



## GUIDELINE 2

# TRANSPARENCY AND DISCLOSURE

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February 2024

### **Disclaimer**

This Guideline does not constitute legal advice. FSPs are encouraged to seek professional advice on how the requirements could be implemented within each institutions. FSPs are responsible for determining the extent of each obligations. Any examples in this Guideline are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

# GUIDELINE ON DISCLOSURE AND TRANSPARENCY

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## A. Introduction

1. Pursuant to Section 5.2 of the *Financial Sector Development Policy Statement No. 3 on the Policy for the Protection and Fair Treatment of Financial Consumers* ('Policy'), the following Guideline is issued to ensure that balanced rules are in place regarding transparency and disclosure of information provided by FSPs.
2. This Guideline is intended to provide the minimum standards only to assist FSPs to comply with Principle 2 of the Policy on *Transparency and Disclosure*.
3. The Guideline apply to all FSPs defined in the Policy.
4. The terms and expressions used in the Guideline have the same meaning as those expressed in the Policy, unless stated otherwise.
5. This Guideline will be reviewed every 3 years from the implementation period, or whenever necessary.

## B. Requirements of the Guideline

### *Financial products and services*

1. Every FSP shall:
  - a) Provide complete and accurate information in advertisements and marketing of financial products and services. *For example, banks should advertise effective interest rate and not nominal interest rate when publicly advertising products.*
  - b) Provide information that is in a simple, plain and comprehensible language including in the vernacular. Where products are marketed publicly to consumers, the information must not be misleading.
  - c) Provide the consumer with documents including agreements, forms, receipts and statements relating to the financial product or service in written form and/or e-format.
  - d) Provide clear information on the features of the financial products and services before the consumer signs up for any agreement related to the financial product or service.
2. Any written communication shall:
  - a) Be in a font size, spacing and placement that makes information legible for the consumer to read; and
  - b) Contain and highlight key features of the given financial product or service.

### *Disclosure of terms and conditions*

3. In addition to the requirements under the BSPS 8A, every FSP shall provide agreements to the consumer with key terms and conditions which include:
  - a) Rights and responsibilities of the customer consisting of conditions that may lead to termination of the agreement;
  - b) Rights and responsibilities of the FSP;
  - c) All interest rates, costs, fees and charges;
  - d) Notification to the customer on the changes on the agreement;
  - e) The penalties and other remedies in the event of a breach;
  - f) The contact information for the provider's customer service; and
  - g) The contact information for dispute resolution for both internal and third parties.

#### ***Account functionality***

4. In addition to the requirements under the BSPS 8A and BPS 8B, every FSP shall disclose to the consumer all information relating to:
  - a) Charges or fees for account opening and minimum balances;
  - b) Account maintenance fees;
  - c) Applicable interest yield;
  - d) Account balance;
  - e) Responsibility of the customer to keep personal information confidential including: Personal Identification Number and passwords linked to the account;
  - f) Type and amount of transactions allowed free of charge;
  - g) Limitation on the account functionality such as a number of withdrawals;
  - h) Procedures and costs for the customer to close the account; and
  - i) Liability of parties in the event of unauthorized transactions on their accounts;

#### ***Fees and charges***

5. In addition to the requirements under the BPS 8A and BPS 8B, every FSP shall:
  - a) Not impose incorrect fees and charges on any financial product or service offered;
  - b) Not impose fees and charges on any new financial service or product unless such fees and charges intended to be imposed has been approved by the RBF.

#### ***Credit facilities and instruments***

6. In addition to the requirements under the BPS 8B, every FSP offering a credit facility<sup>1</sup> shall provide the following information to its customers:
  - a) Fees and other costs for the credit facility;
  - b) Liability of parties in the event of unauthorized transactions on their accounts;
  - c) Total cost of credit with a breakdown of all costs of each instalment including annual percentage rate, total interest payments, total principal and third party charges and fees;
  - d) Terms and conditions of all tied or bundled financial products or services sold together with the loans; and

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<sup>1</sup> "credit facility" means an arrangement between the FSP and the customer to allow borrowing of particular amount of money for different purposes for a particular period of time.

- e) Policies regarding late payment and prepayments including related procedures and costs.
7. Every FSP offering credit instruments<sup>2</sup> shall provide the following information to its customers:
- a) Fees, charges and other costs, applicable to each type of a transaction or service;
  - b) Procedures to countermand or stop payment on a credit instrument by the customer;
  - c) Liability of the parties in the event of fraud of a credit instrument; and
  - d) Consequences and costs to the customer on using a credit instrument to the account with insufficient funds.

### ***Key facts statements***

8. Every FSP shall:
- a) Produce and provide key facts statement<sup>3</sup> of its product or service to a consumer;
  - b) Attach to the agreement a key facts statement which is signed by the customer;
  - c) Retain copies of the key facts statement; and
  - d) Have the information be in a font size, spacing and placement that is legible for the consumer to read.

### ***Provision of account statements***

9. In addition to the requirements under the BSPS 8A and BSPS 8B, every FSP shall:
- a) Provide a written or electronic periodic statement of every account the provider operates for the customer, free of charge;
  - b) May at a prescribed fee or charge, issue a financial statement under circumstances other than as provided under paragraph (a);
  - c) The statement referred to under this Guideline shall contain the following information:
    - i. all types of transactions;
    - ii. values and dates concerning the account during the time period of the statement;
    - iii. opening and closing balances;
    - iv. interest rate;
    - v. fees and penalty charged.
    - vi. a closing statement when terminating or concluding an agreement;
    - vii. information on account balances upon request by the customer; and
    - viii. any impending risk for the customer or changes in account rules or financial products or services terms and conditions.

### ***Settlement of obligation***

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<sup>2</sup> “credit instrument” includes a document other than paper money that serves as evidence of debt including cheques, letters of credit and bonds.

<sup>3</sup> “key facts statement” means a statement that provides the consumer with simple and standard disclosure of key contractual information of a financial product or service.

10. Every FSP shall provide the customer who has fully settled financial obligations with a written declaration indicating the full settlement of obligation.

***Notification of changes in terms and conditions***

11. In addition to the requirements under the BSPS 8A and BSPS 8B, every FSP shall be required to notify the customer in writing, including in electronic form prior to changes in-

- a) The interest rates to be paid or charged on any account of the customer;
- b) Any non-interest charge on any account of a customer; and
- c) Any other key product feature or previously agreed term or condition such as procedure for cancellation, prepayment of loans and transfer of loan servicing.

12. Every FSP shall be required to notify the customer in case transactional accounts have become inactive or dormant.

13. The nature and extent of the change shall guide the mode of communication for advance notice.

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