over effects onto related sectors brought on by the COVID-19 pandemic.

The gloomy outlook for 2021 resulted from the outbreak of the Delta variant, which has further hindered the domestic economy. More specifically, the services sectors (accommodation & food services; transport & storage; wholesale & retail; public administration & defence; financial & insurance and administration &

support) and the construction sector are anticipated to be further negatively affected.

The economy is expected to begin recovery in 2022 (6.2% growth), provided that herd immunity is achieved through vaccination and international travel resumes.

Since Fiji's economic recovery is highly dependent on containing the virus and recommencing international tourism, the Government has put in place multifaceted strategies, such as setting a national herd immunity target and formulating related vaccination policies. Other strategies include the tourism industry financing and encouraging preparations⁵ by related stakeholders. Moreover, Fiji's ability to mitigate and manage the risks associated with reopening borders and providing better and tailored health care to tourists will also be critical.

Sectoral performances have been generally weak in the 2020-21 FY with notable declines in visitor arrivals and electricity production and consumption. Similarly, aggregate demand indicators point to dismal consumption and investment activities with subdued employment conditions in the review period.

In the 2020-21 FY, visitor arrivals declined sharply by 98.0 percent to a mere 10,911⁶ visitors, a further drop from the previous FY (-40.5%). Visitor arrivals from all source markets had dampened, caused by the prolonged restrictions in international travel and tourism.

⁴ July 2021 Meeting.

⁵ COVID-19 Workplace guidelines and protocols.

⁶ Mostly consisted of international seafarers.

Electricity consumption decreased by 6.5 percent in the reviewed FY, driven by lower demand from commercial (-8.9%) and industrial (-15.2%) users. Likewise, electricity production fell by 8.3 percent in the same period, following a decline of 6.7 percent in the previous FY. Nonetheless, the generation mix improved as 65.7 percent of the total electricity was produced using renewable sources in the 2020-21 FY compared to the 56.5 percent in the last FY.

Contrastingly, gold production rose by 10.0 percent to 37,689 ounces in the 2020-21 FY owing to mining efficiency and better-quality ore. Similarly, gold exports increased by 16.4 percent in the first eleven months of the FY due to higher international gold prices.

The timber industry also recorded positive results in the 2020-21 FY, supported by higher foreign demand and availability of stockpiles as a result of favourable weather conditions. Pine wood supply increased sharply by 80.3 percent to 681,269 tonnes. Consequently, woodchip and sawn timber production rose by 107.7 percent and 7.4 percent to 520,156 tonnes

and 24,521 cubic metres (m³), respectively. Mahogany production also improved by 63.0 percent to 24,714m³.

For the sugar industry, the 2020 crushing season ended with 1,729,171 tonnes of cane, yielding 151,590 tonnes of sugar. Cane production rose by 2.1 percent, while sugar production decreased by 5.1 percent. In the 2021 season⁷ so far, a total of 63,973 tonnes of sugar has been produced from 683,589 tonnes of cane, an annual increase of 0.7 percent in sugar and a decrease of 7.2 percent in cane output. The lower outcome was largely due to a shortage in cane supply especially in the Labasa mill following damages caused by Tropical Cyclones Yasa and Ana earlier and slow mill performance that stalled crushing at the Lautoka and Rarawai mills.

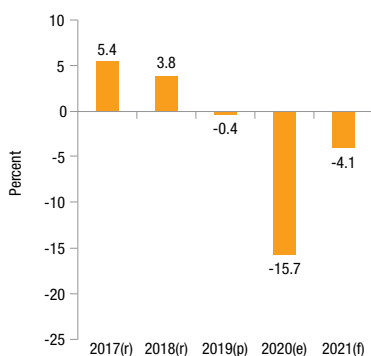
Labour market conditions deteriorated during the 2020-21 FY as a result of job losses in tourism and related industries in the second half of the FY. Evidently, based on the RBF's Job Advertisements Survey⁸, the number of vacant positions advertised in the review FY fell significantly by

70.1 percent. Lower recruitment intentions were noted in all the sectors⁹ particularly the wholesale & retail trade & restaurants & hotels, electricity & water, construction and community, social & personal services sectors.

Given the weak labour market conditions and restrictions to mobility, consumer spending softened further. Net Value Added Tax (VAT) collections declined by 29.5 percent in the 2020-21 FY driven by lower collections from domestic VAT (-32.1%), import VAT (-13.4%) and other government departments (-23.2%). Second-hand vehicle registrations improved by 56.5 percent while new vehicle registrations fell by 30.2 percent in the same period. Moreover, commercial banks' new lending for consumption purposes declined over the FY by 17.0 percent to \$795.9 million, underpinned by lower lending to private individuals and wholesale, retail, hotels & restaurants categories.

Investment indicators showed mixed developments in the review period. Construction activity was weak as domestic cement sales dipped by 27.5 percent in the 2020-21

Fiji's GDP Growth Rates



Sources: Fiji Bureau of Statistics and Macroeconomic Committee



-29.5% ↓
Net VAT collections in the
2020-21 FY



-70.1% ↓
Number of vacant positions
advertised in the 2020-21 FY

-98.0% ↓

Visitor arrivals in the
2020-21 FY

⁷ As at 30 August since respective commencement of crushing at the various mills in 2021 (16 June for Labasa, 30 June for Lautoka and 19 July for Rarawai).

⁸ This is based on advertised vacant positions in both the Fiji Times and Fiji Sun.

⁹ Except the mining & quarrying sector.

FY underpinned by lower demand and business closures by cement manufacturers. Contrastingly, there was a notable increase in commercial banks' new lending to the building & construction sector (40.6%, \$51.7m from -36.6%, -\$73.5m) although a large portion was classified as refinanced loan. The Government had announced several supportive investment incentives such as for agriculture and the Information and Communications Technology (ICT) sectors in the 2021-22 National Budget. Investment spending is estimated at 17.7 percent of GDP in 2020, slightly lower than the 17.8 percent of GDP in 2019, although investment spending declined by 18.0 percent, similar to the decline in nominal GDP. This year, investment is forecast at 17.2 percent of GDP, led by declines in both private and Government-funded projects, given the continued uncertainty regarding the resumption of international travel.

In the 2020-21 FY, the fiscal deficit is estimated to be \$1,055.5 million equivalent to -11.5 percent of GDP, higher than the -5.9 percent of GDP or \$637.0 million recorded in the 2019-20 FY. The increased deficit

is attributed to lower government revenue collections resulting from the standstill in the tourism industry and slowed business and consumer activities.

For the 2021-22 FY, the National Budget targets a net deficit of \$1,605.4 million or -16.2 percent of GDP. Government revenue is expected to dip further by 2.2 percent as domestic activity remains weak, while expenditure is expected to rise significantly by 14.2 percent, in line with the Government's efforts to support the private sector and affected individuals cope with the pandemic.

Government debt was 79.8 percent of GDP at the end of the 2020-21 FY, higher than the 62.0 percent recorded in the previous FY.

Inflation¹⁰ averaged -1.8 percent in the 2020-21 FY, compared to -1.3 percent average recorded in the previous FY. The negative inflation rate was driven by lower prices of alcoholic beverages, tobacco & narcotics; clothing & footwear; housing, water, electricity, gas & other fuels and recreation & culture

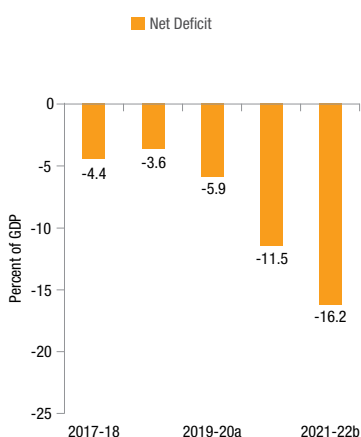
categories. Accounting for the recent developments in trading partner inflation, commodity prices, and Budget policies, inflation is expected to be in the positive territory in the 2021-22 FY.

Financial conditions reflected the sluggish outcomes of economic activity during the fiscal year. In July 2021, broad money amounted to \$9,396.6 million, growing over the year by 9.9 percent, compared to a 0.7 percent increase in the same period last year. The growth was solely on account of the increase in Net Foreign Assets (NFA). The positive outturn in NFA was mostly due to the strong growth in foreign reserves.

New lending by commercial banks contracted in the 2020-21 FY by 11.0 percent (-\$253.0m), led by the decline in new loans to private individuals; real estate; wholesale, retail, hotels & restaurants sectors; public enterprises; and the agriculture sector.

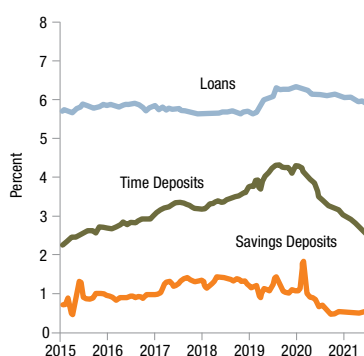
Liquidity in the banking system at the end of July 2021 was high at \$1,548.4 million. Consequently,

Government Balance



Source: Ministry of Economy

Commercial Banks' Lending and Deposit Rates



Source: Reserve Bank of Fiji

79.8%
of GDP 
Government debt at the
end of 2020-21 FY

\$1.5b
Liquidity as at 31 July 2021

¹⁰ Deflation since October 2019.

the commercial banks' weighted average outstanding lending rate fell over the year to 5.92 percent in July 2021, lower by 22 basis points when compared to the same period last year. Likewise, the new lending rate was lower by 77 basis points to 5.14 percent in July 2021. Similarly, the commercial banks' existing and new time deposit rates fell on an annual basis to 2.55 percent (from 3.52%) and 1.84 percent (from 2.74%), respectively.

The current account deficit (excluding aircraft) is estimated to have widened to around \$1,264.1 million (12.8% of GDP) in the 2020-21 FY, higher than the \$990.9 million (9.2% of GDP) recorded in the 2019-20 FY. This is largely due to the deterioration in services exports (tourism related-earnings). Trade in merchandise exports had also contracted due to lower external demand, and imports have also declined sharply due to subdued domestic demand and relatively lower energy prices in 2020, limiting the widening of the current account deficit. Increase in

secondary income balances through higher personal remittance transfers and inflows of grants also added further buffers to the current account balance.

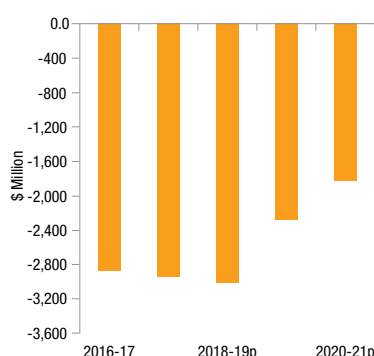
In the 2020-21 FY¹¹, total exports (excluding aircraft) fell by 8.6 percent to total \$1,636.1 million, while total imports (excluding aircraft) declined by 14.9 percent (to \$3,453.6m). As such, the merchandise trade deficit (excluding aircraft) narrowed by 19.9 percent to \$1,817.4 million, compared to a 24.7 percent contraction in the previous FY.

The significant contraction in re-exports of mineral fuels and lower exports of fresh fish, garments, biscuits and other miscellaneous manufactured articles contributed to the outcome in exports. The decline in imports was led mainly by imports of mineral fuels, machinery & transport equipment (excluding aircraft), food & live animals, manufactured goods and beverages & tobacco.

In the July 2020 – June 2021 period, tourism earnings significantly declined by 99.3 percent to \$11.0 million, compared to a 28.5 percent decline in the previous corresponding period. Earnings from all source markets have plummeted, given the restrictions in international travel and tourism.

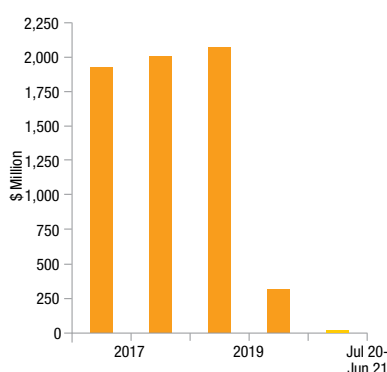
Inward personal remittances grew steadily since the onset of the pandemic with a notable increase in the transfer of funds via the mobile money platform. Inward remittances (including international mobile money transfer)¹² in the 2020-21 FY grew by 28.0 percent to total \$820.4 million, compared to a 6.8 percent growth in 2019-20 FY. In terms of the remittances components, higher inflows were recorded from the personal transfers¹³ category (32.3%), while compensation of employees (-18.2%) and migrant transfers (-23.3%) fell in the review period.

Trade Deficit



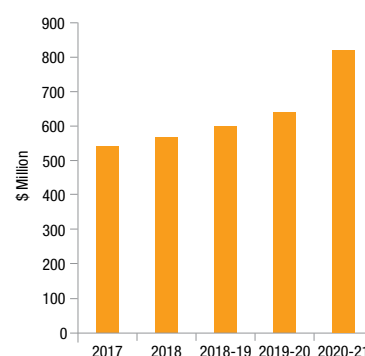
Source: Fiji Bureau of Statistics

Tourism Earnings



Source: Fiji Bureau of Statistics

Personal Remittances



Source: Reserve Bank of Fiji

¹¹ Comparison for 11 months of 2019-20 FY and 2020-21 FY, as trade data is available only until June 2021.

¹² International remittances via Mobile Network Operators were officially included as part of personal remittances from March 2021 and data series has been backdated to 2015.

¹³ International mobile money receipts are recorded under the personal transfers' category.



MISSION

CONDUCT MONETARY POLICY TO FOSTER SUSTAINABLE AND INCLUSIVE ECONOMIC GROWTH

The Reserve Bank 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 COVID-19 pandemic continued to spread across the globe, with a resurgence of mutated infections that negatively impacted domestic demand and sectoral performances, resulting in the most severe economic contraction of 15.7 percent in 2020. In 2021, the contraction is expected to persist at -4.1 percent due to the second wave of the (Delta variant) coronavirus outbreak which dissipated hopes of reopening international borders. As a result, massive job losses and reduced hours continued to occur which had crippled family incomes and livelihoods. Businesses were also affected as consumer confidence was low and aggregate demand and consumer spending deteriorated. To stimulate domestic demand and support economic activity, the Government has once more adopted an expansionary fiscal stance. As a result of the necessary fiscal expenditure, a net fiscal deficit of -16.2 percent of GDP has been budgeted in the 2021-22 National Budget.

Essentially, monetary policy, at this point in time, remains complementary to fiscal policy. To ease the effect of the prolonged pandemic, the Reserve Bank continued to implement numerous policy measures to stabilise the economy whilst ensuring that the twin objectives of monetary policy remained intact. The Bank continued to keep its OPR at 0.25 percent and repurchase rate¹⁴ at 0.50 percent to

maintain amiable financial conditions that is conducive to economic growth.

The Bank on 27 August 2020, increased the funding of the Disaster Rehabilitation and Containment Facility (DRCF) by \$50 million to \$150 million, to ensure that businesses affected by the pandemic were able to access cheaper credit. Furthermore, the Reserve Bank issued a new wholesale corporate bonds regulation, providing guidance to Fijian businesses wishing to raise funds through bonds. The initiative would assist firms to diversify their options for raising finance, reduce dependence on a single funding source and improve the competitiveness of Fiji's financial sector.

Considering the prolonged economic downturn, commercial banks increased their provisioning allocation to account for potential loan defaults whilst extending the moratorium on a case-by-case basis. For its part, the RBF released the Financial Stability Review for 2020, to give light on the stability of the Fijian financial system and its resilience to risks arising locally and globally. Further assistance by the Reserve Bank was through the reduction in the interest rate that the RBF charges financial institutions who borrow under any of the Bank's facilities¹⁵. For this, the maximum interest rate that lending institutions could charge its eligible customers is 3.99 percent (lowered from 5.00 percent) which was made effective on 1 June 2021. The scheme which has a combined funding allocation of \$550 million is intended to provide some form of relief to businesses and households as they cope with the

negative impact of the second wave of the coronavirus.

The RBF in solidarity with the Government's efforts to revive the economy, in the 2021-22 National Budget has committed to providing additional funding allocation of \$200 million through its DRCF, offered a limited and tiered guarantee targeting MSMEs and streamlined debt recovery processes. Financial institutions supported this with the removal of related fees and charges for a period of two years.

All these measures aim to contribute to providing liquidity support in the financial system and anchoring borrowing costs to provide relief to businesses, and support the employment of many Fijians during this pandemic.

Monetary Policy Outcomes

Annual inflation stood at -0.4 percent in July 2021, rising from -1.6 percent in July 2020, reflecting supply chain disruptions stemming from the impact of the COVID-19 pandemic. At the end of 2021, inflation is expected to rise to 2.0 percent on account of rising global oil and food prices, higher trading partner inflation, ongoing shortages of raw materials, and higher freight costs.

Over the year, foreign reserves increased by \$1,009.0 million to \$3,113.7 million in July 2021, sufficient to cover 10.8 months of retained imports. The outturn was largely due to external government loan drawdowns, higher inflows of grants and remittances, foreign direct investment in Energy Fiji Limited and lower import payments.

¹⁴ The rate at which commercial banks borrow from the RBF to meet short-term financing needs.

¹⁵ Facilities - Import Substitution and Export Finance Facility (\$300m), DRCF (\$150m) and the Housing Facility (\$100m) – which apply to new loans and existing rolled over loans.

Exchange Rates

In July 2021, the Fijian dollar appreciated against the Japanese Yen (6.4%), US dollar (1.8%) and the Euro (1.4%) but was lower against the NZ (-2.8%) and the Australian (-1.1%) dollars compared with a year ago. The Nominal Effective Exchange Rate (NEER) Index rose over the year in July (0.4%), indicating a general strengthening of the domestic currency. In the same period, the Real Effective Exchange Rate (REER) Index fell slightly by 2.3 percent denoting a gain in trade competitiveness on account of lower domestic prices relative to major trading partners.

MONETARY POLICY IMPLEMENTATION

Open Market Operations

The Reserve Bank of Fiji maintained an accommodative monetary policy stance by keeping the OPR unchanged at 0.25 percent throughout the year. Maintaining the current supportive stance was

consistent with the weak economic outlook, further uncertainty and severe disruptions to domestic business activities caused by the second wave of the coronavirus. To complement other supportive measures implemented, the RBF reduced the borrowing cost for financial institutions to access the RBF special lending facilities to 0.25 percent from 1.00 percent. Aligning to this reduction, the maximum interest rate charged by lenders to eligible businesses and households was lowered to 3.99 percent from 5.00 percent.

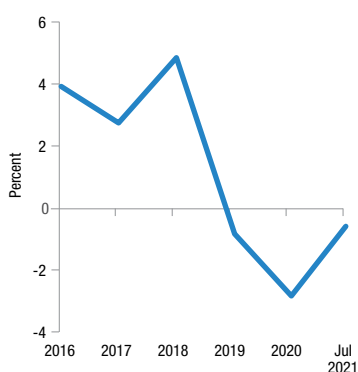
Management of Foreign Reserves

The Reserve Bank of Fiji, through the mandate of the RBF Act (1983), assumes custodial and management authority of Fiji's foreign reserves. Foreign reserves management is a core function of the Bank and is performed with the primary objectives of safety, liquidity and profitability, the former two being of greater priority than the latter. In order to meet these objectives, internal investment guidelines establish parameters for

managing key risks including credit, interest rate, liquidity and foreign exchange risks.

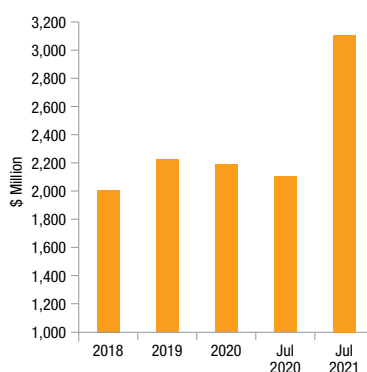
The COVID-19 pandemic continued to pose a challenge for foreign reserves management in the 2020-21 FY. Interest rates remained at record low levels and central banks maintained extraordinary monetary support for their respective economies. The first half of the 2020-21 FY saw countries grappling to contain the spread of COVID-19 as the race to find an effective vaccine proceeded. A number of economies reopened to ease the burden on local businesses, only to be forced into renewed regional and national lockdowns as the crisis intensified with the emergence of new, highly transmissible variants of the virus. The discovery of multiple vaccines and their subsequent approval over December and early 2021 by various national authorities improved investor confidence in global financial markets. The change in US Government after the November 2020 elections, and the EU and UK reaching a post-Brexit free trade

Inflation (Annual Percent Change)



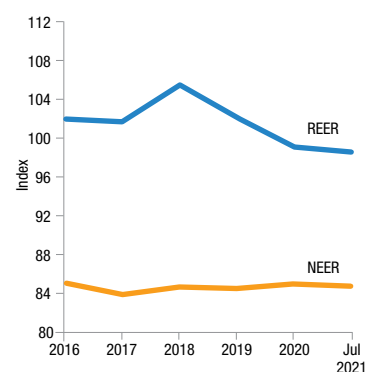
Source: Fiji Bureau of Statistics

Foreign Reserves



Source: Reserve Bank of Fiji

REER/NEER (Monthly Average)



Source: Reserve Bank of Fiji

agreement in December 2020 also helped market sentiment. The second half of the financial year portrayed a more positive shape for the global economy with a strong rebound in leading economies accompanied by inflationary pressures and expectations that central banks might begin withdrawing monetary support earlier than previously indicated.

Nevertheless, the ongoing pandemic and the spread of the Delta variant of COVID-19 raised an element of uncertainty for the global economic recovery and heightened risks for foreign reserves management locally.

Gross foreign reserves (RBF holdings) averaged around \$2,518.8 million during the 2020-21 FY, higher than the \$2,198.3 million average of the previous FY. The foreign reserves level peaked at \$3,181.6 million in June 2021, the highest on record, before declining to \$3,113.6 million at the end of the FY.

Investible reserves, which accounted for 92.1 percent of gross foreign reserves, also averaged higher at F\$2,320.8 million compared to F\$2,002.5 million in the prior fiscal year.

Net foreign exchange income for the 2020-21 FY decreased to \$25.5 million from \$38.9 million in the previous year. The marked fall in income was a reflection of the low interest rate environment. Similarly, the return on investible reserves reduced from 1.94 percent in 2019-20 FY to 1.10 percent in 2020-21 FY.

The Bank continued to measure its performance against its approved benchmark. The RBF foreign reserves portfolio achieved a return of 0.06 percent, outperforming the RBF benchmark portfolio return of negative 0.12 percent. The onset of the COVID-19 pandemic on foreign economies and the trickle-down effect on the financial markets have had a significant influence on portfolio returns.

The impact of exchange rate movements on the value of foreign reserves is reflected in the Revaluation Reserve Account (RRA). As a measure to minimise losses due to exchange rate volatility, the currency composition of the foreign reserves is aligned to the weights of the currencies in the Fijian dollar (FJD) basket, namely the US dollar (USD),

Euro (EUR), Japanese yen (JPY), Australian dollar (AUD) and NZ dollar (NZD). The Bank also holds IMF Special Drawing Rights and small amounts of gold and British pound sterling.

Each financial year, a fifth of the year-end balance in the RRA is transferred to the Government in accordance with the requirements of the RBF Act. At the end of July 2021, the RRA had a balance of \$11.2 million. As a result, \$2.2 million of the RRA will be transferred to the Government in the 2020-21 FY compared to \$2.7 million transferred in the 2019-20 FY.

Exchange Rate Setting

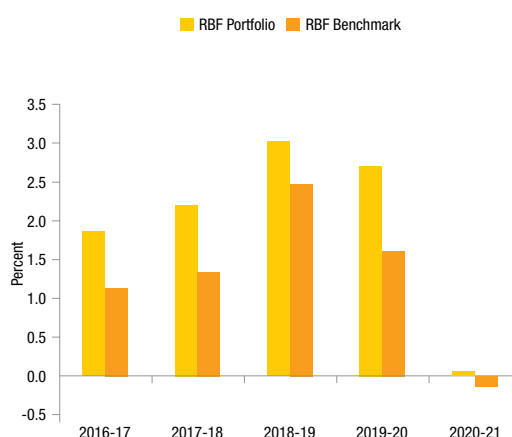
The FJD is fixed to a basket of currencies of Fiji's five major trading partners: USD, AUD, NZD, JPY and EUR. This exchange rate regime is appropriate for Fiji as it reduces volatility in exchange rates and is a nominal anchor for inflation. The weight of each currency in the basket is reviewed annually¹⁶ and is based on the value of Fiji's merchandise trade, services and debt servicing transactions. The exchange rate weights as per the most recent review were as follows: USD (39.8%), AUD

Return on External Reserves

	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jul 2021
Net Foreign Exchange Income (\$M)	45.7	38.9	25.5
Average Month-End Level of Investible Reserves (\$M)	1,837.0	2,002.5	2,320.8
Return on Investible Reserves (%)	2.49	1.94	1.10

Source: Reserve Bank of Fiji

Performance of RBF Portfolio against Benchmark



Source: Reserve Bank of Fiji

¹⁶ The last Annual Review of Exchange Rates Weights was carried out in 2020. The annual review was shelved in 2021 due to the extraordinary movement in source data, underpinned by the pandemic.

(29.3%), NZD (21.9%), JPY (4.8%) and EUR (4.2%). On a daily basis, the Bank fixes the mid-rate of the FJD against the USD and uses this rate to calculate the value of the FJD against the other basket currencies. The exchange rates are published by 9.00am each business day on Reuters and Bloomberg platforms, as well as, the RBF website. The RBF official exchange rates are used by local commercial banks to establish rates for their daily foreign exchange operations within permissible spread limits.

Foreign Currency Receipts and Payments

The delivery of foreign currency banking services to the Fijian Government, supranational organisations¹⁷ and other central banks continued during the financial year.

Exchange Control

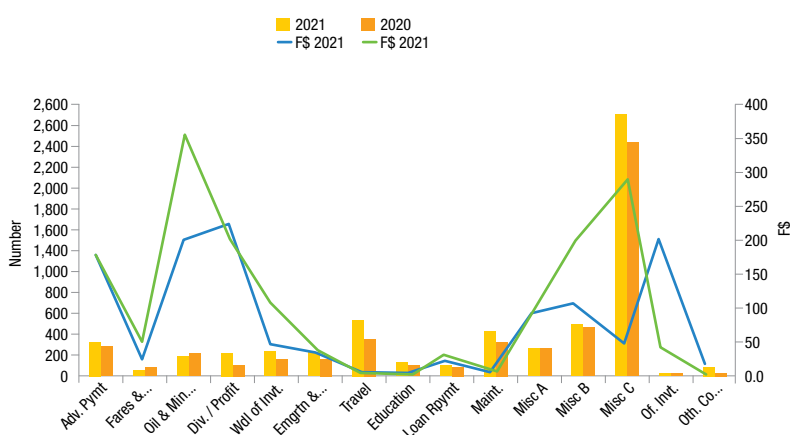
There were no changes to exchange control policy during the 2020-21 FY. The measures implemented on 2 April 2020 aligned well to the Bank's accommodative monetary policy objective of maintaining a comfortable level of foreign reserves, by effectively monitoring large outflows of funds.

The focus of work during the year involved the review of documentary requirements to enhance efficiency in the processing of remittance applications lodged online for approval. As much as practical, staff endeavoured to ensure that applications requiring exchange control approvals were processed within set timelines. The eService platform played a critical role in facilitating requests made during the period of lockdown and when staff worked from home.

Liaison and collaboration with commercial banks and authorised foreign exchange dealers were stepped up during the year to ensure that effective exchange control monitoring systems were in place. Several spot checks were undertaken on the operations of foreign exchange dealers. In addition, meetings were held with exporters regarding their export proceeds receipts, resulting in the reconciliation of \$1.216 million, representing over 90 percent of the outstanding export proceeds.

Virtual meetings and discussions continued with our stakeholders and government agencies throughout the year with the aim of improving work processes and strengthening compliance measures.

Cumulative Approvals



Source: Reserve Bank of Fiji



\$1.216m
Export proceeds receipts

¹⁷ This includes the ADB, IMF, the International Development Association and the International Bank for Reconstruction and Development.



MISSION

PROMOTE AN INTERNATIONALLY REPUTABLE FINANCIAL SYSTEM

In promoting a sound financial structure, the Reserve Bank regulates and supervises the financial system, which comprises the commercial banks, credit institutions, insurance companies and insurance intermediaries, the FNPF, the FDB, foreign exchange dealers and money changers, credit reporting participants, the South Pacific Stock Exchange, unit trusts, stock brokers, and capital markets intermediaries.



FINANCIAL SYSTEM REGULATION AND SUPERVISION

The Reserve Bank is mandated to promote financial stability conducive for sustainable economic growth, discharged by ensuring that the financial system is resilient throughout the economic cycle and is able to withstand shocks. This involves the Reserve Bank promoting resilient and well-managed financial institutions, fostering safe and reliable clearing and settlement systems, and ensuring orderly financial markets. Ultimately, a sound and stable financial system contributes to the delivery of relevant and efficient services to financial consumers.

The 2020-21 FY has been a challenging year for the Fijian financial system with a number of natural disasters and the prolonged impact of COVID-19 felt across the economy. However, financial soundness indicators have remained intact signifying a satisfactory performance.

The banking industry continued to report a satisfactory capital and liquidity position, with marginal asset quality. The insurance industry registered a strong consolidated solvency position and satisfactory levels of earnings and liquidity. The FNPF continued to report positive operating results over the reporting period and adequately met its legislated solvency requirement.

Prudential Regulation

The Reserve Bank of Fiji is the primary authority that undertakes the regulation and supervision of the Fijian financial system in line with its mission of promoting an internationally reputable financial system.

This involves the development of prudential supervision policy requirements, the review of relevant laws, and the issuance of regulations and guidance.

Prudential Supervision Policy Development and Review

With digital transformation now a key aspect of business operations and with the increase in online activity, cyber risk has become a priority risk area for financial institutions. The Reserve Bank issued a draft Prudential Supervision Policy Statement on *Minimum Requirements for Cybersecurity of Supervised Entities to all supervised entities* for a first round of consultation during the year.

The review of the Banking Supervision Policy Statement No. 3 on *Guidelines for Loan Classification and Provisioning for Impaired Assets* continued and is expected to be issued for industry consultation in the next FY. Furthermore, the Reserve Bank anticipates to issue the revised Banking Supervision Policy Statement No. 9A and 9B on *Liquidity Risk Management Requirements for Banks and Credit Institutions* for further consultation with the industry and finalisation in the next FY.

The Reserve Bank initiated a culture and conduct risk thematic review to gauge how conduct risk is managed by supervised entities, with the objective of developing a conduct risk management framework for supervised entities. Phase 1 was undertaken in the last financial year, where a self-assessment questionnaire was completed by all supervised entities. The responses were assessed and formed the basis of phase 2 of the programme, the thematic review, which was

completed during the year. The Reserve Bank is in the process of finalising the key observations and weaknesses identified during the review. In the upcoming year, a prudential supervision guideline/policy will be developed for industry consultation and finalised for implementation.

The trial implementation of the draft revised Insurance Supervision Policy Statement (ISPS) 3A & 3B on the *Minimum Solvency Requirements for Licensed Insurance Companies* continued in the review year and this is expected to be finalised following the implementation of the revised insurance legislation. In addition, ISPS 2 on *Offshore Placement* policy was further revised, whereby the delegation provided to licensed insurance brokers to approve the placement of insurance cover with offshore insurance providers was increased to \$250,000. The Reserve Bank had approved an upward revision to the delegated approval in view of the improved efficiencies that the initial delegation level had provided and the high level of compliance observed in undertaking the delegation process.

Additionally, the review of the ISPS 10 on *Minimum Requirements for the Role of Insurance Actuaries for Licensed Insurers in Fiji* was conducted targeting the first round of industry consultations and finalisation in the next FY.

For capital markets, work continued on (1) the review of the minimum requirements for capital raising through the issue of equity and debt securities, to ensure alignment with the Companies Act 2015 and to keep abreast with international best practices; and (2) the drafting of a risk

management policy for the capital markets intermediaries. The relevant policies are expected to be issued for industry consultation in the next FY.

Legislation Review and Developments

The Reserve Bank oversees reforms in the financial sector to ensure financial stability and inclusiveness. On this front, work continued on enhancing the legislative framework underpinning the Reserve Bank's supervision role.

A full review of the Insurance Act 1998 with the assistance of the IMF Pacific Financial Assistance Centre (PFTAC) is currently being undertaken to incorporate new changes and initiatives within the domestic insurance industry and its business environment, to accommodate the rising demand for insurance coverage.

On the amendment of the Fair Reporting of Credit Act 2016, consultations continued with most of the relevant stakeholders on the proposed amendments, in line with the national objective of improving Fiji's Ease of Doing Business ranking. The amendments have been approved through the Fair Reporting of Credit (Amendment) Act 2021, which came in effect on 1 August 2021.

During the year, an agreement was reached with the Department of Cooperatives on the threshold for a financial cooperative to be supervised by the Reserve Bank, and the transition arrangements. The proposed Credit Union legislation will seek to include the regulatory and supervisory oversight of financial cooperatives by the Reserve Bank.

Furthermore, the National Payment System Act 2021 was enacted during

the year. This legislation provides the umbrella legal framework for all payment systems operating wholly and partially in Fiji. The subsidiary legislation, the National Payment System Regulation has been drafted and submitted to the Office of the Solicitor General for review.

Licensing

The Reserve Bank continued to evaluate licences and registrations of relevant institutions and individuals during the year. Licences were renewed as required for commercial banks, credit institutions, insurance companies and intermediaries, foreign exchange dealers, securities exchange, managed investment schemes, stockbrokers and investment advisers.

The Reserve Bank received an application for a banking licence from Kina Securities (Fiji) Pte Limited in February 2021. Subsequently, the Reserve Bank has issued a conditional approval to Kina Securities (Fiji) Pte Limited and is awaiting the satisfactory meeting of the conditions of approval.

During the year, work continued on the registration of new and renewed Credit Information Providers and Credit Report Recipients. This also included regular liaison with the licensed credit reporting agency, CIRA.

Following the implementation of a Trustee approval framework in the 2019-20 FY under the wholesale corporate bonds market development project, the Reserve Bank received and assessed an application to undertake the role of trustee for wholesale corporate bonds issuance.

A new licence was issued to conduct business as a restricted foreign exchange dealer during the year.

Prudential Supervision

Supervisory efforts during the year continued towards the core objective of maintaining a sound financial system. A total of 295 offsite review reports were prepared, 38 onsite examinations conducted and 224 prudential consultations/meetings were convened.

The significant disruption to and impact on the economy brought about by the COVID-19 pandemic tested the resilience of supervised institutions and the Reserve Bank to continue to efficiently undertake relevant supervision activities.

Given the nation-wide movement restrictions, supervised institutions made immediate adaptations in working arrangements to ensure that financial services remained uninterrupted, while protecting the safety and health of employees. In addition, business continuity and disaster recovery plans were updated to support operational resilience during this time.

Restricted movements also necessitated the greater use of online platforms for customer engagements, and for employees in WFH arrangements. Cyber and IT risk management was thus a key priority for all supervised institutions.

In line with national containment measures, plans were reviewed and amended by the Reserve Bank, on undertaking onsite reviews and prudential consultations, which moved to virtual engagements, until further notice.

With the surge in community transmissions of COVID-19 cases, the Reserve Bank had continued to closely monitor the uptake of COVID-19 relief packages offered by supervised financial institutions

and the extent of the impact of the pandemic on their institutional resilience, as well as, the soundness of the Fijian financial system. The banking sector continued to ease the impact of COVID-19 on businesses and households by providing relief measures through repayment holidays to affected borrowers, on a case-by-case basis.

As at 30 June 2021, 10,140 loan customers accessed the COVID-19 relief packages, amounting to \$1.6 billion or 19.0 percent of the total loans of commercial banks, credit institutions and the FDB.

Due to increased unemployment coupled with the increased number of workers on reduced hours as a result of the economic impact of COVID-19, the FNPF in partnership with the

Government, introduced withdrawal grounds specifically related to the pandemic, to assist members. The Reserve Bank continued to work closely with the Fund during the year with regular prudential consultations conducted.

Regulation and supervision of foreign exchange dealers continued during the year, to ensure compliance with legislations and prudential supervision policies relevant to their operations. Foreign exchange dealers' reliance on inbound remittances during the COVID-19 lockdowns have led to an increase in sub-agency arrangements established during the year in review.

Macroprudential Surveillance

The Reserve Bank's 2020 Financial Stability Report (FSR) highlighted that while the onset of COVID-19

introduced considerable uncertainty on the economic outlook, the financial system had entered the pandemic on the back of strong capital positions and liquidity levels.

However, downside risks persist, noting that the prolonged pandemic has amplified credit risk in the financial system, directly impacting the quality of all credit extended. Consequently, this would mean that maintaining viable bottom lines would be key in ensuring solvency for licensed banking entities in the medium to long term.

Stress tests on licensed banks, credit institutions and the FNPF, based on plausible scenarios, points to a challenging period ahead. In this regard, the Reserve Bank continues to closely monitor each supervised

Licensed Financial Entities including Branches/Agencies (Number)

	2017	2018	2019	Jun 2020	Dec 2020	Jun 2021
Commercial Banks	6	6	6	6	6	6
- Branches	69	68	65	65	62	62
- Agencies and Agent Banking	119	126	126	130	133	134
- ATMs	325	338	339	339	337	320
- EFTPOS	5,872	6,137	5,841	5,817	6,005	6,380
Credit Institutions	4	4	4	4	4	4
- Branches	17	18	20	20	19	19
- Agencies	0	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	5	5	5	5	5
Insurance Agents ¹	537	464	528	574	581	542
Foreign Exchange Dealers	9	9	9	9	9	9
Money Changers	1	1	1	1	0	0
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 Advisers	12	12	10	10	10	10
Stock Brokers	3	3	3	3	3	3
Dealers	3	3	3	3	3	3
MIS Representatives	14	15	17	17	15	21
Stock Broker/Dealer Representatives	10	13	13	12	13	12
Investment Adviser Representatives	22	22	21	19	20	20
Credit Reporting Agency		1	1	1	1	1
Credit Information Provider and Credit Information Recipient			6	5	2	0

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

Source: Reserve Bank of Fiji



\$1.6b

10,140 loan customers accessed the COVID-19 relief packages amounting to \$1.6 billion as at 30 June 2021

institution's operational resilience, while it considers possible policy responses aligned to its mandate, as the economic impact unfolds.

The Fijian Financial System

The number of financial system players remained unchanged over the review year, with the exception of the withdrawal in services of a money changer. However, there were changes in the total points of representation for the financial system players and these are shown in the table on the previous page.

Gross Assets of the Financial System

The Fijian financial system recorded total assets of \$24.3 billion in June 2021, growing by 6.2 percent. With the exception of the credit institutions industry, all other players contributed to this growth.

For the capital markets, a further contraction was noted for stock market capitalisation by 3.9 percent, MIS funds under management increased by 5.1 percent and

outstanding bonds by 4.9 percent.

The Commercial Banking Industry

While 2021 continues to present challenges, albeit to a larger degree compared to 2020 due to the COVID-19 pandemic, the commercial banking industry has remained resilient.

The performance of the commercial banking industry was assessed as satisfactory as at 30 June 2021, based on satisfactory levels of capital, earnings, liquidity and marginal asset quality position.

Commercial banks' combined total assets increased by 9.0 percent and stood at \$11.6 billion as at 30 June 2021, attributed to the growth in the exchange settlement account and investments by \$916.8 million and \$117.7 million, respectively. Loans and advances and balances due from banks decreased over the year by \$117.8 million and \$22.5 million, respectively, partially offsetting the increase.

Total lending further declined by 1.6 percent over the year to \$7.2 billion as at 30 June 2021, compared to 0.6 percent noted during the same period last year, reflecting the prolonged effect of the COVID-19 pandemic. Lending to public enterprises, non-residents and non-bank financial institutions sectors recorded increases for the period by \$51.6 million, \$1.7 million and \$0.1 million respectively, while all other sectors recorded declines.

Private individuals accounted for the majority of the lending portfolio at 29.6 percent, followed by wholesale, retail, hotels and restaurants (20.1%), real estate (18.6%), building and construction (10.1%) and manufacturing (6.5%).

Deposits increased by 10.8 percent over the year to \$9.2 billion, with growth underpinned by demand deposits which grew by \$1,113.7 million (arising from customer account settlements), while savings and time deposits declined by \$195.1 million

Gross Assets of the Financial System (\$ Million)

	2017	2018	2019	Jun 2020r	Dec 2020	Jun 2021p
Regulated Financial Entities						
Commercial Banks	9,988	10,034	10,594	10,646	10,669	11,607
Credit Institutions	558	694	785	825	802	820
Insurance Companies	1,658	1,744	1,875	1,914	2,052	2,080
FNPF	6,139	7,037	7,902	8,142	8,127	8,303
Insurance Brokers	52	61	60	60	64	64
Capital Markets ¹	279	368	439	383	393	400
Total	18,674	19,938	21,655	21,970	22,107	23,274
Non-Regulated Financial Entities						
Non-Bank Financial Institutions ²	727	801	863	869	961	977
Total	727	801	863	869	961	977
Total Financial System³	19,401	20,739	22,518	22,838	23,067	24,251

¹ Includes MIS, SPX and Stock Brokers.

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

³ Excludes RBF.

Source: Reserve Bank of Fiji

Composition of the Capital Markets (\$ Million)

	2017	2018	2019	Jun 2020	Dec 2020	Jun 2021
Equities Market ¹	1,797	3,070	4,119	3,405	3,469	3,273
Managed Investment Schemes ²	271	353	422	368	376	387
Bonds Market ³	3,636	4,014	4,289	4,915	5,032	5,155

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



9.0% ↑

Commercial Bank Assets
as at 30 June 2021

and \$20.7 million, respectively.

Commercial banks reported a combined capital adequacy ratio of 20.8 percent, with each bank continuing to comply with the minimum capital adequacy requirement of 12.0 percent.

Classified exposures of commercial banks rose by 67.2 percent to \$539.2 million. The classified exposures to gross loans ratio increased to 7.5 percent from 4.4 percent in 2020. Similar to the first wave of the COVID-19 pandemic, the deteriorating asset quality is due to the affected repayment capabilities of borrowers. COVID-19 affected exposures stood at \$1,344.4 million as at 30 June 2021, with commercial banks offering loan repayment deferrals on a case-by-case basis.

Specific provisions rose by 26.6 percent over the year to \$164.1 million. The growth is reflective of the increase in commercial banks' credit risks inherent in their respective

loan portfolios. In terms of coverage, specific provisions covered 30.4 percent of classified exposures, while the general reserves for credit losses (GRCL) represented 1.8 percent (2020: 1.1%) of net loans.

Loans in arrears increased by 35.7 percent to \$620.8 million, with the one to three months bucket accounting for 53.6 percent.

Problem loans were mostly in the private individuals (28.2%), wholesale, retail, hotels and restaurants (20.2%), real estate (17.3%), transport and storage (13.2%), building and construction (11.2%) and manufacturing (6.5%) sectors.

Commercial banks' profitability for the first six months of 2021 stood at \$78.3 million. The efficiency ratio increased to 54.4 percent and return on assets (ROA) increased to 1.5 percent.

Interest rate spread decreased slightly to 3.3 percent from 3.4 percent

reported in December 2020, due to decreases in both the yield on earning assets and cost of funding liabilities.

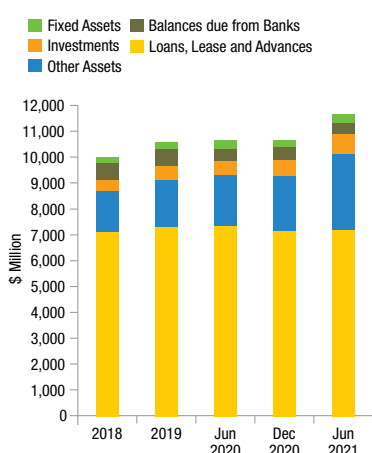
Commercial banks' liquid assets increased by 49.6 percent to \$3.0 billion, composed of exchange settlement accounts (54.9%), investments (23.9%), deposits with banks and at call (14.5%) and cash (6.7%).

It is also to be noted that with limited face-to-face interactions due to the COVID-19 pandemic, commercial banks have fast-tracked digital transformation programmes to enhance service accessibility and continue effective customer interactions.

Credit Institutions

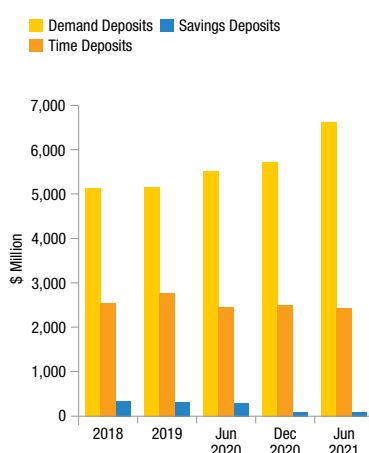
The pandemic's effects on credit institutions has been more pronounced particularly with asset quality deterioration and prudentially assessed as poor. This however is cushioned for the time being by aggregated strong capital

Commercial Banks' Assets



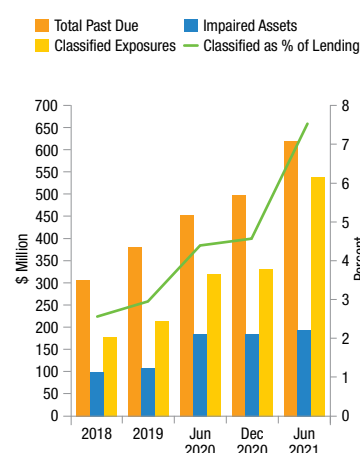
Source: Reserve Bank of Fiji

Components of Deposits



Source: Reserve Bank of Fiji

Asset Quality



Source: Reserve Bank of Fiji

positions and marginal earnings and satisfactory liquidity levels. Overall aggregated assessment continued to be marginal.

Combined resources of the credit institutions recorded a slight decline by 0.6 percent over the year to \$820 million as at 30 June 2021, a turnaround from the 13.7 percent growth recorded in the same period of 2020. Pushing the decline was a \$49.7 million fall in gross loans and advances. Lending growth was a negative 8.2 percent to \$557.4 million (2020: 5.7 % to \$607.1 million). Lending to most sectors except three, recorded negative growth. The three sectors recording growth included the wholesale, retail, hotels & restaurants; professional and business services; and public enterprises.

Investments however increased by 17.6 percent to \$33.5 million. The composition of investments remained largely in Government guaranteed bonds.

Deposits declined by 8.4 percent to \$485.6 million as at 30 June 2021, down from the growth registered in 2020 of 13.4 percent. Pushing down deposits were the NBFIs and public enterprise sectors. Making up total deposits are private individuals at 40.9 percent followed by private sector business entities at 32.0 percent.

Measuring institutional capacity to withstand shocks, the capital adequacy ratio was recorded at 26.5 percent as at 30 June 2021 (minimum

15.0%), higher than the 24.0 percent recorded for 31 December 2020.

Asset quality as measured by the ratio of classified exposures to gross loans ratio rose steeply by 12.6 percentage points to 31.4 percent. Classified exposures stood at \$175 million, up by 53.5 percent. These problem loans were largely due to an increase in arrears by 11.8 percent to \$302.4 million (>1 month arrears).

Mitigating this increase in problem loans, provisioning levels also increased, with individually and collectively assessed provisions increasing by \$15.5 million, covering 30.6 percent of problem loans. GRCL to net loans ratio slightly decreased by 4 basis points to 1.7 percent. Similar to commercial banks, credit

Summary of Commercial Banks' Profitability (\$ Million)

	2017 ¹	2018 ¹	2019 ¹	Jun 2020 ²	Dec 2020 ¹	Jun 2021p
Interest Income	386.9	413.4	462.9	235.6	461.9	215.7
Interest Expense	130.4	140.1	177.6	82.9	149.5	57.1
Net Interest Income	256.5	273.3	285.3	152.7	312.4	158.6
Add: Non Interest Income	231.3	239.1	249.2	97.2	188.4	77.2
Income from Overseas Exchange Transactions	84.0	92.9	96.5	35.1	62.2	25.4
Commission	14.5	17.2	17.6	7.6	16.0	7.0
Fee Charges	85.2	90.2	86.2	32.3	62	27.8
Other Income	47.6	38.8	48.9	22.2	48.1	17.0
Total Operating Income	487.8	512.4	534.5	249.9	500.8	235.8
Less: Operating Expenses	245.6	257.2	254.1	133.0	272.0	128.3
Less: Bad Debts and Provisions	24.8	4.9	21.1	69.8	121.9	29.2
Profit Before-Tax and Extraordinary Items	217.4	250.3	259.3	47.1	106.9	78.3
Less: Tax	46.4	47.0	52.6	11.4	17.9	17.0
Net Profit After-Tax	171.0	203.3	206.7	35.7	89.0	61.3
Add/Less: Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit After-Tax and Extraordinary Items	171.0	203.3	206.7	35.7	89.0	61.4
Average Assets	9,148.4	9,569.0	10,156.2	10,208.8	10,266.7	10,610.9
After-Tax Return on Equity (%)	17.7	19.2	15.8	5.3	6.4	8.3
Efficiency (%)	50.3	50.2	47.5	53.2	54.3	54.4
Yield on Earning Assets (%)	4.8	4.9	5.2	2.6	5.1	2.3
Cost of Funding Liabilities (%)	1.6	1.7	2.0	1.0	1.7	0.6

¹ Calendar year profits for all commercial banks used.

² 6 months of profits for all commercial banks used.

Source: Reserve Bank of Fiji

Commercial Banks' Profitability (% of Average Assets)

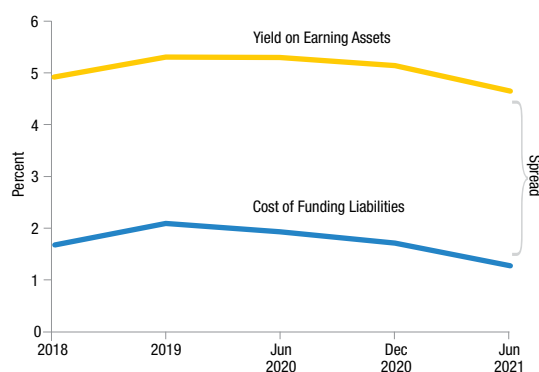
	2017 ¹	2018 ¹	2019 ¹	Jun 2020 ²	Dec 2020 ¹	Jun 2021p
Net Interest Income	2.8	2.9	2.8	3.0	3.0	3.0
Charges for Bad & Doubtful Debts	0.3	0.1	0.2	1.7	1.2	0.6
Non-interest Income	2.5	2.5	2.5	1.9	1.8	1.5
Operating Expenses	2.7	2.7	2.5	2.6	2.6	2.4
Net Profit Before-Tax	2.4	2.6	2.6	0.6	1.0	1.5
Net Profit After-Tax	1.9	2.1	2.0	0.5	0.9	1.2

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' Annual Spread



Source: Reserve Bank of Fiji

institutions' existence continues to be threatened by the prolonged effects of the COVID-19 pandemic. In line with these developments, credit institutions would have to closely monitor their non-performing loans and make prudent decisions on their current and future provisioning levels.

Profitability as measured by the annualised ratio of return on assets was 2.8 percent, up from 0.7 percent reported in June 2020. This is attributed to an improvement in efficiency as measured by the efficiency ratio by 2.9 percentage points to 36.6 percent. Bad debts and provisions decreased compared to June 2020, due to lower provisioning expenses.

The annualised spread however decreased from 8.8 percent to 8.4 percent.

Aggregated core liquid assets stood at \$155.0 million up from \$138.3 million, and represented 28.2 percent of total funding (deposits and borrowings) up from 23.2 percent in the previous year.

The Insurance Industry

The Fijian insurance industry recorded a positive performance as at 30 June 2021, despite the negative impact of the COVID-19 pandemic, a trend similar to the global insurance market.

The life and general insurance sectors recorded strong solvency surpluses of \$506.6 million and \$140.7 million, respectively, and individual insurers

continued to comply with the mandated solvency requirements over the year.

The combined total assets of the industry grew by 11.3 percent to \$2.1 billion. Life insurers' assets grew by 11.2 percent to \$1.7 billion, whilst the general insurers' assets was up from \$422.7 million to \$472.3 million. The growth in the life insurers' assets was underpinned by increases in government securities, equity investments and shares in non-related persons. Similarly, the growth in general insurers' assets was backed by increases in cash on hand and land & buildings.

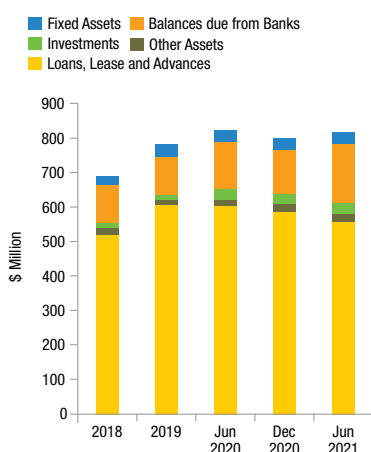
The combined net premium income of the insurance industry increased by 4.8 percent to \$329.4 million for the



\$2.1b

Combined Total Assets of Insurance Industry

Credit Institutions' Assets



Source: Reserve Bank of Fiji

Summary of Credit Institutions' Profitability (\$ Million)

	2017 ¹	2018 ¹	2019 ¹	Jun 2020 ²	Dec 2020	Jun 2021p
Interest Income	64.0	82.6	99.1	50.0	100.4	45.1
Interest Expense	15.2	20.6	27.1	15.3	28.8	12.7
Net Interest Income	48.8	62.0	72.0	34.7	71.6	32.4
Add: Non Interest Income	4.1	4.2	4.0	2.7	4.7	3.1
Commission	0.8	0.4	0.1	0.1	0.2	0.1
Fee Charges	1.8	2.5	1.6	1.9	3.4	2.0
Other Income	1.5	1.3	2.3	0.7	1.2	1.0
Total Operating Income	52.9	66.2	76.0	37.4	76.3	35.6
Less: Operating Expenses	20.0	25.4	29.8	14.7	28.1	13.0
Less: Bad debts and Provisions	5.4	6.2	10.2	19.8	31.6	17.5
Profit Before-Tax	27.5	34.6	36.0	2.9	16.6	5.1
Less: Tax	5.7	5.1	6.3	0.4	2.5	1.2
Net Profit After-Tax	21.8	29.5	29.7	2.5	14.0	3.9
Earning Assets	500.2	624.4	699.2	719.4	687.9	700.5
Cost of Funds	401.5	509.6	572.5	596.1	550.9	553.6
Average Assets	479.2	602.9	702.4	765.7	765.6	750.2
After-Tax Return on Equity (%)	23.1	26.5	23.3	3.5	10.3	5.5
Before Tax Return on Assets (%)	5.7	5.8	5.1	0.7	2.2	1.4
Efficiency (%)	37.8	38.3	39.2	39.4	36.8	36.6
Yield on Earning Assets (%)	14.3	14.7	15.1	7.0	14.2	6.5
Cost of Funding Liabilities (%)	4.2	4.5	5.1	2.6	5.0	2.3

¹ Calendar year profits for all credit institutions used.
² 6 months of profits for all credit institutions used.

Source: Reserve Bank of Fiji

period ending 30 June 2021. This was mainly due to the life insurers, as the sale of single premium products increased during the period. Life insurers' net premium income increased by 14.6 percent, while general insurers decreased by 4.3 percent to \$174.0 million and \$155.4 million, respectively.

The combined net policy payments and net claims paid for the industry totalled \$212.7 million, a drop of 3.1 percent. Net policy payments for life insurers decreased by 3.4 percent to \$123.8 million while general insurers paid out \$89.0 million, declining by 2.6 percent. This was attributed to less claims received by the industry over the period resulting from the low level of economic activity due to COVID-19 restrictions.

Insurance brokers facilitated 938 offshore placements worth \$79.0 million for the period ending 30 June 2021 in comparison to 1,175 offshore placements worth \$89.0 million during the same period last year.

Fiji National Provident Fund

As the largest single financial institution, the FNPF's financial condition continued to be prudentially

assessed as marginal, given the pandemic induced economic and investment environment. The Fund continued to meet its mandatory solvency requirement of 110 percent backed by the 125 percent risk-based capital coverage required under the FNPF's distribution policy.

Total gross assets of the Fund accounted for 34 percent (or \$8.3b) of total financial system assets as at 30 June 2021, increasing by 2.0 percent, following increases in demand deposits. The FNPF continued to roll out its COVID-19 withdrawal assistance programmes, together with Government. With additional withdrawals allowed to members affected by COVID-19, the Fund reported negative net contributions of \$197 million, as at 30 June 2021.

Despite the uncertain investment environment, the Fund reported a net surplus of \$113.6 million (pre-audit & net of interest declared), declaring interest to members at 5 percent, with \$297.0 million distributed to 389,986 members.

The Fund continued to be closely monitored by the Reserve Bank as part of its ongoing supervision

programme.

Capital Markets Industry

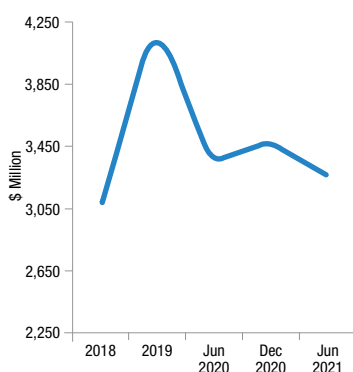
Securities Exchange

Given the general level of uncertainty brought about by the COVID-19 pandemic, the key performance indicators of the local securities market experienced fluctuations as the market adjusted to price uncertainty. As such, the volume and value of shares traded on the South Pacific Stock Exchange (SPX) decreased during the review period.

The market capitalisation of listed securities decreased by 3.9 percent (or \$132.1m) to \$3.3 billion as at 30 June 2021, despite Amalgamated Telecom Holdings Limited's (ATH) additional quotation of 36.5 million shares following closure of its capital raising through rights issue.

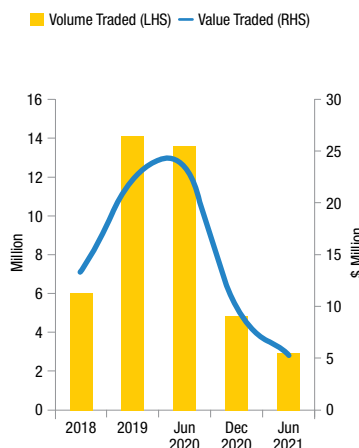
The decline in market capitalisation was largely attributed to decreases in share prices of six of the listed securities, including three of the top five securities. The largest decreases in share prices were noted for Fijian Holdings Limited (FHL) by

Market Capitalisation



Source: South Pacific Stock Exchange

Volume and Value of Shares Traded*



* This graph excludes special crossing transactions.
Source: South Pacific Stock Exchange

Total Gross Assets of FNPF

34% (\$8.3b)

of Total Financial System Assets as at 30 June 2021

-3.9% ↓

Market capitalisation of listed securities

47.9 percent, followed by Paradise Beverages (Fiji) Limited (PBF) by 27.3 percent and Port Denarau Marina Limited by 12.3 percent.

Consequently, the top five listed securities in terms of market capitalisation accounted for 70.4 percent of the stock market.

The SPX Total Return Index (STRI), a measure of the stock market performance in terms of total returns, declined by 5.1 percent from 8,026.50 to 7,620.9 as at 30 June 2021. This is in line with the decrease in the average dividend yield on listed shares to 1.3 percent, from 1.9 percent reported in June 2020. Similarly, capital growth significantly decreased to 4.8 percent, compared to 8.9 percent for the same period in 2020.

Twelve special crossing transactions were conducted during the review period to June 2021 for four listed securities, with a total volume of 2.4 million shares valued at \$3.6 million. Excluding these special crossing transactions, a total of 3.0 million shares valued at \$5.3 million were transacted through 2,105 trades over the year to June 2021, compared to 13.7 million shares valued at \$23.3 million through 3,721 trades for the corresponding period in 2020.

The buy-to-sell order ratio stood at 1:27 as at 30 June 2021 compared to 1:57 as at 30 June 2020. Despite the slight improvement in the ratio from the prior year, there continues to be a higher supply of securities on offer/sell relative to demand.

Managed Investment Schemes (MIS)

Funds under management of the MISs expanded by 5.1 percent

(or by \$18.7m) over the year to \$386.5 million as at 30 June 2021, underpinned by increases in unitholders' funds and reserves by \$15.5 million and \$3.1 million, respectively.

Investments comprised 93.7 percent of total assets and noted an increase of 7.1 percent (or \$24.6m) from the prior year to \$372.7 million as at 30 June 2021. In terms of composition, listed securities continued to dominate the investment portfolio at 40.5 percent, followed by unlisted securities (25.8%), term deposits held with financial institutions (17.4%), bonds (8.9%), loans and receivables (6.5%) and property investments (0.9%).

The MIS market reported an after tax profit of \$7.9 million for the year ended 30 June 2021, compared to \$21.6 million in June 2020. The substantial fall in profits was due to the significant decline in investment income in view of the prolonged impact of COVID-19. On the other hand, investment expenses fell over the year due to the decrease in management fees.

Liquid assets held by the MIS market increased by 11.4 percent (or \$8.5m) to \$83.3 million as at 30 June 2021, driven by increases in holdings of term deposits held with financial institutions. Liquid assets were able to cover 32.2 percent of unitholders' funds and 20.9 percent of total assets as at 30 June 2021.

The number of unitholders grew by 12.4 percent to 46,376 as at 30 June 2021. Private individuals continued to dominate in terms of the number of unitholders at 77.4 percent, followed by charitable organisations and clubs at 6.9 percent.

Complaints Management

Complaints management for regulated entities is undertaken by the RBF under its mandate to promote a sound financial structure. Complaints that are not resolved at the licensed financial institution (LFI) level may be escalated by customers to the RBF. During the year, the RBF processed 87 complaints of which 18 were pending from the 2019-20 FY. There were 69 new complaints received which included eight referrals from the Consumer Council of Fiji, the Fijian Competition and Consumer Commission (FCCC) and the Office of the Attorney-General. This represents an annual decrease of 11.5 percent in complaints received compared to the previous year. During the review period, 64 complaints were resolved while 23 are awaiting either further action from the LFI or additional information from the complainants.

The majority of the new complaints received during the review period related to banking and insurance matters. In the banking sector, most of the complaints were concerned with procedures for reactivating dormant accounts, fees & charges and extensions of repayment holidays on account of the COVID-19 pandemic. While motor vehicle claims dominated complaints from the insurance sector, a significant increase was noted in complaints related to life insurance, particularly on the inability to pay premiums and the surrender requirements of policies. In total, the RBF held 57 meetings with complainants, LFIs and other partner organisations as part of its processes for complaints resolution.

CURRENCY

Under Sub-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.

Currency in Circulation

As at 31 July 2021, total currency in circulation stood at \$932.7 million compared to \$870.7 million a year ago. The value of notes in circulation increased by 7.5 percent to \$864.4 million during the FY with the \$5, \$10 and \$50 denominations being the highest circulated notes.

The value of coins in circulation increased by 2.4 percent to \$68.3

million during the financial year. The \$1 and \$2 coins registered a growth of 2.4 percent to \$17.3 million and 3.7 percent to \$19.7 million, respectively.

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

public.

Cost of Currency

For the financial year ending 31 July 2021, the cost of currency issued by the Bank reduced by 7.0 percent to \$4.0 million.

Banking Transactions

For the FY ended 31 July 2021, the value of currency issued to commercial banks was \$874.9

Notes and Coins in Circulation (\$ Million)

Notes in Circulation			
Denomination	Jul 2019	Jul 2020	Jul 2021
50c	0.1	0.1	0.1
\$1	1.7	1.7	1.8
\$2	7.8	7.8	7.8
\$5	24.1	23.5	24.6
\$7	6.2	6.1	5.9
\$10	47.7	46.5	46.0
\$20	83.4	80.4	79.0
\$50	240.8	243.4	252.1
\$100	375.7	394.2	446.8
Pre-decimal Currency	0.3	0.3	0.3
Total	787.8	804.0	864.4
Coins in Circulation			
Denomination	Jul 2019	Jul 2020	Jul 2021
1c	1.3	1.3	1.3
2c	1.1	1.1	1.1
5c	5.0	5.1	5.2
10c	5.3	5.5	5.6
20c	7.7	7.9	7.9
50c	9.4	9.7	10.0
\$1	16.3	16.9	17.3
\$2	18.1	19.0	19.7
Pre-decimal Currency	0.2	0.2	0.2
Total	64.4	66.7	68.3
Notes & Coins in Circulation			
	Jul 2019	Jul 2020	Jul 2021
Notes	787.8	804.0	864.4
Coins	64.4	66.7	68.3
Currency in Circulation	852.2	870.7	932.7

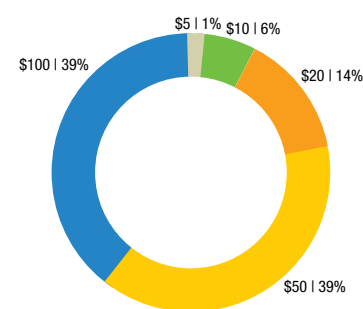
Source: Reserve Bank of Fiji

Cost of Currency Issued (\$ Million)

	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jul 2021
Notes	3.1	3.8	3.4
Coins	0.7	0.5	0.6
Total	3.8	4.3	4.0

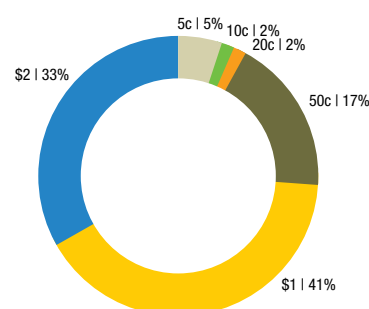
Source: Reserve Bank of Fiji

Notes Issued from August 2020 - July 2021 (Total Value: \$872.4 Million)



Source: Reserve Bank of Fiji

Coins Issued from August 2020 - July 2021 (Total Value: \$2.5 Million)



Source: Reserve Bank of Fiji

-7.0% 
Cost of currency in the
2020-21 FY



million, of which \$872.4 million was in notes and \$2.5 million in coins.

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

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

Note Processing

The purpose of the note processing operation is to ensure that quality notes remain 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 2021, 19.9 million returned notes were processed, of which 5.8 million pieces were deemed fit for reissue while the balance was considered unfit and subsequently destroyed.

Mutilated and Old Design Currency Assessments

A total of \$0.3 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 was negligible, at less than 0.1 percent of the value of total currency in circulation.

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 the general public.

Numismatics

Numismatic or “collector” currency income for the FY ending 31 July 2021 was \$2.0 million.

The sale of existing gold, 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.

Commemorative Currency

In October 2020, the Bank issued a commemorative \$50 and 50 cent circulation banknote and coin, celebrating Fiji's 50th anniversary of independence. The banknotes and coins were officially unveiled by the Honourable Prime Minister, Mr Josaia Voreqe Bainimarama. There were two million pieces of \$50 banknotes and 50 cent coins produced for issuance into circulation.

Notes Processed

	Aug 2019-Jul 2020		Aug 2020-Jul 2021	
Notes Processed	Value (\$ Million)	Pieces (Million)	Value (\$ Million)	Pieces (Million)
Notes Saved for Reissue	171.5	3.1	287.9	5.8
Notes Destroyed	772.1	23.7	383.4	14.1
Total Processed	943.6	26.8	671.3	19.9

Source: Reserve Bank of Fiji

Counterfeit Note Summary

	Aug 2019-Jul 2020		Aug 2020-Jul 2021	
Denomination	Value (\$)	Number of Notes	Value (\$)	Number of Notes
\$5	-	-	5	1
\$7	-	-	-	-
\$10	30	3	30	3
\$20	80	4	160	8
\$50	1,550	31	700	14
\$100	1,100	11	1,900	19
Total	2,760	49	2,795	45

Source: Reserve Bank of Fiji

\$874.9m

Value of currency issued to banks

19.9m

Returned notes processed

\$2.0m

Numismatic currency income in the 2020-21 FY

PAYMENT AND SETTLEMENT SYSTEMS

The National Payment System (NPS) is an essential component in the financial infrastructure of the country. Payment and settlement systems (PSS) enable the transfer of money and financial instruments between financial entities and individuals in an economy. The RBF continued its oversight of FIJICLEAR and ensured adequate liquidity to effect finality of settlement obligations between participants. It has also supported the development of retail payments and is spearheading a reform that aims to promote a safe, efficient and inclusive NPS.

Payments

FIJICLEAR is a real time gross settlement system that is owned and operated by the RBF. All commercial banks in Fiji use the system to settle interbank payments, money market transactions, time-critical customer payments, foreign currency deals and lodgements and withdrawals of currency notes and coins. In addition, FIJICLEAR provides commercial banks access to their individual account balances with the RBF and facilitates liquidity management.

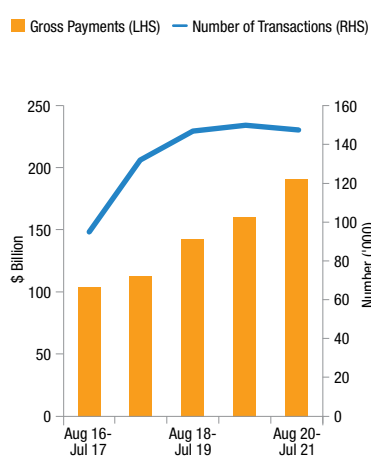
FIJICLEAR also plays a critical function in supporting the RBF's role as Registrar of debt securities for the Fijian Government and selected statutory corporations. It has responsibility for the accurate and timely settlement, through FIJICLEAR, of all coupon and redemption payments to investors of Fiji Government and Statutory Corporation bonds held in custody with the Bank. FIJICLEAR is also the primary system through which advances under the RBF's refinancing facilities are deployed into the financial system.

During the financial year, FIJICLEAR recorded 147,985 transactions valued at \$191.8 billion, representing an annual growth of 18.9 percent. Similarly, the monthly averages for FIJICLEAR operations saw an increase in gross value and a marginal decline was noted in gross volume. The growth in activity over the years reflects commercial banks' dependence and trust in FIJICLEAR.

Settlements

Settlements plays a critical supportive role towards reserves management by enabling the accurate and timely

FIJICLEAR Transactions

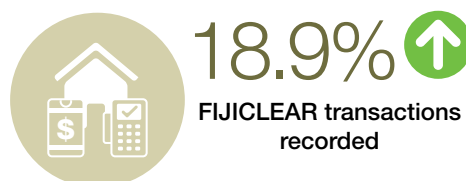


Source: Reserve Bank of Fiji

Monthly Average FIJICLEAR Transactions

Monthly Average	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jun 2021
Gross Payments (\$M)	8,927	8,793	9,455	11,900	13,450	15,990
Number of Transactions	9,336	10,019	11,015	12,297	12,495	12,332

Source: Reserve Bank of Fiji





settlement of all foreign currency trades. It also accounts for all such foreign currency trades on the Hi-Portfolio Investment System. The RBF also maintains accounts on behalf of its regional central bank counterparts and supranational organisations that utilise Fiji as the hub of their operations.

Mobile Money Services

Mobile money services provided by the Mobile Network Operators (MNOs), namely M-PAiSA by Vodafone Fiji and MyCash by Digicel Fiji, continued to grow significantly during the year as summarised below. The industry also noted a few significant developments driven by consumer demand for affordable and safer means of making payments in light of the COVID-19 pandemic, as well as, direct transfers by Government and donor agencies.

- The total value of electronic money (e-money) in circulation grew substantially by 76.4 percent to \$54.4 million at the end of July 2021, underpinned by the growth in customer deposits, remittances and bulk transfers. Similarly, the number of registered mobile money accounts increased by 107.0 percent to 749,587 while the number of active mobile money users grew by 286.2 percent to 542,733. In addition, a considerable growth of 105.5

percent was recorded for active mobile money agents to 563 compared to 274 at the end of the last review period.

- Customer deposits increased in value by 3,118.6 percent to \$113.6 million compared to \$3.5 million in the last review period. Similarly, the number of customer deposits grew by 2,992.1 percent to 1.3 million, compared to 43,397 transactions over the previous period. During the year, the value of person-to-person (P2P) transfers increased by 598.2 percent to \$177.2 million and the number of P2P transfers notably increased by 1,021.2 percent to 2.9 million transactions. The positive trend is attributed to the affordability and convenience of mobile money compared to traditional domestic money transfer channels.
- Mobile money continues to scale personal remittances in support of the economy during the crisis. As at 31 July 2021, the total number of inward remittance transactions increased substantially by 283.5 percent to 0.5 million valued at \$135.0 million, an increase of 216.4 percent from the last reporting period. Major source markets for mobile money remittances include the United Kingdom, the United States, Australia and New Zealand.
- The Government and other agencies continued to leverage mobile money for cash assistance during the second COVID-19 wave through the disbursement of more than \$40.0 million in the period April-July 2021. These disbursements reaffirm the confidence in mobile money platforms as a tool for relief assistance during crises.
- Vodafone Fiji's M-PAiSA platform has also continued to support eTransport, a mandatory electronic card-based payment system for bus commuters. For the 12-month period ending June 2021, there have been over 12.0 million top-up transactions worth \$78.1 million. When compared to the same period ending June 2020, both the value and the number of top-up transactions have declined by 27.9 percent and 20.3 percent, respectively. The outturn is due to the impact of COVID-19 including restrictions to movement, the slump in business activity and job losses which eroded demand by commuters.



MISSION

PLAY AN INFLUENTIAL ROLE IN THE DEVELOPMENT OF THE ECONOMY

In addition to its core functions of conducting monetary policy, financial stability and the issue of currency, the Reserve Bank also implements various initiatives to develop the economy.

Import Substitution and Export Finance Facility (ISEFF)

Amidst the economic challenges brought about by the second wave of COVID-19, demand for concessional funding by eligible businesses increased over the year. The scale of operations under the facility continued to expand resulting in 31 business loans with a sum of \$73.8 million advanced during the year. Given the special purpose of the facility of providing further relief to businesses during this difficult period, the Reserve Bank reduced the lending rate charged to financial institutions that access the special lending facilities from 1.00 percent to 0.25 percent. Lending institutions also lowered the maximum interest rate charged to its eligible customers from 5.00 percent to 3.99 percent.

The largest value of loans was advanced to the renewable energy sector, followed by the manufacturing, agriculture and timber sectors.

allocation remained unchanged at \$300.0 million.

Micro, Small and Medium Enterprises Credit Guarantee Scheme (MSMECGS)

The Reserve Bank continued to administer the MSMECGS on behalf of the Government since the inception of the scheme in 2012.

At the end of July 2021, a total of 282 business loans valued at \$12.9 million were covered under the Scheme. From these registered loans, the Reserve Bank has paid out loss claims totalling \$0.30 million on 25 defaulted businesses. Of this total, \$0.08 million on 8 defaulted businesses was paid out in 2020-21 FY, down from \$0.16 million for 12 defaulted businesses in the previous year.

Disaster Rehabilitation and Containment Facility (DRCF)

During the year, the Reserve Bank continued to process applications due to the increase in demand for funds from affected businesses. A total of

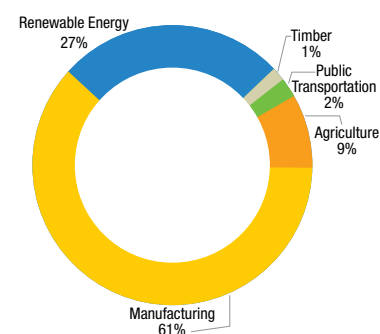
24 applications (\$23.1 million) was approved during the year compared to 24 applications (\$83.7 million) in the previous year. Of these approvals, a total of \$9.2 million was pending drawdowns of funds. At the end of the financial year, total outstanding loans under the facility was \$109.6 million against the total allocation of \$150.0 million, an increase from \$92.9 million against an allocation of \$100.0 million in the previous year.

In July 2021, the Reserve Bank made changes to the DRCF by providing an additional funding of \$200.0 million to assist businesses to maintain their operations and in turn support employment during the COVID-19 pandemic. To complement changes to the DRCF, interest payments for the first two years will be fully subsidised by the Government and to ease collateral requirements, a tiered guarantee targeting MSMEs was included as tabulated below.

Housing Facility

The RBF continued to provide concessional funding under the

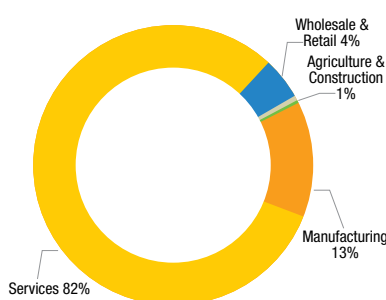
ISEFF Outstanding Loans by Sector as at 31 July 2021



Outstanding Loans: \$168.7 Million
Approved Loans Pending Drawdown: \$30.9 Million

Source: Reserve Bank of Fiji

DRCF Outstanding Loans by Sector as at 31 July 2021



Outstanding Loans: \$109.6 Million
Approved Loans Pending Drawdown: \$9.2 Million

Source: Reserve Bank of Fiji

Turnover	Maximum Loan Amount	Loan Guarantee (%)
Less than \$50,000	\$10,000	90
\$50,000-\$300,000	\$20,000	85
\$300,001-\$1,250,000	\$50,000	80
More than \$1,250,000	\$100,000	75

Source: Reserve Bank of Fiji

\$12.9m

Business loans under MSMECGS as at end July 2021

Housing Facility for low-income earners. During the review year, 41 households were approved funding to purchase or build their first homes at a total value of \$4.1 million. Since its inception, the scheme has assisted 1,011 households to purchase their first homes. Out of the allocation of \$100.0 million, \$58.6 million is outstanding for 1,004 first homeowners whilst \$24.7 million is pending drawdown for 302 first homeowners, leaving \$16.7 million available for lending.

Secondary and Retail Bond Market

During the year, there were no issues of Viti bonds in the primary market. The outstanding value of Viti bonds at the end of July 2021 stood at \$54 million for 420 investors.

However, on the secondary market, Viti bonds continued to be traded amongst retail investors and the Reserve Bank, whereby 60 parcels of Viti bonds valued at \$1.7 million were transacted compared to 71 parcels of Viti bonds valued at \$0.9 million in the previous year.

Secured Transactions Reform

The PPSR successfully completed two years of operations since its launch on 31 May 2019. The RBF, as the designated Registrar of the PPSR, continued to provide administrative and support services to registered clients of the PPSR. The ability to file, search and retrieve notices of security interests online without physically visiting offices provided benefits to lenders and other users, especially in the period following the onset of the COVID-19 pandemic.

In a bid to provide relief to clients in light of the economic challenges during the period, the RBF extended its fee-free period for all PPSR services for an additional 24 months

until 31 May 2023. The initiative aims to encourage increased usage of the PPSR and aid in reducing the cost of finance to enterprises and individuals. In October 2020, the RBF also implemented upgrades to the PPSR which enhanced the user interface in order to improve user experience through the registry website.

Over the review period, the PPSR registered a total of 14,464 filings (Initial, Amendment, Termination and Continuation) compared to 15,889 in the same period last year, a decrease of 9.0 percent or 1,425 filings. This was largely due to the bulk filings at the conclusion of the 180-day transition period in November 2019, recording a larger figure in the prior year coupled with the subdued lending activity following the second wave of the COVID-19 pandemic (May to July 2021). As of 31 July 2021, the cumulative filings in the PPSR has surpassed 75,000 since the commencement of the Personal Property Securities Act 2017 on 31 May 2019. These filings are from all six commercial banks, four credit institutions, 12 non-bank financial institutions, six car dealers, five hire-purchase companies and 52 law firms.

In terms of searches, the online registry recorded over 117,000 searches since 31 May 2019 of which 62,102 were for the financial year ending 31 July 2021, an increase of 19.6 percent from 51,918 searches in the same period last year. This is equivalent to an average of around 170 searches per day, compared to 142 in the previous period, indicating that the Registry's usage through searches by clients and the public have significantly increased.

In terms of gender of the debtors, females accounted for 13.6 percent of notices filed on the PPSR, while

males accounted for a higher 54.2 percent. Joint accounts of equal male and female debtors stood at 13.0 percent while for around 19.2 percent of filings, the gender could not be determined by secured parties during the transition period. The RBF will continue working with stakeholders on the next phases of the reform in the coming financial year, which include credit product development and impact evaluation, in addition to continuing its responsibilities as mandated under the Personal Property Securities Act 2017.

MSME Development

The COVID-19 pandemic has emphasised the need for MSME development to support economic recovery. Through the MSME Technical Working Group, the RBF continued to liaise with the Ministry of Commerce, Trade, Tourism and Transport (MCTTT) to advance initiatives that support the development of the MSME sector including work on a dedicated legislation, improving the collection of related data and the consolidation of relevant support initiatives in an information repository. The RBF will continue its support to the MCTTT on these areas in the new financial year.

Wholesale Corporate Bond (WCB) Framework for Fiji

As part of ongoing efforts to develop Fiji's capital markets, the RBF issued new Companies (Wholesale Corporate Bond) Regulations 2021 which provide guidance for corporations to leverage the bond market as a key source of funding for investment and liquidity needs. The Regulations form part of a wider WCB development framework, which was formulated with technical assistance by the International Finance Corporation and supported by Government, the SPX and capital market stakeholders. The

new regulations and development framework provide businesses with an alternative means of capital raising by addressing gaps in the regulatory environment and are supported by recent Government tax incentives that were announced in the 2020-21 National Budget to enable a more attractive market for prospective participants.

Capital Markets Advisory and Development Taskforce (CMADT)

The CMADT met twice during the year to discuss progress reported by key capital market stakeholders, including updates on developments and challenges relating to COVID-19. In its meetings, the CMADT noted that nearly all economic sectors were negatively affected by the pandemic which subsequently impacted prospects of new stock market listings, the performance of listed entities, as well as, the portfolios of managed investment schemes. In terms of industry developments, the CMADT received updates on the implementation of the WCB development framework and ongoing work by the RBF to explore alternative capital raising opportunities for small and medium sized enterprises.

FinTech Regulatory Sandbox

The RBF continues to work closely with prospective entities that are interested in testing innovative Financial Technology ("FinTech") solutions for the Fijian market through its FinTech Regulatory Sandbox ("Sandbox") that was launched in December 2019.

In recognising the role of FinTech in making financial services more accessible, convenient and cost-effective, the RBF endeavours to facilitate new entrants into the financial system while ensuring that new and emerging risks

identified through the Sandbox are appropriately managed through its policies and regulations.

Financial Inclusion

Financial Services Demand Side Data

During the year, the RBF partnered with the Fiji Bureau of Statistics (FBoS), United Nations Capital Development Fund (UNCDF) and the Alliance for Financial Inclusion (AFI) to conduct a second national Financial Services Demand Side Survey (DSS). Findings from the DSS, which was first undertaken in 2014, will complement the disaggregated supply-side data and inform the development of the next Financial Inclusion Strategic Plan (NFISP). The survey noted progress in a number of financial inclusion indicators including an increase in the adult population with access to formal financial services to 81.0 percent from 64.0 percent in 2014. A report detailing results from the exercise will be published in the next financial year.

National Financial Inclusion Strategic Plan

The RBF in partnership with the UNCDF has commenced a review of the NFISP 2016-2020. The review report will highlight the major achievements over the five year period and identify priority areas for the next NFISP, which will be launched in the next financial year.

Financial Services Supply Side Data

In 2020, the RBF received the first set of provisional disaggregated data for 2018 and 2019 from Financial Service Providers. The supply-side data, which is disaggregated by location, gender and age, was collected through the RBF's Financial Sector Development Policy Statement on the Minimum Requirements for the

Provision of Disaggregated Data. The availability of comprehensive supply-side data will complement information collected through the recent DSS to assist stakeholders to formulate evidence based financial inclusion interventions.

National Financial Inclusion Taskforce (NFIT)

The NFIT met once during the year to discuss the progress of financial inclusion deliverables undertaken by the four Working Groups (WGs) namely, Financial Literacy, Inclusive Products and Services, Inclusive Insurance and Statistics. The NFIT also noted and discussed the positive performance of financial inclusion indicators over the NFISP period which was supported by improvements in data collection through the recent DSS and the RBF's disaggregated data policy. Specifically, considerable headway was made in access to formal financial services among the adult population, especially for women, youth and the self-employed, in the areas of bank account ownership, savings, remittances and mobile money. The favourable outcome is a result of the successful partnership and collaboration with key stakeholders of the NFIT and its WGs.

Except for the Inclusive Insurance WG, the WGs each met on three occasions during the year. There were no meetings held in the final quarter due to COVID-related movement restrictions.

Alliance for Financial Inclusion (AFI)

Throughout the year the RBF engaged with AFI on a number of activities including virtual training programmes, webinars and working group discussions to further the financial inclusion agenda of the RBF and to contribute towards meeting

international commitments in this area. Commitments at a regional level towards increasing digital financial services, ensuring gender inclusive finance and the development of green financial products and services formed an integral part of the RBF's broader financial inclusion agenda.

The RBF and AFI co-hosted a three-day virtual Joint Learning Programme (JLP) on Inclusive Green Finance (IGF) Implementation in October 2020. The JLP was attended by 56 participants from 24 AFI member countries and marked the first virtual capacity building and knowledge sharing event hosted in the region by the two institutions. The event, which focused on sharing insights and perspectives on bridging the financing gap in climate change adaptation and mitigation, provided an opportunity

for participants to gain knowledge in developing robust IGF policies and initiatives by learning from experiences shared by a range of domestic and international public and private sector stakeholders including representatives from Vodafone Fiji, the Fiji Development Bank, the Fijian Government through the Ministry of Economy's Climate Change and International Cooperation Division and the RBF.

The RBF also contributed to various projects through AFI's eight working groups. These included the development of published and forthcoming knowledge products such as:

- Guideline Note 42 on Demand-side Approach to Inclusive Green Finance Data Collection using the

RBF as a case study;

- Complaint Handling in Central Bank Framework;
- Experiences in the Implementation of the Principle of Disclosure and Transparency in AFI Member Countries – Series 1: Credit Products;
- Sustainable Development Goals and Socially Responsible Finance – Case Studies from Selected AFI Members;
- Inclusive Green Finance: A Survey of the Policy Landscape;
- Policy Framework for Women's Financial Inclusion Using Digital Financial Services and
- Policy Model for E-Money.

RBF

IN THE COMMUNITY

The Bank as a responsible corporate body 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 2020:

- Suva Special Education School
- Fiji Crippled Children's Society
- St. Christopher's Home
- Dilkusha Orphanage
- 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) – FENC Fiji

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.
- Contribution towards food parcels to needy families during Diwali and Christmas through Rotary.

- Provided assistance to families impacted by COVID-19.
- Cash donations to FRIENDS, Fiji Red Cross Society towards TC Yasa Response Efforts and Fiji Cancer Society.

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 and professional bodies.
- In support of SMEs, the Reserve Bank sponsors the Services Award for the FDB SME Awards. The Bank also sponsors Investment Fiji's Prime Minister's International Business Award for Agriculture and the USP gold medal for the most outstanding graduate in Economics.
- 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. During the year, these meetings were held online through ZOOM due to the safety protocols relating to the COVID-19 situation in the country.
- The Bank participated in the activities of the Fiji Institute of Bankers (FIB).
- Through the support of the UNCDF Pacific Financial Inclusion Programme and funding by the Government of Japan, the RBF team conducted financial literacy training and awareness sessions in September 2020 to sugarcane, rice and copra farmers in the Northern Division including Macuata and Bua. Similar programmes were conducted to sugarcane farmers in parts of Sigatoka, Nadi and Lautoka in December 2020. The initiatives are part of a COVID-19 socioeconomic response which recognises financial literacy as a tool to assist Fijians, whose businesses and livelihoods were affected by the pandemic, to make informed financial decisions.
- To create awareness of RBF operations, the RBF continued its partnership with the Fiji Broadcasting Corporation which saw the successful completion of a fourth season of *Noda i Lavo*, a financial inclusion programme hosted by the Reserve Bank in *iTaukei* vernacular. Co-sponsored by BSP Life, the season featured partner stakeholders discussing financial products and services and guests' testimonials on how they had benefited from making various financial decisions. The programme continues to receive positive feedback and a number of follow-up community level financial literacy presentations and seminars were undertaken as a result.

Climate Change Initiatives

- The Reserve Bank of Fiji also supports the Government's ongoing climate change initiatives. In support of climate preservation efforts, in printing Fiji's 50th anniversary of independence

commemorative \$50 banknotes, the Bank and the banknote's printer De La Rue jointly pledged to offset carbon emissions from the banknote production by contributing \$10,000 to the Ministry of Waterways and Environment to aid the construction of nature based eco-seawall projects earmarked by the Government.

- The Bank participated in the earth hour event and switched off all lights for an hour. The Bank also considers the need to save energy on an ongoing basis and endeavours to use environment friendly products including energy saver products.
- The RBF continued to support the development of products aimed to cushion the impact of climate change, especially in the insurance industry. The development of green financial products and services is part of the financial inclusion initiatives while data was also collected in relation to this in the demand side survey.

- In line with the strategic theme of "Renewing Ways of Doing Business" the Bank continues to use technology to improve efficiency and reduce manual processes.

School Visits

- Due to gathering restrictions during the year in review, the Bank suspended school visits in the 2020-21 FY. However, the Bank continued to provide information to students for school assignments via email and also provided work attachments to students from Marist Brothers High School and Yat Sen Secondary School.
- The commemorative \$50 banknote had featured our ambition for a brighter, prosperous and more inclusive Fijian future (i.e. the children of Fiji). To ensure our children embrace the pride and joy of this historic milestone, the Bank in coordination with the Ministry of Education distributed specially packaged commemorative 50 cent coins

to primary and secondary school children in Fiji as a memento of our 50th anniversary of independence.

Special Events

- Prior to the second wave of the COVID-19 pandemic, the Bank's Sports and Social Club also organised social events and cultural activities to mark various occasions for staff, including Father's Day, Fiji Day, Pinktober, Diwali, Christmas, Chinese New Year, International Women's Day and Easter. The Bank also participated in indoor and outdoor sports organised by business houses and the Fiji Institute of Bankers when restrictions around these events were lifted. However, these activities were conducted in the new normal environment with restricted numbers allowed in functions to attend physically, usage of virtual platforms to participate from different floors and takeaway meals rather than the usual gathering.



MISSION

PROVIDE PROACTIVE AND SOUND ADVICE TO GOVERNMENT

Policy advice to the Government is provided in many ways. During the 2020-21 FY, the Bank held several meetings, some of which were done virtually with Government agencies to discuss issues pertaining to the economy. Presentations on the economy were made 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 provide relevant advice to Government through its participation in various Committees during the year.

The Macroeconomic Committee (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 continued to chair the MC, whose membership comprised officials from the Ministry of Economy, Ministry of Industry, Trade and Tourism, Fiji Bureau of Statistics, Prime Minister's Office, Ministry of Infrastructure & Transport, FRCS, Investment Fiji and the Reserve Bank. During the 2020-21 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 during the year and 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 2021-22 National Budget submission.

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.

At the end of July 2021, the RBF registry recorded a total nominal value of \$5,186.9 million in bonds, compared to \$4,951.4 million in the previous financial year. For the review period, government bonds recorded a net issuance of \$286.7 million, which led to an increase in the value of outstanding bonds by 6.1 percent to \$4,967.7 million. In contrast, the outstanding balance for statutory corporation bonds fell by a combined 18.9 percent to \$ 219.2 million.

Total registry payments increased by 2.4 percent to \$1,046.6 million at the end of July 2021. The higher payments resulted from an increase in bond interest and redemptions payments by \$75.2 million to \$657.8 million. On the other hand, Treasury bills redemptions decreased by \$50.7 million to \$388.8 million.

Despite the increased demand for funds by Government, the yields continued to track downwards across the maturity spectrum. The decline was generally associated with the easing of monetary policy by the RBF and the higher level of liquidity in the system.

The Government continued to source funds through the issuance of Treasury bills to support its temporary financing needs. For the 2020-21 FY, government Treasury bills recorded total issues of \$392.6 million and redemptions worth \$388.8 million. The outstanding Treasury bills balance at the end of July stood at \$273.5 million.

Similar to the government bonds, yields on Treasury bills also fell significantly during the year.

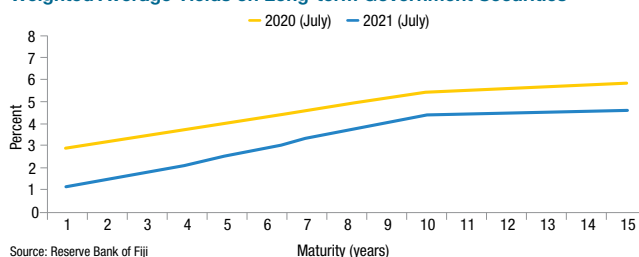
Outstanding Bonds as at 31 July 2021 (\$ Million)

	Issued	Redeemed	Outstanding
Total Government	483.5	196.8	4,967.7
o/w Fiji Development Loan Bonds	-	179.8	1,235.75
o/w Fiji Infrastructure Bonds	483.5	14.8	3,488.0
o/w Fiji Green Bonds	-	-	100.0
o/w COVID-19 Response Bonds	-	-	90.0
o/w Viti Bonds	-	2.2	54.0
FDB	33.0	88.1	173.7
EFL	-	8.0	-
HA	20.0	8.0	45.5
Total	536.5	300.9	5,186.9

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

Source: Reserve Bank of Fiji

Weighted Average Yields on Long-term Government Securities



Source: Reserve Bank of Fiji

Treasury Bills (\$ Million)

	Aug 2017-Jul 2018	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jul 2021
Flotations	240.0	805.0	545.0	426.8
Allotments	269.0	639.0	401.7	392.6
Redemptions	177.9	519.0	439.5	388.8
Outstanding	187.5	307.5	269.7	273.5

Source: Reserve Bank of Fiji



MISSION

DISSEMINATE TIMELY AND QUALITY INFORMATION TO STAKEHOLDERS

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 primarily comprises interest income from foreign currency investments and domestic securities.

For the financial year ended 31 July 2021, total income was \$59.9 million led by the high domestic interest income and interest from foreign reserves held by the Bank.

Expenditure

Total expenditure incurred during the year was \$28.2 million. Administrative spending was \$20.6 million with staff costs representing the single largest operating expenditure for the Reserve Bank accounting for over 57.0 percent of total operating costs. Other expenses for the year totalled \$7.6 million.

Assets and Liabilities

The Bank's total assets stood at \$4.1 billion as at 31 July 2021, representing a 35 percent growth due to the increase in domestic holdings. On the liabilities side, the increase is

mainly reflected in the build-up of the SRDs and currency in circulation.

Operating Profit and Payment to Government

The operating profit for the year ended 31 July 2021 was \$31.7 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 \$2.2 million as at 31 July 2021. The amount transferred from the RRA was \$2.7 million in the previous financial period.

The Bank transferred \$32.9 million to the Government for the year ended 31 July 2021 compared to the \$31.8 million paid for the year ended 31 July 2020.

Publications and Press Releases

Disseminating timely and quality information is one of the missions of

the RBF. Communication, therefore, is considered an essential aspect of the Bank's operations. Corporate Communications coordinates internal and external communications by the Bank through publications, press releases, media notes, its website, Facebook page as well as responses to external enquiries and media relations. During the year, the Bank enhanced its social media presence by creating a LinkedIn page based on the appropriateness of readership.

Publications by the Bank are through annual reports, financial stability reports, quarterly reviews, economic reviews and development plans regarding the Bank's developmental role. The Bank also publishes special topic newspaper articles to raise public awareness regarding its functions or clarify a subject matter that may have been a topic of interest.

During the year, the Bank released the August 2019-July 2020 RBF Annual Report and the 2020 Insurance Annual Report, after both reports were tabled in Parliament on 4 September and 11 December 2020, respectively. The 2019 FSR was

RBF Foreign and Domestic Income (\$ Million)

	Aug 2017-Jul 2018	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jul 2021
Foreign Interest Income	44.8	46.6	38.6	20.7
Domestic Interest Income	9.7	10.2	17.1	31.2
Other Income	5.3	4.4	4.1	8.0
Total	59.8	61.2	59.8	59.9

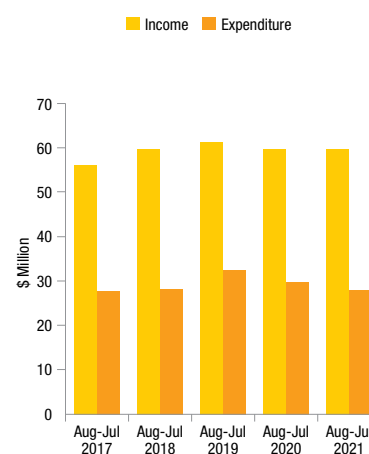
Source: Reserve Bank of Fiji

RBF's Profit Payable to Government (\$ Million)

	Aug 2017-Jul 2018	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jul 2021
Operating Profit	31.5	28.9	30.1	31.7
Less				
Transfer to General Reserves	1.0	1.0	1.0	1.0
Balance Paid to Government	30.5	27.9	29.1	30.7
One-fifth of RRA	2.0	1.5	2.7	2.2
Total Paid to Government	32.5	29.4	31.8	32.9

Source: Reserve Bank of Fiji

Total Income and Total Expenses



Source: Reserve Bank of Fiji

released on 7 December 2020.

Tender results of Treasury bills and government bonds were posted on the Bank's website, Bloomberg and Reuters. Featured as well on the website were commercial banks' key disclosure statements.

The Reserve Bank issued 24 Press Releases and 4 Media Notes during the year. Press Releases and Media Notes 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 point of contact for many stakeholders of the Bank and acts as a vital information hub where the public can find out about how the Reserve Bank operates. The Bank maintains Facebook and LinkedIn accounts to cater for stakeholders who prefer updates through social media platforms.

The Reserve Bank's website, Facebook and LinkedIn pages were regularly updated during the year to ensure timely and relevant information. The website redesign

was completed in 2020 and is being updated regularly for our stakeholders. In addition, the Bank supported the Ministry of Health's vaccination drive through the various social media platforms.

Records Management

The Reserve Bank's Archives repository is located at the Bank's Business Resumption Site (BRS) and aligns with the requirements of good governance and the Public Records Act (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 commenced with the upgrade of its EDRMS to Content Manager 10 with the aim to complete by August 2021.

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 building systems. This was possible through contractual agreements with reputable vendors for fixed durations.

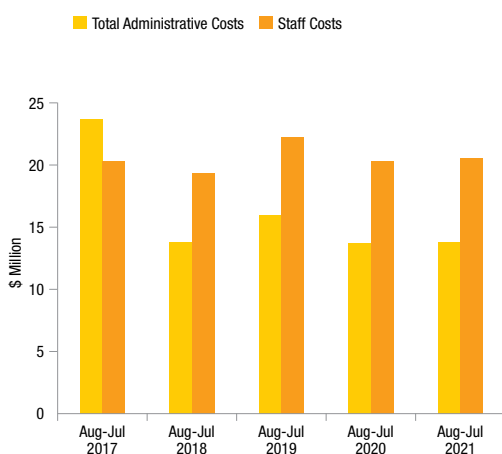
The safety and security of the RBF building, BRS and the Governor's residence were well maintained throughout the year without any security breach.

Domestic Relations

Over the 2020-21 FY the Reserve Bank continued to engage and conduct economic presentations in strengthening its relationship with stakeholders. The Governors and senior staff made presentations and submissions to the Parliamentary Standing Committees on a number of occasions. The Presentation on the NPS was made in January 2021 while the 2019 Insurance Annual Report was presented to the Standing Committee on Economic Affairs on 16 January 2021, after it was tabled in Parliament on 4 September 2020.

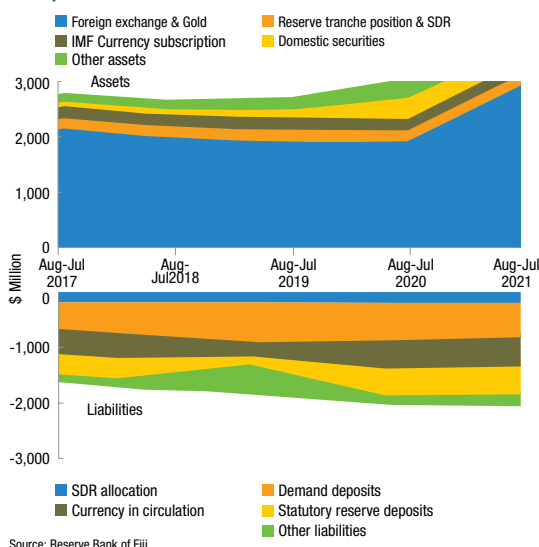
In an effort to keep the public informed of its assessment of the economy, the Governor and senior staff regularly gave presentations on

Operating Expenses by Type



Source: Reserve Bank of Fiji

Composition of RBF's Balance Sheet



Source: Reserve Bank of Fiji

the latest economic developments to Government, businesses, industry groups, community groups and educational institutions. The Bank also makes information available on its website and Facebook page, including the NFIT and PPSR websites that users can easily access.

The Reserve Bank continued its regular prudential consultations with supervised institutions in the 2020-21 FY. The Bank also met with industry stakeholders such as the Association of Banks in Fiji, the Finance Companies Association, the Insurance Association of Fiji and the Foreign Exchange Dealers Association.

Bilateral meetings were held with the heads of commercial banks, credit institutions, the FDB and the FPNP as the RBF enhanced its prudential surveillance due to COVID-19. The Reserve Bank undertook various industry visits around the country and made several presentations on the economy while it convened

thirteen industry meetings to discuss economic issues and provide economic briefs to the business community.

International Relations

The Reserve Bank places special emphasis on its international relations and participation in relevant international forums and programmes. During the financial year, all representation at these forums were conducted using online platforms.

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.

The Bank was represented during the virtual annual meetings of the IMF and the World Bank in October 2020. Representations were also made in November 2020 at the 35th South Pacific Central Bank Governors' virtual meeting and at the Development Committee meeting in October 2020. An IMF Article IV Visit

also took place virtually from 16-23 November 2020.

The Bank has continued its collaboration with Griffith University and Bank of Papua New Guinea, Central Bank of Solomon Islands and Reserve Bank of Vanuatu in the form of the publication of working papers and contributions to regular blog updates in the areas of research and central banking.

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 the expansion of inclusive insurance in Fiji and the IMF's PFTAC on the review of the Insurance Act, for which the partnership is ongoing.

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.

THE RBF NATIONAL PAYMENT SYSTEM REFORM

The National Payment System (NPS) is the underlying foundation of a country's financial system and can be likened to the bloodstream of an economy.

The efficient and smooth functioning of the payment, remittances and securities settlement systems facilitates the discharge of financial obligations and the safe transfer of funds across institutions, individuals and businesses. Payment and settlement systems, payment instruments and payment services are critical for the development of the financial sector and for economic development in Fiji.

The RBF is taking the lead role in modernising the NPS in Fiji.

The RBF and the Fijian Government, with the assistance from the World Bank Group/International Finance Corporation (WBG/IFC) and the Commonwealth Secretariat, have embarked on a 36-month programme to reform Fiji's NPS. The programme commenced in September 2019 and is currently in its implementation phase. The broad objectives of the NPS reform is to modernise Fiji's payment systems law and infrastructure to effectively and efficiently meet the growing needs and aspirations of Fiji's economy.

This major reform will revolutionise a critical element of everyday commerce and industry.

The main policies pursued by the

RBF are to ensure the safety, stability and efficiency of the payment and settlement systems, to promote non-cash digital payment services, to support the development of financial market infrastructures and encourage financial inclusion. These policies align to the RBF Strategic Plan 2019-2024, the Financial Sector Development Plan 2016-2025 and the Government of Fiji's broader digitisation objective in line with the 5-year and 20-year National Development Plans.

As part of this 36-month reform, the project team aims to deliver:

- a. A legal framework for the national payments system with associated regulations, policies and procedures. The National Payment System Act 2021 was passed by Parliament in February 2021 and is an umbrella legislation that ensures our payment systems framework is well positioned to support national economic growth and to meet future challenges for the development of Fiji's financial system. The RBF is working very closely with Government and development partners to finalise the accompanying regulations.
- b. A 5-year National Payment System Strategy that will guide the developments in payment and settlement systems and is aligned

to our overall reform objectives. The RBF has conducted wide stakeholder consultations under the guidance of WBG/IFC.

- c. Modern and robust ICT infrastructure that includes the implementation of a Central Securities Depository (CSD), an Automated Transfer System (ATS) which will comprise an upgraded Real Time Gross Settlement System (RTGS) and an Automated Clearing House (ACH) with an Instant Fund Transfer (IFT) module.

The ATS will provide irrevocable clearing and settlement of financial transactions, both high value–low volume and low value–high volume between RBF and participants efficiently in real time and reliably while the CSD system will allow the dematerialisation of securities and will enhance the clearing and settlement related processes including Delivery versus Payment.

The reform is expected to be completed in 2022, led by the NPS Steering Committee and chaired by the RBF Deputy Governor.



MISSION

ENHANCE OPERATIONAL EFFICIENCY THROUGH INNOVATION AND RISK MANAGEMENT

The Reserve Bank makes concerted efforts to reinforce and further develop a culture that places a high emphasis on innovation that encourages and inspires staff to explore new ideas and different approaches to meet our mandate.

Information Technology (IT)

The Bank continues to enhance operational efficiency through IT systems and infrastructure which remains at the forefront of innovation, playing an integral role in leading the digital transformation at the Bank.

We continue to work towards the achievement of the strategic deliverables in the 2019-24 Strategic Plan, in the direction of new technology initiatives, digitisation of processes and resilience against risk and cybersecurity threats. These are driven by our people and processes with a view to deliver maximum efficiency, enhanced focus towards customer services both internally and externally, improved access to information and better document management.

The second wave of the COVID-19 pandemic in April 2021 resulted in 75 percent of the Bank's employees working from home and for a much longer period compared to the last financial year. We continued to deliver critical and essential functions via remote access to the corporate network with a secure and reliable network infrastructure. The implementation of the Bank's multi factor authentication solution has boosted the security of external and WFH user connections to securely access internal resources. Greater focus was also placed on strengthening the WFH IT security compliance.

The Bank continued with business as usual operations by conducting meetings, trainings and participation in seminars and conferences online due to the provision of the relevant equipment and access to the right tools. In addition, the Bank developed an online training platform which is

currently in the final phase of testing and will be deployed to all staff in the next FY.

We continued to keep the technologies updated to remain efficient and relevant. The IT infrastructure, including websites and networks, has remained secure, modern and resilient throughout the year.

The Bank has also embarked on a National Payment System (NPS) reform with the objective of achieving a safe and efficient NPS that effectively contributes to the country's financial stability and economic growth. As part of the reform the RBF intends to procure and implement an Automated Transfer System (ATS) that will provide clearing and settlement functionality and comprise a Real Time Gross Settlement (RTGS) system, Automated Clearing House (ACH) system and Instant Funds Transfer (IFT) that will be interfaced with commercial banks to allow for straight through processing. The ATS will also provide interfaces for FinTechs, MNOs and certain government agencies to encourage new payment applications and coherence to compliance reporting.

Furthermore, we enhanced the management of documents for audit and tracking purposes with the storage of soft copies in the Bank's accounting information system.

In efforts to continuously strengthen cybersecurity capabilities during the FY, the Bank continues to work on the development of its cybersecurity policy as it remains a priority focus for the Bank, as a safe, secure and fully operational IT environment. This includes ongoing threat monitoring, vulnerability assessments and

the introduction of online staff cybersecurity awareness training. Furthermore, ethical hackers and international penetration testers were engaged to conduct independent vulnerability assessments of external interfaces. The Bank also continued to comply with the requirements of SWIFT's mandatory Customer Security Program (CSP). This compliance attestation to all CSP mandatory controls is an indication of the Bank's commitment to promote an internationally reputable financial system.

Our continued simulation tests performed at the Bank's BRS with a highly resilient network infrastructure enables us to continue providing critical functions through effective disaster preparedness and recovery.

The growing demand for information and communications technology services has led to continued automation of business processes. Automation projects currently under user testing and nearing completion include, the Economics Data Management System and the Portal for Online Submission of Registry Regulatory Returns. Additionally, two eService projects are in development and these are the online submission of complaints and an online form for offshore insurance applications (Form D). RBF strives to provide a paperless process to improve the overall customer experience from submitting applications to tracking and feedback. Future projects will look at mobile applications for a single platform experience and easy accessibility.

Moreover, there were ongoing improvements to the Human Resource Information System (HRIS) to provide automated system reports with real-time data. The system is

agile and through customisation, has the potential to offer various types of functionalities to suit the Bank's changing business needs. Process improvements were done with integrations made with the HRIS to automate leave reconciliation processes and facilitate online appraisals.

Furthermore, the Bank continues to ensure that employees are provided with the latest and relevant hardware and software technologies.

Over the year, the Bank has successfully digitised all its hard-copy records into the Total Records Information Management (TRIM) system. To realise the full benefit of these digital records, the current TRIM system upgrade to Content Manager was undertaken to enhance functionality, ensure system version compliance and strengthen data governance. This will allow the Bank to ensure staff has complete access to accurate information in a timely and cost-effective manner.

As part of the Strategic Plan deliverable, the Bank last year ventured into the budding banknote numismatic market and continues to explore potential programmes. Numismatic is a niche market involving study and collection of currency and includes both, banknotes and coins. The Bank's numismatic operations continues to grow in strength and at the end of this FY, the Bank has realised a notable approximate \$2 million in numismatic income.

The Bank continued with building infrastructure projects to ensure compliance and safety of the building systems with the modification or

replacement of services to enhance the building's operational efficiency.

Risk Management

The Bank is committed to ensuring that effective risk management and governance remain central to all its activities. The Bank regularly assesses its control environment and has in place a risk management framework, which comprises policies and procedures and a Corporate Risk Register. These enable the Bank to effectively manage current and emerging risks to macroeconomic and financial system stability.

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 in its 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 establishment of the HR Steering Committee with a dedicated focus on driving effectiveness in HR strategies and policies is key to strengthening human capital and workplace culture.

The regular review of policies and the framework together with awareness training for staff helps to strengthen the risk culture and overall risk management in the Bank.

The Bank also continued its review of the Risk Management Framework through the 2020-21 FY to ensure its continued alignment with the latest standards in risk management practices as well as relevance to global and domestic developments. This included reviews to the Bank's policies on communications, corporate governance and complaints management and the updating of the Bank's risk registers.

The Corporate Governance Policy is overarching and provides guidance to the commercial banks on the requirements that needs to be in place to nurture credibility and trustworthiness as an institution. The Complaints Management Policy was reviewed to enhance the channels of communications and provide internal guidance for handling complaints.

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

The Bank's Business Continuity Plan (BCP) was continually reviewed during the year, specifically on the workforce and workplace safety arrangements as a result of COVID-19 related situational updates from the relevant local authorities. The BCP framework includes arrangements for functional units to be separated into two teams to ensure that the entire human resource pool and the workplace were not compromised. The plan also considers WFH facilities in support of safe distancing requirements within the MCTTT



workplace safety protocols while ensuring continuity of essential services to the public, particularly when the infection containment enforcements are in place.

The Bank's BRS is the backup site 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 such as foreign reserves management, finance management, settlements and some domestic market processes, including FIJICLEAR operations are tested at the site. The BRS also houses the Bank's archives.

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

During the year, the Bank updated its procedures and operations, in line with the MCTTT workplace safety

protocols and other regulations enacted. The updated guidelines were communicated to staff through their Chief Managers and through ZOOM sessions where required, to create awareness.

The Risk Management and Communications Group (RMCG) forms the second line of defence in the management of risks in the Bank and the Middle Office is responsible for managing risks relating to the Bank's reserves management operations.

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

The RMCG also ensures that the Bank's interests are protected against legal risks. These risks are mitigated by the provision of legal advices, litigation, drafting, statutory compliance, legislation and policy reviews and the enhancement of the Anti-Corruption Framework developed in consultation with the Fiji Independent Commission Against Corruption since 2018. The Bank participated in the Anti-bribery

campaign launched by FICAC during the year to champion the cause against such unethical practices in the public sector.

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 EY Fiji, while external audit is undertaken by KPMG (Fiji).

Areas for improvement identified by internal and external audits are addressed as appropriate and form part of the RMCG assurance function. 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.



MISSION

DEVELOP, EMPOWER 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 2021, the Reserve Bank staff complement was 195. During the review period, seven staff left the Bank, of which, four left for other employment opportunities, two applied for early retirement and a contract staff opted not to renew employment. Furthermore, one staff member proceeded on secondment with the IMF Resident Representative Office for Pacific Islands. During the FY, the Bank recruited four staff.

Management Remuneration as at 31 July 2021

Remuneration for the Governor is set and approved by the Constitutional Offices Commission. For the Executive Management and Managers, review and approval of the remuneration package is vested with the Board Governance Committee. The Executive Management and other management staff are employed on an individual contract basis and are remunerated in line with the market¹⁸. The last market adjustments were made in August 2019.

Staff Development

The Training and Development Policy and Staff Training Needs Analysis (TNA) support 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.

At the end of 2020-21 FY, there were two staff on secondment at the IMF Resident Representative Office for Pacific Islands.

In the 2020-21 FY, no staff were on full-time study leave. However, 14

staff pursued part-time studies at the University of the South Pacific (USP), CPA Australia and the Fiji National University (FNU) towards Masters, Postgraduate, CPA programmes and Degree programmes.

In the 2020-21 FY, staff benefitted from various short courses organised locally such as those organised by the Saint John Association, Ministry of Labour, USP Pacific TAFE, National Fire Authority, Fiji Institute of Bankers, Ministry of Women, Fiji Human Resources Institute, Fiji Commerce and Employers Federation, Fiji Institute of Accountants and those organised internally some of which were held online due to the COVID-19 pandemic.

Furthermore, due to the pandemic, overseas training halted, however 31 participants attended virtual trainings that were organised by the IMF-STI, Asia Pacific Group, DDLS¹⁹ Australia and the World Bank.

The Bank also sponsored staff professional memberships for the FIA,

RBF Staff Statistics (as at 31 July 2021)

	Jan-Jul16	Aug16-Jul17	Aug17-Jul18	Aug18-Jul19	Aug19-Jul20	Aug20-Jul21
Total Staff	214	210	211	209	199	195
Average Years of Service	9.8	9.9	9.9	10.5	11	11.9
Annual Staff Turnover (%)	7.5	9.1	8.6	4.8	9.5	3.6

Source: Reserve Bank of Fiji

Management Remuneration as at 31 July 2021

Total Cash Remuneration	Staff Numbers
i. \$335,061	1
ii. \$290,707	1
iii. \$200,865	5
iv. \$63,517 - \$102,890	27
(i) - (iii) Executive Management.	
(iv) Other Management staff.	

Source: Reserve Bank of Fiji



"Your workforce is your most valuable asset. The knowledge and skills they have represent the fuel that drives the engine of the organisation - and you can leverage that knowledge."
-Harvey Mackay

¹⁸ As determined by the annual PwC Banking and Finance Sector Market Survey.

¹⁹ Dimension Data Learning Solutions - Australia.

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. The Bank continues to engage with the Union on Log of Claims matters.

In light of the COVID-19 pandemic and the Bank's efforts to maintain costs, there were no bonuses paid out to eligible staff in July 2021, however formal appraisal processes were still completed.

Labour Management Consultative 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 and met four times in the 2020-21 FY.

Quality Management Teams (QMT)

The Bank 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

Under the Bank's Internship policy which aims to provide students with an opportunity to provide exposure to selected candidates and obtain practical work experience, the Bank continued to engage interns.

Holiday Worker

A Holiday Worker scheme was introduced in December 2020 with the aim of providing students with an opportunity to engage with the Bank and obtain on-the-job experience during their semester breaks. Under the scheme, the Bank can permit up to fourteen holiday workers at any one time during semester breaks.

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.

With the second wave of the COVID-19 pandemic, the Bank continued to safeguard the staff and ensure a safe working environment, with the implementation of rapid and enhanced safety measures whilst ensuring continuity of the Bank's critical functions.

The Bank's Occupational Health and Safety (OHS) Committee met three times and the fourth OHS Committee meeting was held online via ZOOM given the majority of the staff were working from home, as part of the Bank's effort to adhere to protocols for COVID-19. The Bank continued to provide OHS related training and monitor OHS issues regularly to ensure that a safe and healthy work environment was maintained.

Service Recognition

The Governor's Service Recognition and Long Service Loyalty Award recognises dedicated, long and meritorious service to the Bank. In the 2020-21 FY, eleven staff achieved 15 years of service, three staff achieved 20 years of service and three staff achieved 25 years of service while one staff achieved 30 years of service.

Other awards recognising staff performance were also made by the Governor and Chief Managers during the year.



Mrs Lavenia Taniela



Ms Julie Turagavuli



Mr Kalisi Ketenilagi



Mrs Arieta Vakasoqo

SELECTED EVENTS AUGUST 2020-JULY 2021



THE YEAR AHEAD

The Reserve Bank will continue to focus on fulfilling its core responsibilities in the 2021-22 FY. Listed below are priority areas where special efforts will focus.

Strategic Direction and Alliances

The Bank's 2019-24 Strategic Plan continues to be relevant and the plans for implementation continue into the third year. 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 abroad and locally.

Legislation

The Reserve Bank will continue to progress the legislative work it is currently undertaking in the 2021-22 FY on the following various financial sector reforms:

- Review of the Insurance Act 1998, through the technical assistance of the IMF PFTAC and drafting of the Insurance Bill;
- Amendment to the Fair Reporting of Credit Act 2016 in line with the ongoing work regarding Fiji's Ease of Doing Business ranking;
- Finalisation of the proposed Credit Union legislation; and
- Finalisation of the National Payment System Regulations with the assistance of the SGO and WBG/IFC.

Monetary Policy

The Reserve Bank of Fiji will continue to ensure the appropriate and effective implementation of monetary

policy 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.

Foreign Reserves Management

Looking ahead, foreign reserves management will continue to be challenging in the low yield environment and due to the uncertainties relating to the ongoing COVID-19 crisis. With interest rates expected to remain low for some time, income from foreign investments is anticipated to fall. However, RBF will continue to prioritise safety and liquidity over income, in its management of foreign reserves.

Financial System Regulation and Supervision

The continual development, enhancement, and implementation of initiatives to strengthen the Reserve Bank's risk-based supervision framework is expected to continue in the next reporting year. Regulatory focus will remain on closely monitoring the impact of the pandemic on the financial system to ensure its stability, through continuing dialogue and cooperation with supervised entities.

Consultations with relevant industry stakeholders on the following draft

prudential supervision policies will continue in the next reporting year.

- Banking Supervision Policy Statement No. 9A and 9B - Liquidity Risk Management Requirements for both commercial banks and credit institutions;
- Prudential Supervision Policy Statement No. 2 - Minimum Requirements for the Management of Cybersecurity risk by Supervised Entities; and
- Superannuation Supervision Policy Statement No. 1 - Minimum Requirements for Corporate Governance for the Fiji National Provident Fund.

In addition, the draft prudential policies which are planned to be issued to the industry for consultation include:

- Banking Supervision Policy Statement No. 3 - Credit risk management policy for banks and credit institutions (revised)
- Capital Market Supervision Policy Statement No. 4 and 5 - Minimum Requirements for Capital raising through issue of Debt & Equity securities (revised)
- Capital Markets Supervision Policy Statement - Risk Management framework for Capital Markets Intermediaries (new)
- Insurance Supervision Policy Statement No. 10 - Role of Insurance Actuaries (revised).



The Reserve Bank will also work on completing the Phase 2 of its reform programme on conduct risk and culture.

The Reserve Bank remains part of the Regional KYC Utility initiative. A detailed business case is expected to be submitted to the South Pacific Governors Forum in November 2021 to progress the project.

Corporate Services Enhancements

In order to be responsive to the changing operational landscape, the Reserve Bank will continue to strengthen and enhance its work processes.

The Bank will also maintain its efforts on providing a flexible working

environment which promotes safety, productivity and encourages people to innovate critical elements of our ongoing mission and to enhance the employee experience.

The Bank will maintain its focus towards enhancing automation and process reengineering of several of its key processes. This includes the integration of the Epicor system with the National Payment system to enhance payment efficiency and transaction recording processes.

Furthermore, the Bank will commence work to establish a new cybersecurity partnership to strengthen security and service resilience. This will also include the drafting of a cybersecurity policy and alignment of IT practices

and processes to enhance its overall cybersecurity posture.

The upgraded Records Management System will be monitored to enhance storage and management of records for good governance.

MSME Sector Development

The RBF will work with MSME Fiji at the MCTTT and other relevant stakeholders in order to accelerate the development of the sector. This will include progressing on the Work Plan of the MSME Technical Working Group and exploring opportunities to improve access to finance.

Financial Statements

For the year ended 31 July 2021

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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 2021 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 up to 15 March 2021)

Shiri Krishna Gounder (Ex-officio member from 16 March 2021)

Pradeep Patel

Tevita Kuruvakadua

Tony Whitton

Nikita Patel (appointed on 14 February 2021)

Bobby Naimawi (appointed on 14 February 2021)

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 2021 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, 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 2021 was \$31.7m (2020: \$30.1m).

Reserves

In accordance with Section 8(1) of the Reserve Bank of Fiji Act, 1983, the Minister and the Board of Directors have agreed to transfer \$1.0m (2020: \$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 2021, the value of the External Reserves was 83% (2020: 78%) of total Demand liabilities.

Payable to the Fiji Government

In accordance with the Reserve Bank of Fiji Act, 1983, the following amounts totalling \$32.9m for the year ended 31 July 2021 (2020: \$31.8m) are payable to the Fiji Government:

Section 8(3): Net profit after transfer to General Reserves - \$30.7m for the year ended 31 July 2021 (2020: \$29.1m).

Section 34(3): One-fifth balance of Revaluation Reserve account - foreign currency - \$2.2m (2020: \$2.7m).

Reserve Bank of Fiji

Directors' report - continued

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

The bank has recorded a provision of \$1.5m for retirement benefit as a long term employee benefit. In relation to allowance for impairment losses, a write back of \$0.1m was recorded during the financial year in accordance with the requirements of IFRS 9.

Significant events during the year

The global recovery envisaged for this year did not eventuate as the pandemic continues to adversely impact economic activity. Domestically, the continued closure of borders and the second wave of COVID-19 infections has further compounded the economic contraction projected for this year. Despite these disruptions, the Bank has managed to meet its core mandate and continued to employ measured responses to secure the monetary and financial stability of the Fijian economy whilst providing proactive and sound support and advice, to Government.

The Bank has carefully considered the impact of COVID-19 in preparing its financial statement for the year ended 31 July 2021.

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

Other than directors remuneration and benefits disclosed in the financial statement, no Director of the Bank has, since the end of the previous financial year, received or become entitled to receive any other 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

The Bank did not identify any subsequent events precipitated by COVID-19 related developments, which would require adjustment to the amounts or disclosures in the financial statements. Given the fluid nature of the current situation, the Bank will continue to regularly review forward looking assumptions and forecast economic scenarios.

Apart from the above, 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.

Reserve Bank of Fiji

Directors' report - continued

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 23rd of September 2021.

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

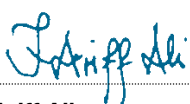
Statement by Directors

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 2021;
- (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 2021;
- (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 2021;
- (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 2021;
- (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 \$32.1m, an increase of \$0.4m being the currency translation gain for the year ended 31 July 2021.

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 23rd of September 2021.



Ariff Ali
Chairman of the Board and Governor



Pradeep Patel
Director



Independent Auditors' 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 Reserve Bank of Fiji ("the Bank"), which comprise the statement of financial position as at 31 July 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 26.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 July 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) equivalents as 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with Reserve Bank Act, 1983 and the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 foreign exchange gains and losses, and its divergence from IAS 21 "Effect of changes in Foreign Exchange Rates". Our opinion is not qualified in respect of this matter.

Other Matter

The financial statements of the Bank as at and for the year ended 31 July 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 24 September 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report and directors' report, but does not include the financial statements and our auditors' 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.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.



Independent Auditors' Report

To the Board of Directors of Reserve Bank of Fiji

Report on the Audit of the Financial Statements - continued

Other Information - continued

When we read the annual report, if we conclude that there is a material misstatement therein of this other information, we are required to communicate that fact. We have nothing to report in relation to the directors' report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the financial reporting provisions of the Reserve Bank Act, 1983, and for such internal control as 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, management is 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 management.



Independent Auditors' Report

To the Board of Directors of Reserve Bank of Fiji

Report on the Audit of the Financial Statements - continued

Auditors' Responsibilities for the Audit of the Financial Statements - continued

- Conclude on the appropriateness of 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 auditors' 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 auditors' 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion:

- i). proper books of account have been kept by the Bank, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and
- ii). to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Reserve Bank of Fiji Act, 1983 in the manner so required.


KPMG
Chartered Accountants

Suva, Fiji
23 September, 2021

Reserve Bank of Fiji

Statement of comprehensive income

For the year ended 31 July 2021

	Note	31 July 2021 \$000	31 July 2020 \$000
Income			
Interest income	4(a)	50,782	55,030
Other revenue	4(b)	9,100	4,809
Total income		59,882	59,839
Expenses			
Interest expense	4(c)	(153)	(1,060)
Administration expenses	4(d)	(20,583)	(20,401)
Amortisation of securities	6	(1,101)	(947)
Other expenses	4(e)	(6,455)	(6,730)
Expected credit losses write-back/ (expense)	4(f)	101	(578)
Total expenses		(28,191)	(29,716)
Net profit for the period	13	31,691	30,123
Total other comprehensive (loss)/ income			
Amortisation of fair value reserve		(916)	(921)
Change in fair value of financial assets		(14,397)	4,547
Asset revaluation reserve movement	19	(152)	629
Currency translation gains		397	7,485
Total other comprehensive (loss)/ income		(15,068)	11,740
Total comprehensive income for the period		16,623	41,863

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 77 to 108.

Reserve Bank of Fiji

Statement of changes in equity

For the year ended 31 July 2021

	Paid-up capital	General reserves	Revaluation reserve account -foreign currency	Fair Value reserve	Asset revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 August 2019	2,000	42,050	5,962	16,475	24,822	-	91,309
Total comprehensive income for the year							
Net profit	-	-	-	-	-	30,123	30,123
Transfer to General reserves (Note 19)	-	1,000	-	-	-	(1,000)	-
<u>Other comprehensive income / (losses)</u>							
Amortisation of fair value reserve	-	-	-	(921)	-	-	(921)
Change in fair value of financial assets	-	-	-	4,547	-	-	4,547
Asset revaluation reserve movement (Note 19)	-	-	-	-	629	-	629
Net gains arising from currency translation differences	-	-	7,485	-	-	-	7,485
Total other comprehensive income	-	-	7,485	3,626	629	-	11,740
Total comprehensive income for the year	-	1,000	7,485	3,626	629	29,123	41,863
	2,000	43,050	13,447	20,101	25,451	29,123	133,172
<u>Transactions with owners, recorded directly in equity</u>							
Payable to the Fiji Government (Note 13)	-	-	(2,689)	-	-	(29,123)	(31,812)
Balance at 31 July 2020	2,000	43,050	10,758	20,101	25,451	-	101,360

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 77 to 108.

Reserve Bank of Fiji

Statement of changes in equity - continued

For the year ended 31 July 2021

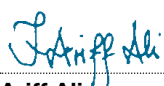
	Paid-up capital	General reserves	Revaluation reserve account -foreign currency	Fair Value reserve	Asset revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 August 2020	2,000	43,050	10,758	20,101	25,451	-	101,360
Total comprehensive income for the year							
Net profit	-	-	-	-	-	31,691	31,691
Transfer to General reserves (Note 19)	-	1,000	-	-	-	(1,000)	-
<u>Other comprehensive income / (losses)</u>							
Amortisation of fair value reserve	-	-	-	(916)	-	-	(916)
Change in fair value of financial assets				(14,397)	-	-	(14,397)
Asset revaluation reserve movement (Note 19)	-	-	-	-	(152)	-	(152)
Net gains arising from currency translation differences	-	-	397	-	-	-	397
Total other comprehensive income / (losses)	-	-	397	(15,313)	(152)	-	(15,068)
Total comprehensive income / (losses) for the year	-	1,000	397	(15,313)	(152)	30,691	16,623
	2,000	44,050	11,155	4,788	25,299	30,691	117,983
<u>Transactions with owners, recorded directly in equity</u>							
Payable to the Fiji Government (Note 13)	-	-	(2,231)	-	-	(30,691)	(32,922)
Balance at 31 July 2021	2,000	44,050	8,924	4,788	25,299	-	85,061

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 77 to 108.

Reserve Bank of Fiji
Statement of financial position
As at 31 July 2021

	Note	31 July 2021 \$000	31 July 2020 \$000
Foreign currency assets			
Short-term commercial paper and current accounts	5	522,276	272,588
Marketable securities	5	2,383,344	1,624,852
Gold	5	3,176	3,456
Accrued interest		14,788	13,665
International Monetary Fund			
- Reserve tranche position	5/20	73,262	73,161
- Special drawing rights	5/20	131,889	131,960
- PRGF - HIPC Trust	20	578	582
- Currency subscription	20	219,759	221,803
Total foreign currency assets		3,349,072	2,342,067
Local currency assets			
Cash and cash equivalents	17	3,025	2,206
Domestic securities	6	366,225	366,622
Financing facilities	7	336,430	284,675
Currency inventory	8	16,906	20,028
Other assets	9	9,716	9,538
Intangible assets	10	457	552
Property, plant and equipment	11	34,294	34,596
Total local currency assets		767,053	718,217
Total assets		4,116,125	3,060,284
Foreign currency liabilities			
Demand deposits	12	271	123
IMF - PRGF - HIPC Trust	20	578	582
IMF - Special drawing rights allocation	20	199,797	201,122
Total foreign currency liabilities		200,646	201,827
Local currency liabilities			
Demand deposits	12	1,713,450	779,219
Payable to the Fiji Government	13	32,922	31,812
Currency in circulation	14	932,739	870,654
Statutory reserve deposits		914,696	843,799
IMF - Notes currency subscription	20	219,007	220,985
Employee entitlements	15	3,772	2,024
Other liabilities	16	13,832	8,604
Total local currency liabilities		3,830,418	2,757,097
Total liabilities		4,031,064	2,958,924
Net assets		85,061	101,360
Capital and reserves			
Paid-up capital	18	2,000	2,000
General reserves	19	44,050	43,050
Revaluation reserve account - foreign currency	19	8,924	10,758
Fair Value reserve	19	4,788	20,101
Asset revaluation reserve	19	25,299	25,451
		85,061	101,360

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 77 to 108.

Reserve Bank of Fiji
Statement of cash flows
For the year ended 31 July 2021

	Note	31 July 2021 \$000	31 July 2020 \$000
Operating activities			
Rental lease income		466	476
Numismatic sales		7,402	1,373
Interest received		47,508	51,202
Other income		5,539	2,278
Interest paid		(7)	(1,060)
New currency payments		(856)	(646)
Administration and other expenses		(19,035)	(18,977)
Net movement of short-term commercial paper		(223,022)	70,152
Net movement in fixed term deposits		(337,022)	24,709
Net movement in International Monetary Fund accounts		(349)	756
Net movement of domestic securities		(648)	(201,586)
Net movement in other assets		134	207
Cash flows used in operating activities		(519,890)	(71,116)
Investing activities			
Payment for property, plant and equipment and intangibles		(1,925)	(861)
Net movement of bonds		(434,729)	(164,491)
Net movement in financing facilities		(51,745)	(126,088)
Cash flows used in investing activities		(488,399)	(291,440)
Financing activities			
Net movement in demand deposits		934,231	265,270
Payment to the Fiji Government		(31,812)	(29,385)
Net movement in currency in circulation		62,085	18,435
Net movement in statutory reserve deposits		70,897	42,792
Cash flows from financing activities		1,035,401	297,112
Net effect of currency translation		397	7,485
Net Increase/ (decrease) in cash and cash equivalents		27,509	(57,959)
Cash and cash equivalents at the beginning of the period		184,259	242,218
Cash and cash equivalents at the end of the period	17	211,768	184,259

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 77 to 108.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

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, 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 Fiji 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 Fiji Government, to the redemption of any non-negotiable non-interest bearing notes previously transferred to the Bank by the Fiji Government to cover losses and thereafter one-fifth of any remaining balance is paid to the Fiji 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 \$32.1m for the year ended 31 July 2021 (2020: \$37.6m), an increase of \$0.4m (2020: an increase of \$7.5m), being the net gain arising from currency translation differences.

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

(b) Basis of preparation

The financial statements have been prepared on a going concern basis. 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:

- financial assets are measured at fair value through other comprehensive income (FVOCI);
- financial assets are measured at amortised cost; and
- property is measured at fair value.

When estimating fair value, the Bank has considered the actual and potential impacts on the value of its investments from the COVID-19 pandemic. Where, in the judgement of the Bank, an investment has been temporarily impacted by the pandemic, the assessed value of the impact is deducted when deriving the 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.

New Standards:

New and amended standards and interpretations

The Bank has adopted the following interpretations and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 August 2020. The adoption of the new amended standards and interpretations did not have a material effect on the Bank.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 August 2021, and have not been applied in preparing these financial statements.

New interpretations, standards or amendments	Effective date
• Annual improvements to IFRS Standards 2018-2020	1 August 2021
• Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1 August 2021
• Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 August 2021

The Bank does not intend to apply these amendments and interpretations until their effective dates as the impact of these amendments and interpretations on the financial statements of the Bank has not yet been fully determined.

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

(c) Foreign currency transaction

Monetary assets and liabilities denominated in 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 account.

(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 terms give rise on specified dates to cash flows that are solely payments of principal and interest are subsequently measured at amortised cost using effective interest method. Interest income and impairment are recognised in profit or loss. Any gains or loss on derecognition is recognised in profit or loss. Such financial assets include fixed deposits, financing facilities, discounted securities, domestic bonds, other assets and staff housing loans.

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 and amortised over the life of the instrument using the effective interest method in profit or loss.

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.

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

(e) Financial instruments - continued

Non-trading reverse repurchase, repurchase and similar agreements - continued

Contracts that are economically equivalent to reverse repo or repo agreements (such as sales or purchases of debt securities entered in 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 fair value through other comprehensive income ('FVOCI'). This comprise foreign bonds only. 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 and interest income) 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;
- 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.

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'.

(iv) Financial assets: Business model assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;

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

(e) Financial instruments - continued

(iv) Financial assets: Business model assessment - continued

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for recognition are not considered sales for this purpose, consistent with the Bank's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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 when there has not been a significant increase in credit risk since initial recognition. The ECL impairment provision is calculated from default events possible within the next 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. 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.

2. Statement of significant accounting policies and statutory requirements - continued**(e) Financial instruments - continued***Impairment of amortised cost and FVOCI financial assets - continued*

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. IMF financial assets categorised as extremely low risk foreign holdings. Staff loans and advance categorised as the riskiest all the Bank's domestic holdings. Standard & Poor's (S&P) rate table is used to determine the external credit rating of the financial institution accordingly used to derive the PD rates. As the latest S&P report issued is for 31 December 2020, the Bank has applied 2021 local economic outlook forecast to adjust the PD's and to account for COVID-19 impact. The Bank considers GDP to be the relevant macro-economic indicator to adjust the PD. 	<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 carrying amount balance. 	<ul style="list-style-type: none"> Amortisation captured for financial instruments.
LGD	<ul style="list-style-type: none"> Basel III guidance assessments yielded rates of 10% - 30% for the financial assets in the Bank's foreign investment portfolio and 10% - 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.

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

(e) Financial instruments - continued

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.

Derogation of financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

The Bank's financial liabilities are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of comprehensive income. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

(f) 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.

(g) 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. Due to the complexity of managing numismatic items, the costs are not capitalised but expensed when acquired.

(h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank or current accounts, and other short-term highly liquid investments 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.

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

(i) 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. Costs include the cost of bringing inventories to their present location and condition.

(j) Demand deposits

Demand deposits representing funds placed with the Bank by financial institutions and other organisations are brought to account on a cost basis. Initially recognised at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using the effective interest method. These deposits are at call. Interest is paid on demand deposits of commercial banks held with the Bank.

(k) 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 in the statement of financial position.

(l) 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.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Routine ongoing repairs and maintenance are expensed as incurred.

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

(m) 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 their 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%. These deposits are not at call.

(n) 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%.

(o) Impairment

The carrying amounts of the Bank's 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.

(p) Employee entitlements

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution pension plan

The Bank operates a defined contribution pension plan. The contribution payable to Fiji National Provident Fund is in proportion to the services rendered to the Bank by the employees and is recorded as an expense in profit or loss. Unpaid contributions are recorded as a liability.

Other long-term employee benefits

A liability for long-term benefit is recognized and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary increments, employee departures and periods of service. Expected future payments are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

(q) Income tax

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

(r) Revenue and expense recognition

Interest income and interest expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

Revenue from contracts with customer

Revenue from the sale of numismatic products is recognised at the point at which the product is accepted and the contracted performance obligation is satisfied.

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.

(s) Comparative figures

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

(t) Rounding

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

3. Critical accounting estimates and judgements - continued

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 to 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 measurement of financial assets accounted for at FVOCI – refer Note 22
- Determination of expected credit losses for financial assets – refer to Note 2 (e) and Note 21(c)
- Valuation of properties – refer to Note 2 (l) and Note 11

When determining fair value, the Bank has considered the actual and potential impacts on the value of its financial assets from the COVID-19 pandemic. Where, in the judgement of the Bank, the financial assets have been or will be temporarily impacted by the COVID-19 pandemic, the assessed value of the impact is deducted when deriving the fair value.

COVID-19 Pandemic

Background

The global recovery envisaged for this year did not eventuate as the pandemic continues to adversely impact economic activity. Domestically, the continued closure of borders and the second wave of COVID-19 infections has further compounded the economic contraction projected for 2021. Despite these disruptions, the Bank has managed to meet its core mandate and continued to employ measured responses to maintain the monetary and financial stability of the Fijian economy whilst providing proactive and sound support and advice, to the Government of Fiji.

Consideration of the financial statements and further disclosures

The Bank has carefully considered the impact of COVID-19 in preparing its financial statements for the year ended 31 July 2021. The key impacts on the financial statements, including the application of critical estimates and judgements, are as follows:

Expected Credit Loss (ECL) Provision

In assessing the Expected Credit Loss Provision, the Bank has incorporated the effects of COVID-19 globally as well as domestically. Due to the non-availability of the latest Standard & Poor's report, the Bank has applied the 2021 domestic forecast of negative 4.1% to adjust the Probability of Default (PD) on its domestic financial assets to account for the impact of the COVID-19 pandemic. In assessing this, the Bank has recorded a write-back on ECL provision of \$0.10m in accordance with the requirement of IFRS 9. The write-back was driven by the decrease in the probability of default rate for domestic instruments.

Fair Value Measurement

When estimating fair value, the Bank has considered the actual and potential impacts on the value of its investments due to the COVID-19 pandemic. Where, in the judgement of the Bank, an investment has been impacted by the pandemic, the assessed value of the impact is deducted when deriving the fair value.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

4. Revenue and expenses	Note	31 July 2021 \$000	31 July 2020 \$000
(a) Interest income			
Overseas investments		18,645	36,776
International Monetary Fund		938	1,147
Domestic securities		27,829	14,840
Financing facilities		3,326	2,219
Staff loans		44	48
		<u>50,782</u>	<u>55,030</u>
(b) Other revenue			
Rent received		476	476
Numismatic sales		2,002	1,396
License and application fees		402	500
Foreign currency trading gains		4,973	1,392
Net gain/ (loss) on realisation of securities		1,083	660
Other miscellaneous income		164	385
		<u>9,100</u>	<u>4,809</u>
(c) Interest expense			
International Monetary Fund		146	1,047
Other		7	13
		<u>153</u>	<u>1,060</u>
(d) Administration expenses			
Staff costs		16,175	15,667
Other costs		4,408	4,734
		<u>20,583</u>	<u>20,401</u>
Total number of employees at period end		<u>195</u>	<u>199</u>
(e) Other expenses			
Depreciation	10	2,162	2,185
Amortisation of intangible assets		160	164
Auditor's remuneration			
- Audit fees		53	51
Board remuneration		32	29
Currency issue		3,979	4,278
Numismatic		69	23
		<u>6,455</u>	<u>6,730</u>
(f) Allowance for impairment losses			
Movement of the ECL provision during the year is as follows:			
<i>Foreign currency assets</i>			
Short term commercial paper and Current accounts		25	(19)
Marketable securities		(56)	104
Other assets		1	(42)
<i>Local currency assets</i>			
Domestic securities		(56)	359
Financing facilities		(10)	166
Other assets		(5)	10
		<u>(101)</u>	<u>578</u>

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

5. External reserves	31 July 2021 \$000	31 July 2020 \$000
Short-term commercial paper	336,692	125,844
Current accounts	185,621	146,756
	522,313	272,600
Less: Allowance for impairment losses	(37)	(12)
	522,276	272,588
Marketable securities		
- Fixed term deposits	415,776	78,754
- Bonds	1,967,660	1,546,244
	2,383,436	1,624,998
Less: Allowance for impairment losses	(92)	(146)
	2,383,344	1,624,852
Gold	3,176	3,456
International Monetary Fund		
- Reserve tranche position	73,262	73,161
- Special drawing rights	131,889	131,960
	205,151	205,121
Total External reserves	3,113,947	2,106,017

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 2021, the value of the External reserves was 83% (2020: 78%) of total Demand liabilities. The allowance for impairment losses is provided on the short term commercial paper, current accounts and marketable securities in accordance with the requirements of IFRS 9 and takes into account the impact of COVID-19.

6. Domestic Securities

Domestic securities principally comprise investment in the Fiji Government bonds and/ or semi-governmental bonds.

During the year, \$1.10m (2020: \$0.95m) was amortised in respect of securities held in the Domestic Bond Portfolio.

	31 July 2021 \$000	31 July 2020 \$000
<i>Movement of Hold-to-collect financial assets</i>		
Opening balance	367,243	166,604
Acquisitions	950	304,44
Redemptions	(302)	(102,863)
Amortisation	(1,101)	(947)
	366,790	367,243
Less: Allowance for impairment losses	(565)	(621)
Closing balance	366,225	366,622

An allowance for impairment losses has been provided on the Bank's domestic securities in accordance with the requirements of IFRS 9 and takes into account the impact of COVID-19.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

7. Financing facilities	31 July 2021 \$000	31 July 2020 \$000
Import Substitution and Export Finance Facility	168,660	133,617
Natural Disaster Rehabilitation Facility	109,562	92,873
Housing Facility	58,561	58,548
	<u>336,783</u>	<u>285,038</u>
Less: Allowance for impairment losses	(353)	(363)
	<u>336,430</u>	<u>284,675</u>

The RBF has three financing facilities that have been approved by the Board with a total approved limit of \$550 million as at 31 July 2021 (\$500 million: 2020) provided as back-to-back financing to various financial institutions at concessional rates of interest and varying maturities of up to 5 years. The aim 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. The allowance for impairment losses is provided on the Bank's financing facilities in accordance with the requirements of IFRS 9 and takes into account the impact of COVID-19.

8. Currency inventory	31 July 2021 \$000	31 July 2020 \$000
<i>Movement of currency inventory</i>		
Opening balance	20,028	23,382
Consignments received	857	923
Currency issued	(3,979)	(4,277)
Closing balance	<u>16,906</u>	<u>20,028</u>

9. Other assets	31 July 2021 \$000	31 July 2020 \$000
Accrued interest	7,963	7,552
Prepayments and other receivables	888	1,012
Staff loans and advances	890	1,004
	<u>9,741</u>	<u>9,568</u>
Less: Allowance for impairment losses	(25)	(30)
	<u>9,716</u>	<u>9,538</u>

The allowance for impairment losses is provided on accrued interest and staff loan and advances in accordance with the requirements of IFRS 9 and takes into account the impact of COVID-19.

10. Intangible assets	31 July 2021 \$000	31 July 2020 \$000
<i>Cost</i>		
Opening balance	4,600	4,594
Acquisitions	65	6
Closing balance	<u>4,665</u>	<u>4,600</u>
<i>Accumulated amortisation</i>		
Opening balance	4,048	3,884
Amortisation charge for the period	160	164
Disposal	-	-
Closing balance	<u>4,208</u>	<u>4,048</u>
<i>Carrying amount</i>		
Opening balance	552	710
Closing balance	<u>457</u>	<u>552</u>

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

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 2019	34,318	1,365	532	3,389	2,123	120	41,847
Additions	-	-	-	-	-	855	855
Transfer from work in progress	4	20	-	311	127	(462)	-
Disposals	-	-	-	(76)	-	-	(76)
Balance at 31 July 2020	34,322	1,385	532	3,624	2,250	513	42,626
Balance at 1 August 2020	34,322	1,385	532	3,624	2,250	513	42,626
Additions	-	-	-	-	-	1,862	1,862
Transfers from work in progress	58	21	-	339	11	(429)	-
Disposals	(1)	(8)	-	(143)	(1)	-	(153)
Balance at 31 July 2021	34,379	1,398	532	3,820	2,260	1,946	44,335
Accumulated depreciation							
Balance at 1 August 2019	71	1,032	327	2,739	1,752	-	5,921
Depreciation for the period	1,655	94	60	318	58	-	2,185
Depreciation on disposals	-	-	-	(76)	-	-	(76)
Balance at 31 July 2020	1,726	1,126	387	2,981	1,810	-	8,030
Balance at 1 August 2020	1,726	1,126	387	2,981	1,810	-	8,030
Depreciation for the period	1,660	88	38	307	69	-	2,162
Depreciation on disposals	-	(8)	-	(143)	-	-	(151)
Balance at 31 July 2021	3,386	1,206	425	3,145	1,879	-	10,041
Carrying amount							
Balance at 1 August 2019	34,247	333	205	650	371	120	35,926
Balance at 31 July 2020	32,596	259	145	643	440	513	34,596
Balance at 31 July 2021	30,993	192	107	675	381	1,946	34,294

A valuation of the Bank's freehold land and buildings was undertaken in 2019 by independent registered valuers Rolle Associates. Based on the independent valuations, a revaluation increment of \$4.9m was recognised in the financial statements as at 31 July 2019. These level 3 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 to other properties.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

12. Demand deposits	31 July 2021 \$000	31 July 2020 \$000
Foreign		
International Monetary Fund	271	123
Local		
Banks' exchange settlement balances	1,548,351	765,240
Fiji Government	134,165	1,231
State NBF Trust account	1,380	1,380
International Monetary Fund	752	818
Other depositors	28,802	10,550
	<u>1,713,450</u>	<u>779,219</u>

State NBF Trust Account

In accordance with an agreement dated 12 September 1996 between the Fiji Government, the Reserve Bank of Fiji and NBF AMB, where 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 Fiji 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 Fiji Government	31 July 2021 \$000	31 July 2020 \$000
Net profit for the year	31,691	30,123
Transfer to General reserve	(1,000)	(1,000)
One-fifth balance of 'Revaluation reserve account - foreign currency'	2,231	2,689
	<u>32,922</u>	<u>31,812</u>

The amount payable to the Fiji Government is made in accordance with Section 8(3) of the Reserve Bank of Fiji Act, 1983. The balance payable at 31 July 2020 was paid in full to the Fiji Government during the year.

14. Currency in circulation	31 July 2021 \$000	31 July 2020 \$000
Notes	864,392	803,997
Coins	68,347	66,657
	<u>932,739</u>	<u>870,654</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.

15. Employee Entitlements*Wages and Salaries, Annual and Long Service Leave*

Liabilities for wages and salaries are recognised in Other Liabilities in respect of employee's services and are measured at the amounts expected to be paid when liabilities are settled.

Long Service Leave and Retirement Benefit

Long Service leave benefits apply to all staff while retirement benefits apply to only permanent non-contract staff members. These benefits are recognised in Other Liabilities in respect of employees' services and are measured at the present value of future payments expected to be made in respect of services provided by employees' up to the reporting date. This is calculated by using a discounted cash flow model. Expected future payments are discounted to their net present value using market yields at the reporting date on government bonds with terms that match as closes as possible to the estimated timing of future cash flows.

Changes in the value of the liability for long service leave and retirement benefits are included with the Statement of Comprehensive Income in staff costs within Administration Expense. Movements in employee entitlements is analysed below:

	31 July 2021 \$000	31 July 2020 \$000
Opening balance	2,024	1,776
Net movement during the period	1,748	248
Closing balances	3,772	2,024

16. Other liabilities

	31 July 2021 \$000	31 July 2020 \$000
MSME Credit Guarantee Scheme	5,696	5,743
Numismatic	5,686	92
Accruals	799	1,163
Others	1,651	1,606
	13,832	8,604

The micro small and medium enterprises (MSME) credit guarantee scheme is a Government guarantee to pay up to 60% of the principal outstanding on defaulted MSME loans to a limit of \$60,000 per business. Government will also guarantee 75% of the principal outstanding on defaulted loans up to a limit of \$75,000 per business on all MSME loans to women entrepreneurs as well as to those involved in the agriculture, forestry and fisheries sector. MSME was established in 2012 is administered by the Bank with the total allocation of \$9.0m to cover lending to all sectors except for loans to sugar cane farmers and government-subsidised businesses.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

17. Cash and cash equivalents	31 July 2021 \$000	31 July 2020 \$000
Cash and cash equivalents included in the statement of cash flows comprise of the following:		
Cash on hand - local currency	919	182
Cash at Bank - local currency	2,106	2,024
Cash - foreign currency	208,743	182,053
	211,768	184,259

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

18. Share capital	31 July 2021 \$000	31 July 2020 \$000
Authorised capital	5,000	5,000
Issued and paid-up capital	2,000	2,000

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 Fiji 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.

19. 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 Fiji 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 (2020: \$1.0m) into the General reserve from the profits that is payable to the Fiji Government. For detailed movement refer to Statement of changes in equity.

Fair Value 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 year \$0.92m (2020: \$0.92m) has been amortised to other revenue. For detailed movement refer to Statement of changes in equity.

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 2021, the valuation movements of the Bank's gold holdings were captured in the Asset revaluation reserve.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

19. Reserves - continued

Asset revaluation reserve - continued

The Asset revaluation reserve comprises the following:

	31 July 2021 \$000	31 July 2020 \$000
Asset revaluation reserve		
<i>Property</i>		
Opening balance	23,686	23,686
Revaluation	-	-
Closing balance	23,686	23,686
<i>Gold</i>		
Opening balance	1,765	1,136
Revaluation	(152)	629
Closing balance	1,613	1,765
Total Asset revaluation reserve		
Opening balance	25,451	24,822
Net movement	(152)	629
Closing balance	25,299	25,451

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 Fiji Government. The Bank's distribution to the Fiji 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 2021

20. International Monetary Fund

The Bank was designated to serve with effect from 17 December 1976 as the Fiji 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 2021, the Republic of Fiji's membership subscription to the International Monetary Fund was \$293.0m (2020: \$295.0m). The asset subscription comprises the following:

	31 July 2021 \$000	31 July 2020 \$000
Reserve Tranche Position	73,262	73,161
Currency subscription	219,759	221,803
	<u>293,021</u>	<u>294,964</u>

The Currency subscription portion (asset) is held mainly in the form of a non-interest bearing notes payable on demand, which is subject to an expected credit losses provision of \$0.01m (2020: \$0.01m).

The Bank also records a Currency subscription liability which has a balance of \$219.0m (2020: \$221.0m).

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. The SDR comprises the following:

	31 July 2021 \$000	31 July 2020 \$000
Foreign Currency Asset	131,889	131,960
Foreign Currency Liability	199,797	201,122

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 (2020: \$0.6m).

21. Financial risk management policies

a) Introduction and overview

The 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 at least USD \$50 million 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 2021, the value of External reserves was 83% (2020: 78%) of the total Demand liabilities.

21. Financial risk management policies - continued**b) Liquidity risk - continued****Maturity analysis as at 31 July 2021**

The maturity analysis noted below includes all financial and non-financial assets and liabilities as at 31 July 2021.

	Contractual cash flows						
	Balance sheet total	Total	0-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Specific Maturity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Foreign currency assets							
Short-term commercial paper and Current accounts	522,276	522,313	208,743	313,570	-	-	-
Marketable securities ²⁰	2,398,132	2,396,703	376,278	1,115,113	905,312	-	-
Gold	3,176	3,176	3,176	-	-	-	-
IMF - Reserve tranche position	73,262	73,262	73,262	-	-	-	-
- Special drawing rights	131,889	131,889	131,889	-	-	-	-
- PRGF - HIPC Trust	578	578	-	-	578	-	-
- Currency subscription	219,759	219,759	219,759	-	-	-	-
	3,349,072	3,347,680	1,013,107	1,428,683	905,890	-	-
Local currency assets							
Cash on hand	3,025	3,025	3,025	-	-	-	-
Domestic securities	366,225	703,081	8,924	67,294	7,046	619,817	-
Financing facilities	336,430	344,074	9,592	334,482	-	-	-
Currency inventory	16,906	16,906	16,906	-	-	-	-
Other assets	9,716	9,716	5,959	2,867	-	890	-
Intangibles	457	457	-	-	-	-	457
Property, plant and equipment	34,294	34,294	-	-	-	-	34,294
	767,053	1,111,553	44,406	404,643	7,046	620,707	34,751
Total assets	4,116,125	4,459,233	1,057,513	1,833,326	912,936	620,707	34,751
Foreign currency liabilities							
Demand deposits	271	271	271	-	-	-	-
IMF - PRGF - HIPC Trust	578	578	-	-	578	-	-
IMF - Special drawing rights Allocation	199,797	199,797	-	-	-	-	199,797
	200,646	200,646	271	-	578	-	199,797
Local currency liabilities							
Demand deposits	1,713,450	1,713,450	1,713,450	-	-	-	-
Payable to the Fiji Government	32,922	32,922	32,922	-	-	-	-
Currency in circulation	932,739	932,739	-	-	-	-	932,739
Statutory reserve deposit	914,696	914,696	-	-	-	-	914,696
IMF - Notes currency subscription	219,007	219,007	-	-	-	-	219,007
Other liabilities	17,604	17,604	11,908	-	5,696	-	-
	3,830,418	3,830,418	1,758,280	-	5,696	-	2,066,442
Total liabilities	4,031,064	4,031,064	1,758,551	-	6,274	-	2,266,239
Net assets	85,061	428,169	(701,038)	1,833,326	906,662	620,707	(2,231,488)

²⁰ Includes accrued interest

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21. Financial risk management policies - continued

b) Liquidity risk - continued

Maturity analysis as at 31 July 2020

The maturity analysis noted below includes all financial and non-financial assets and liabilities as at 31 July 2020.

	Contractual cash flows						
	Balance sheet total	Total	0-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Specific Maturity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Foreign currency assets							
Short-term commercial paper and Current accounts	272,588	272,588	182,050	90,538	-	-	-
Marketable securities ²¹	1,638,517	1,633,153	255,559	550,136	827,458	-	-
Gold	3,456	3,456	3,456	-	-	-	-
IMF - Reserve tranche position	73,161	73,161	73,161	-	-	-	-
- Special drawing rights	131,960	131,960	131,960	-	-	-	-
- PRGF - HIPC Trust	582	582	-	-	582	-	-
- Currency subscription	221,803	221,803	221,803	-	-	-	-
	2,342,067	2,336,703	867,989	640,674	828,040	-	-
Local currency assets							
Cash on hand	2,206	2,206	2,206	-	-	-	-
Domestic securities	366,622	729,032	-	313	48,888	679,831	-
Financing facilities	284,675	295,992	363	4,824	290,805	-	-
Currency inventory	20,028	20,028	20,028	-	-	-	-
Other assets	9,538	9,538	5,820	2,714	-	1,004	-
Intangibles	552	552	-	-	-	-	552
Property, plant and equipment	34,596	34,596	-	-	-	-	34,596
	718,217	1,091,944	28,417	7,851	339,693	680,835	35,148
Total assets	3,060,284	3,428,647	896,406	648,525	1,167,733	680,835	35,148
Foreign currency liabilities							
Demand deposits	123	123	123	-	-	-	-
IMF - PRGF - HIPC Trust	582	582	-	-	582	-	-
IMF - Special drawing rights Allocation	201,122	201,122	-	-	-	-	201,122
	201,827	201,827	123	-	582	-	201,122
Local currency liabilities							
Demand deposits	779,219	779,219	779,219	-	-	-	-
Payable to the Fiji Government	31,812	31,812	31,812	-	-	-	-
Currency in circulation	870,654	870,654	-	-	-	-	870,654
Statutory reserve deposit	843,799	843,799	-	-	-	-	843,799
IMF - Notes currency subscription	220,985	220,985	-	-	-	-	220,985
Other liabilities	10,628	10,628	4,885	5,743	-	-	-
	2,757,097	2,757,097	815,916	5,743	-	-	1,935,438
Total liabilities	2,958,924	2,958,924	816,039	5,743	582	-	2,136,560
Net assets	101,360	469,723	80,367	642,782	1,167,151	680,835	(2,101,412)

²¹ Includes accrued interest

21. 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 PI/A3 for short-term debt and PI/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 expected credit losses allowances, are closely monitored and are updated as new market information such as external credit ratings become available. When external credit ratings are not published or available, the Bank monitors changes in credit risk by available press and regulatory information. Foreign exchange limits per bank are imposed for all currency dealings.

The Bank's maximum credit risk, excluding the value of collateral is generally reflected in the carrying value of financial assets. The Bank does not require collateral in respect of financial assets except in respect of loan to staff. The total exposure of credit risk in the Bank's portfolio is as follows:

	31 July 2021 \$000	31 July 2020 \$000
Foreign currency assets		
Short-term commercial paper and Current accounts	522,313	272,600
Marketable securities	2,383,436	1,624,998
International Monetary Fund	425,488	427,506
Gold	3,176	3,456
Accrued Interest	14,790	13,668
	3,349,203	2,342,228
Less: Allowance for impairment losses	(131)	(161)
	3,349,072	2,342,067
Local currency assets		
Domestic securities	366,790	367,243
Financing facilities	336,783	285,038
Other assets	8,852	8,556
	712,425	660,837
Less: Allowance for impairment losses	(943)	(1,014)
	711,482	659,823
	4,060,554	3,001,890

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

	31 July 2021		31 July 2020	
Concentration by currency	\$000	%	\$000	%
USD	1,155,345	28	709,747	24
YEN	95,495	2	84,140	3
GBP	123	-	112	-
EURO	89,795	2	79,320	3
AUD	898,746	22	612,869	20
NZD	684,186	17	428,499	14
SDR	425,513	11	427,541	14
FJD	712,425	18	660,837	22
	4,061,628		3,003,065	
Less: Allowance for impairment losses	(1,074)	-	(1,175)	-
Total financial assets	4,060,554	100	3,001,890	100

21. Financial risk management policies - continued**c) Credit risk - continued**

Concentration by sector	31 July 2021		31 July 2020	
	\$000	%	\$000	%
Foreign currency assets				
Central banks	164,406	5	153,915	7
Commercial banks	1,040,125	31	384,659	16
Government	897,747	27	814,925	35
Semi Government	89,095	3	26,676	1
Supranational	714,321	21	520,855	22
International Monetary Fund	425,488	12	427,506	18
Others	18,021	1	13,692	1
Less: Allowance for impairment losses	(131)	-	(161)	-
	3,349,072	100	2,342,067	100
Local currency assets				
Government and statutory bodies	603,421	84	588,933	88
Commercial banks	108,114	15	70,900	11
Others	890	1	1,004	1
Less: Allowance for impairment losses	(943)	-	(1,014)	-
	711,482	100	659,823	100
Total financial assets	4,060,554		3,001,890	

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 2021		31 July 2020	
	\$000	%	\$000	%
<i>Foreign currency financial asset by major credit category:</i>				
Aaa	1,366,771	41	1,145,514	49
Aa1	103,652	3	49,404	2
Aa2	146,700	4	93,545	4
Aa3	511,844	15	76,674	3
A1	624,546	19	286,154	12
A2	42,212	1	39,366	2
A3	-	-	-	-
International Monetary Fund	425,488	13	427,506	19
Central Banks	110,024	3	100,944	4
Others and Not rated	17,966	1	123,121	5
Less: Allowance for impairment losses	(131)	-	(161)	-
	3,349,072	100	2,342,067	100
<i>Local currency financial asset by major credit category:</i>				
Others and Not rated	712,425	100	660,837	100
Less: Allowance for impairment losses	(943)	-	(1,014)	-
	711,482	100	659,823	100
Total financial assets	4,060,554	100	3,001,890	100

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

21. 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 Fiji Government, the local commercial banks, the Fiji Sugar Corporation Limited, the Fiji Development Bank 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 portfolio 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.

Sensitivity to interest rate risk

The company has invested in \$2,905.8m reserves with fixed interest rate. Given the fixed nature of these investments, the Bank uses modified duration target to manage the interest rate risk.

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 2021

	USD \$000	YEN 000	GBP 000	EURO 000	AUD \$000	NZD \$000	SDR 000
Foreign currency assets							
Short-term commercial paper and Current account	26,033	5,014,451	42	5,232	75,192	166,678	-
Marketable securities	524,506	-	-	30,826	503,384	299,599	-
Gold	1,524	-	-	-	-	-	-
Accrued interest	2,259	-	-	173	4,351	1,980	-
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	24,602
- Special drawing rights	-	-	-	-	-	-	44,290
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	73,798
Total foreign currency assets	554,322	5,014,451	42	36,231	582,927	468,257	142,884
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(91)
IMF - PRGF - HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights allocation	-	-	-	-	-	-	(67,094)
Total foreign currency liabilities	-	-	-	-	-	-	(67,379)
Carrying amount	554,452	5,014,451	42	36,231	582,927	468,257	75,505

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

21. Financial risk management policies - continued

d) Market risks - continued

Notional carrying amounts as at 31 July 2020

	USD \$000	YEN 000	GBP 000	EURO 000	AUD \$000	NZD \$000	SDR 000
Foreign currency assets							
Short-term commercial paper and Current account	33,577	4,153,974	40	77	16,600	64,532	-
Marketable securities	296,881	-	-	31,318	381,915	235,380	-
Gold	1,629	-	-	-	-	-	-
Accrued interest	2,480	-	-	174	3,405	1,923	(1)
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	24,406
- Special drawing rights	-	-	-	-	-	-	44,022
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	73,994
Total foreign currency assets	334,567	4,153,974	40	31,569	401,920	301,835	142,615
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(41)
IMF - PRGF - HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights allocation	-	-	-	-	-	-	(67,094)
Total foreign currency liabilities	-	-	-	-	-	-	(67,329)
Carrying amount	334,567	4,153,974	40	31,569	401,920	301,835	75,286

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 2021	31 July 2020
USD	0.4798	0.4714
YEN	52.51	49.37
GBP	0.3436	0.3600
EURO	0.4035	0.3980
AUD	0.6486	0.6558
NZD	0.6844	0.7044
SDR	0.3358	0.3336

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

21. 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 2021	31 July 2020	31 July 2021	31 July 2020
	\$000	\$000	\$000	\$000
USD	(105,054)	(64,521)	128,399	78,859
YEN	(8,681)	(7,649)	10,611	9,349
GBP	(11)	(10)	14	12
EURO	(8,160)	(7,211)	9,973	8,813
AUD	(81,748)	(55,715)	99,914	68,097
NZD	(62,257)	(38,954)	76,091	47,611
SDR	(38,682)	(38,864)	47,278	47,500
FJD impact	(304,593)	(212,924)	372,280	260,241

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.

22. 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, and 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 except bonds. Bonds are however subsequently measured at fair value.

Domestic securities

The fair value of the Bank's Domestic securities is \$438.29m (2020: \$391.97m), based on quoted market prices.

Statutory reserve deposits

The carrying value of Statutory reserve deposits are considered to approximate their fair value.

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 reported at its fair value in the financial statements.

Other financial assets and liabilities

The reported values of other financial assets and liabilities is at fair value. Net gains/losses, including any interest, are recognised in statement of comprehensive income.

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.

22. 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 2021				
<i>Foreign currency assets</i>				
FVOCI financial assets at quoted market price	1,967,660	-	-	1,967,660
Gold	3,176	-	-	3,176
	1,970,836	-	-	1,970,836
Less: Allowance for impairment losses	(54)	-	-	(54)
	1,970,782	-	-	1,970,782

31 July 2020*Foreign currency assets*

FVOCI financial assets at quoted market price	1,440,249	-	-	1,440,249
Fiji Government bonds ²²	-	105,995	-	105,995
Gold	3,456	-	-	3,456
	1,443,705	105,995	-	1,549,700
Less: Allowance for impairment losses	(136)	(3)	-	(139)
	1,443,569	105,992	-	1,549,561

During the period ended 31 July 2021, 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 FVOCI 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

	31 July 2021 \$000	31 July 2020 \$000
Period end		
USD	68,057	55,804
EURO	7,640	7,869
AUD	77,611	58,236
NZD	43,775	33,061
FJD impact	197,083	154,970

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

23. Related parties

Identity of related parties

The Bank has related party relationships with the Board of Directors, the Executive Management and the Fiji 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 up to 15 March 2021)
Shiri Krishna Gounder (Ex-officio member from 16 March 2021)
Pradeep Patel
Tevita Kuruvakadua
Tony Whitton
Nikita Patel (appointed on 14 February 2021)
Bobby Naimawi (appointed on 14 February 2021)

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
Caroline Waqabaca	Chief Manager Financial Markets
Vilimaina Dakai	Chief Manager Financial Institutions
Susan Kumar	Chief Manager Currency and Corporate Services
Petaia Tuimanu	Chief Manager Economics
Poasa Werekoro	Chief Manager Financial System Development
Lanieta Rauqueuge	Acting Chief Manager Risk Management and Communications from 1 April 2020 to 31 March 2021
Ragni Singh	Acting Chief Manager Risk Management and Communications from 1 April 2021
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, and certain benefits, including medical and insurance benefits.

The transactions with Fiji Government include banking services, foreign exchange transactions, registry transactions and purchase of Government securities. An analysis of transaction with Fiji Government is shown below.

	31 July 2021 \$000	31 July 2020 \$000
Interest income earned from Government securities	34,860	20,000
Interest income receivable from Government securities	7,710	9,830
Payable to Fiji Government	32,920	31,810
Bank's investment in Government securities	366,230	472,620
	<u>441,720</u>	<u>534,260</u>

The Bank also provides an overnight standby facility to the Fiji Government. At the end of the period, the approved facility of \$20m (2020: \$20m) was not utilised.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2021

23. 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 2021 \$000	31 July 2020 \$000
Board remuneration expenses	32	29
Key management personnel:		
- Short-term employee benefits	2,084	2,173
- Long-term employee benefits	16	55
	<u>2,132</u>	<u>2,257</u>

24. Commitments

Commitments not otherwise provided for in the financial statements and which existed at 31 July 2021 comprise:

	31 July 2021 \$000	31 July 2020 \$000
Foreign exchange transactions:		
- Sales	11,457	15,971
- Purchases	17,145	7,646
Capital commitments		
- Other assets	7,235	351
Commitments to the Fiji Government		
- Overnight Standby Facility	20,000	20,000

25. Lease receivable

The Bank leases out certain floors of the Reserve Bank building. The operating lease rentals receivable are as follows:

	31 July 2021 \$000	31 July 2020 \$000
Receivable not later than one year	286	519
Receivable later than one year but not later than five years	293	526
	<u>579</u>	<u>1,045</u>

26. Events subsequent to balance date

The Bank did not identify any subsequent events precipitated by COVID-19 related developments, which would require adjustment to the amounts or disclosures in the financial statements. Given the fluid nature of the current situation, the Bank will continue to regularly review forward looking assumptions and forecast economic scenarios.

Apart from the above, 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.

FIVE-YEAR HISTORICAL INFORMATION

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21
	\$000	\$000	\$000	\$000	\$000
Five Year Financial Position					
Assets					
Foreign Currency	2,541,258	2,400,136	2,326,074	2,342,067	3,349,072
Local Currency	249,723	270,902	390,966	718,217	767,053
Total Assets	2,790,981	2,671,038	2,717,040	3,060,284	4,116,125
Liabilities & Equity					
Foreign Currency	190,719	198,696	200,502	201,827	200,646
Local Currency	2,518,599	2,394,493	2,425,229	2,757,097	3,830,418
Net Assets/Equity	81,663	77,849	91,309	101,360	85,061
Total Liabilities & Equity	2,790,982	2,671,038	2,717,040	3,060,284	4,116,125
Five Year Financial Performance					
Income					
Interest Income	49,522	54,523	56,764	55,030	50,782
Other Income	6,561	5,260	4,435	4,809	9,100
Total Income	56,083	59,783	61,199	59,839	59,882
Expenses					
Interest Expense	610	1,584	2,150	1,060	153
Administration Expenses	20,398	19,430	22,286	20,401	20,583
Amortisation of Securities	1,349	1,331	1,154	947	1,101
Other Expense	5,442	5,937	6,715	6,152	6,354
Total Expenses	27,799	28,282	32,305	29,716	28,191
Net Profit for the year	28,284	31,501	28,894	30,123	31,691
Five-year Profit and One-fifth balance of Revaluation Reserve Paid to the Fijian Government (\$M)					
Net Profit after transfer to general reserves	27.3	30.5	27.9	29.1	30.7
One-fifth balance of revaluation reserve account	2.1	2.0	1.5	2.7	2.2
Total Payment to Fijian Government	29.4	32.5	29.4	31.8	32.9

Notes:

Details of the financial year periods in the above 5-year historical information are outlined below:

- 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
- 2019-20: 1 Aug 2019 to 31 July 2020
- 2020-21: 1 Aug 2020 to 31 July 2021

FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

	2016	2017	2018	2019	2020	2021
I. GDP¹						
GDP at Market Price (\$ Million)	10,327.3r	11,065.0r	11,650.6r	11,874.1p	9,833.1e	9,512.8f
GDP per Capita at Market Price (\$)	11,852.3r	12,504.4r	13,087.6r	13,259.2p	10,914.6e	10,496.1f
Constant Price GDP Growth Rate (%)	2.4r	5.4r	3.8r	-0.4p	-15.7e	-4.1f
II. LABOUR MARKET²						
Labour Force	346,214e	356,789e	n.a	n.a	n.a	n.a
Wage and Salary Earners (mid-year)	199,515e	174,833e	176,781	n.a	n.a	n.a
III. INFLATION (year-on-year % change)³						
All Items	3.9	2.8	4.8	-0.9	-2.8	-0.4
IV. EXTERNAL TRADE⁴						
Current Account Balance (\$ Million)	-368.0	-734.2p	-967.1p	-1,479.7p	-1,225.9p	-1,529.8f
Capital Account Balance (\$ Million)	9.0	9.1p	10.4p	6.9p	7.7p	7.8f
Financial Account Balance (\$ Million) ⁵	-634.8	-703.0p	-1,666.3p	-1,199.8p	-790.6p	-873.5f
Current Account Balance (% of GDP)	-3.6	-6.6p	-8.3p	-12.5p	-12.9p	-16.1f
V. FOREIGN EXCHANGE RESERVES (\$ Million)⁶						
Foreign Reserves	1,921.2	2,272.3	2,012.0	2,219.8	2,192.5	3,113.7
VI. MONEY AND CREDIT (year-on-year % change)⁸						
Narrow Money	4.0	13.9	1.1	-0.1	10.5	19.9
Currency in Circulation	9.5	7.1	1.1	2.9	4.9	7.9
Quasi-Money	4.6	8.5	3.1	2.5	0.9	10.5
Domestic Credit ⁶	7.6	5.9	9.7	4.9	2.3	-1.6
VII. INTEREST RATES (% p.a.)⁸						
RBF OPR ⁷	0.50	0.50	0.50	0.50	0.25	0.25
Lending Rate	5.80	5.65	5.69	6.30	6.12	5.92
Savings Deposit Rate	0.97	1.34	1.32	1.10	0.54	0.56
Time Deposit Rate	2.95	3.21	3.61	4.10	3.16	2.55
Repurchase Rate	1.00	1.00	1.00	1.00	0.50	0.50
VIII. EXCHANGE RATES (mid rates, F\$1 equals: end of period)⁸						
US dollar	0.4695	0.4874	0.4669	0.4663	0.4904	0.4798
Real Effective Exchange Rate (January 1999 = 100)	102.31	102.02	106.23	102.43	99.33	98.22
IX. Government Finance (\$ Million)⁹	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22b
Total Revenue and Grants	2,837.4	3,244.4	3,181.1	2,716.7	2,111.2	2,085.1
Total Expenditure (excluding loan repayments)	3,060.3	3,742.2	3,600.3	3,353.7	3,216.7	3,690.5

Sources: Commercial Banks, Fiji Bureau of Statistics, Ministry of Economy, Macroeconomic Committee and Reserve Bank of Fiji

Notes:

¹ GDP Figures from 2016 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 2021 – 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 2021 is July end.

⁹ Source from the National Budget Supplement.

Key:

e - estimate

p - provisional

b - budgeted

r - revised

p.a. - per annum

n.a - not available

ABBREVIATIONS

ACH	Automated Clearing House	KPMG	**
ADB	Asian Development Bank	KYC	Know Your Customer
AFI	Alliance for Financial Inclusion	LFIs	Licensed Financial Institutions
AICD	Australian Institute of Company Directors	LMCC	Labour Management Consultation and Committee
AML	Anti-Money Laundering	MC	Macroeconomic Committee
ATM	Automated Teller Machines	MCTTT	Ministry of Commerce, Trade, Tourism and Transport
ATS	Automated Transfer System	MIS	Managed Investment Schemes
AUD	Australian dollar	MNOs	Mobile Money Operators
BARC	Board Audit and Risk Committee	M-PAiSA	***
BCP	Business Continuity Plan	MSME	Micro, Small and Medium Enterprises
BGC	Board Governance Committee	MSMECGS	Micro, Small and Medium Enterprises Credit Guarantee Scheme
BRS	Business Resumption Site	NEC	National Employment Centre
CMADT	Capital Markets Advisory and Development Taskforce	NEER	Nominal Effective Exchange Rate
COI	Conflicts of interest	NFA	Net Foreign Assets
CSD	Central Securities Depository	NFISP	Financial Inclusion Strategic Plan
DRCF	Disaster Rehabilitation and Containment Facility	NFIT	National Financial Inclusion Taskforce
DSS	Demand Side Survey	NPS	National Payment System
EDRMS	Electronic Document Records Management System	NZ	New Zealand
EFL	Energy Fiji Limited	NZD	New Zealand dollar
EFTPOS	Electronic Funds Transfer at Point of Sale	OF	Order of Fiji
EUR	Euro	OHS	Occupational Health and Safety
FBoS	Fiji Bureau of Statistics	OMO	Open Market Operations
FDB	Fiji Development Bank	OPR	Overnight Policy Rate
FHL	Fijian Holdings Limited	P2P	Person-to-Person
FHRI	Fiji Human Resources Institute	PFIP	Pacific Financial Inclusion Programme
FIA	Fiji Institute of Accountants	PFTAC	Pacific Financial Technical Assistance Centre
FIB	Fiji Institute of Bankers	PPSR	Personal Property Securities Registry
FIJICLEAR *		PSE	Permanent Secretary for Economy
FinTech	Financial Technology	QMT	Quality Management Teams
FJD	Fijian dollar	RBF	Reserve Bank of Fiji
FNPF	Fiji National Provident Fund	REER	Real Effective Exchange Rate
FNU	Fiji National University	ROA	Return on Assets
FRCS	Fiji Revenue & Customs Service	RRA	Revaluation Reserve Account
FSC	Fiji Sugar Corporation	RTGS	Real Time Gross Settlement System
FSP	Financial Service Provider	SME	Small to Medium Enterprises
FSR	Financial Stability Report	SPX	South Pacific Stock Exchange
FTR	Financial Transactions Reporting	SRD	Statutory Reserve Deposits
FY	Financial Year	SWIFT	Society for Worldwide Interbank Financial Telecommunication
GDP	Gross Domestic Product	TC	Tropical Cyclone
GRCL	General Reserves for Credit Losses	TNA	Training Needs Analysis
HA	Housing Authority	UNCDF	United Nations Capital Development Fund
HR	Human Resources	US	United States
HRIS	Human Resource Information System	USD	US Dollar
ICT	Information and Communications Technology	USP	University of the South Pacific
IFC	International Finance Corporation	VAT	Value Added Tax
IFT	Instant Funds Transfer	WCB	Wholesale Corporate Bond
IIA	Institute of Internal Auditors	WEO	World Economic Outlook
IMF	International Monetary Fund	WFH	Work from home
ISEFF	Import Substitution and Export Finance Facility	WGs	Working Groups
ISPS	Insurance Supervision Policy Statement		
IT	Information Technology		
JPY	Japanese Yen		
KFL	Kontiki Finance Limited		

* FIJICLEAR is Fiji's real time gross settlement system. Licence Commercial Banks are participants of the system. This system was established in 2007 and activity has risen at more than a thousand percent since its inception. Commercial Banks utilize FIJICLEAR primarily for interbank transfers. Its is Fiji's designated payment system and is recognized as systemically important payment system.

** A multinational professional services network of professional firms providing Audit, Advisory and Tax services. With local expertise in each country, KPMG is one of the most experienced providers of professional services to the public and development sectors in countries and regions where economies and finances are emerging.

*** A mobile phone wallet and money transfer service operated by Vodafone Fiji Limited. Digicel's MyCash also provides similar services.



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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