

RESERVE BANK OF FIJI



SUPPLEMENTARY INFORMATION TO THE CHECKLIST OF REQUIREMENTS

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

Primary Licensing Requirements as per the Banking Act, 1995

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

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

(iii) Capital

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

(iv) Business of the Applicant

16. The applicant's business must be "banking business" as per the Banking Act, 1995. Business of the applicant must at no time involve any prohibited activities outlined in Part III of the Banking Act, 1995, or other activities as the Reserve Bank may specify.

17. The objectives of the applicant determine the applicant's future goals and activities the applicant will conduct in the financial system. Alignment of the applicant's objectives with Reserve Bank policies and proposals for the financial system is important. The full particulars of business and its objectives must be attached to the Information Sheets.
18. Information pertaining to proposed location of the business, initial start-up expenditures, office layout and security features, ownership and leasing details, guarantee of OHS compliance and other relevant details should also be disclosed.

(v) Financial Reports

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

(vi) Internal Control

22. When applying for a banking licence, applicant banks must disclose a comprehensive overview of their internal control framework. Internal controls are critical for ensuring sound risk management, safeguarding assets, maintaining the integrity of financial and operational reporting, and ensuring compliance with applicable laws and regulations.
23. The disclosure should include information including but not limited to detailed descriptions of the bank's control environment, segregation of duties, approval and authorization processes, reconciliation procedures, access controls, internal audit functions, external audit preliminary arrangement and mechanisms for monitoring and reporting control breaches.

(vii) Overseas Incorporated Applicants

24. Reserve Bank must be able to adequately supervise the individual and consolidated business of the applicant and its subsidiaries. Assurance from the home country supervisor as to no objection for an overseas-incorporated applicant to operate in Fiji is necessary.

25. The Reserve Bank must have regards to the laws and regulatory requirements in the home country. These must not impact unfavorably on the operations of the applicant in Fiji. The Reserve Bank may require the applicant to incorporate locally if these adversities are significant.
26. The parent company must be willing to provide additional financial support if required. With regards to funding, the necessary funds must be accessible to cover all obligations and liabilities incurred by the applicant in its operations in Fiji.

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

(i) Capital

27. There should be adequate evidence to prove ability to maintain a minimum unencumbered capital for the applicant's operations in Fiji. This can usually be verified via a credit balance held in a resident account in Fiji.
28. All licensed banks are also required to disclose and register their paid-up capital with the Registrar of Companies. Any changes to the capital structure must also be promptly reported to both the Reserve Bank of Fiji and the Registrar of Companies to ensure compliance with statutory obligations.

(ii) Qualifications of Controlling Shareholders, Directors and Officers

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

(iii) Economic Justification

30. The effects of the proposed financial institution shall be assessed. The impact, particularly on the community and competition will be carefully determined. An applicant who can establish its role in meeting identified needs for a particular area to be served, via a carefully conceived plan shall be seriously considered. Feasibility studies conducted should be attached.
31. Feasibility Study should focus on the impact of the applicant institution on the financial system, contributions to the economy in terms of employment, expansion, GDP, benefits to the public and access to banking services in the least developed areas (rural communities)

(iv) Future Earnings Prospects

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

(v) Overseas Incorporated Applicants

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

(vi) Prudential Policies

36. Applicant banks should outline in brief their current stance on prudential policies to be implemented including and not limited to policies on:
 - A. Corporate Governance Policy: should outline the bank's board structure, roles, independence, committees, and decision-making processes to ensure effective oversight and accountability.
 - B. Risk Management Policy: should detail frameworks and procedures for identifying, assessing, monitoring, and mitigating key risks (credit, market, operational, liquidity, etc.).
 - C. Internal Audit Policy: describe the internal audit function's scope, independence, reporting lines, and methodology for ensuring internal controls and compliance.
 - D. Compliance Policy: should set out the compliance framework, regulatory obligations, monitoring mechanisms, and responsibilities of the compliance officer.
 - E. Credit Policy: define lending criteria, credit risk assessment, approval limits, portfolio management, and recovery processes.

- F. Liquidity Management Policy: should outline strategies for maintaining sufficient liquidity buffers, monitoring cash flow needs, and contingency funding plans.
 - G. Capital Management Policy: should demonstrate how the bank will meet and maintain minimum capital adequacy ratios and plan for capital growth.
 - H. Information Technology (IT) and Cybersecurity Policy: should describe IT governance, data protection, system integrity, and cybersecurity controls and response plans.
 - I. Business Continuity and Disaster Recovery Policy: should provide procedures to ensure the bank can continue critical operations during disruptions or disasters.
37. The policies articulated need not be exhaustive, however it should contain sufficient material information that supports RBF in making satisfactory assessment.

Points to Note

38. It is recommended that application fees are paid in either bank cheque or direct bank transfer¹. Personal cheques will not be accepted.
39. A licence application is processed over a period of 90 days, as per Section 9(2) of the Banking Act, 1995. Should additional information be added to a licence application, 90 days would commence from receipt of such information.
40. A conference may be called with the Reserve Bank on the initiative of the applicant for clarification and further information pertaining to the licence application and the licensing process.
41. In the event of approval of an application to conduct banking business in Fiji, the newly licensed must commence operations within six months of receipt of advice of approval from the Reserve Bank.
42. For further queries please contact the Reserve Bank of Fiji on telephone: 331 3611, or email bankcreditlicensing@rbf.gov.fj

Financial Institutions Group Reserve Bank of Fiji

¹ Please enquire for account details.

