

Annual Report

RESERVE BANK OF FIJI

AUGUST 2019 - JULY 2020 REPORT

PARLIAMENTARY PAPER NO. 55 OF 2020

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: D20/4727

Your Reference:

25 September 2020

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 2020

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

- (i) A copy of the RBF Annual Accounts for the year ended 31 July 2020 certified by the Auditors and
- (ii) A report on the RBF's Operations for the 2019-2020 financial year.

Yours faithfully

Handwritten signature of Ariff Ali in black ink.

Ariff Ali
Governor

Private Mail Bag, Suva, Fiji

Tel: (679) 331 3611

Fax: (679) 330 4363

Email: info@rbf.gov.fj

Website: www.rbf.gov.fj

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 section 4(b) of the RBF Act (1983), the Bank is required to promote monetary stability through low and stable inflation and to maintain an adequate level of foreign reserves. The Bank undertakes this responsibility through the formulation and implementation of monetary policy. Policy tools include the Overnight Policy Rate (OPR), Open Market Operations (OMO), Statutory Reserve Deposits (SRD), including other direct and indirect tools which have been used at various times.

In managing the country's foreign reserves, the Reserve Bank also administers exchange control policies under the Exchange Control Act (1952).

Financial Stability

Under section 4(c) of the RBF Act (1983), the Bank is mandated to promote a sound financial structure. In undertaking this function, the Bank licenses and supervises banking, insurance, 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 systemic stability. The Bank's supervisory role also includes activities to combat money laundering and terrorist financing as mandated under the Financial Transactions Reporting (FTR) Act (2004) and the FTR Regulations (2007).

The Reserve Bank acts as 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 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 Bank also undertakes development work for the financial industry which includes driving financial inclusion activities, capital market developments, improving micro, small and medium enterprise (MSME) access to finance and overseeing the complaints management process in all supervised entities.

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

Other

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

¹ Hereinafter, the Reserve Bank of Fiji, RBF 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 2019-20 financial year (FY) was a profound one for the Reserve Bank of Fiji that not only brought with it new experiences and challenges to monetary policy formulation, but was also unparalleled in terms of the domestic impact of the COVID-19 pandemic. The first half of the FY was marked by the synchronised global slowdown, triggered by the US-China trade tensions, whilst the second half was even more challenging with the breakout of the Coronavirus across the globe.

Many countries implemented containment measures through various restrictions such as lockdowns, social distancing and closure of borders, causing disruptions to travel, production, trade and the global economy on an unprecedented scale. Consequently, the global economy is expected to shrink by 4.4 percent³ in 2020 – the sharpest contraction since the Great Depression of the 1930s.

While Fiji managed to avoid a large-scale outbreak of the coronavirus, our heavy reliance on tourism exacerbated its negative economic ramifications. As the pandemic took hold, tourism activity dwindled and eventually collapsed, triggering a negative knock-on effect on other major sectors of the economy. Following a 0.4 percent decline in 2019, the Fijian economy is forecast to further contract by a record 21.7 percent this year given the halt

³ October 2020 IMF World Economic Outlook (WEO).

in international visitor arrivals, suppressed foreign demand and associated fall in incomes for households, businesses and the Government.

In its efforts to maintain macroeconomic and financial stability, the Bank introduced several response measures during the FY. As an initial response, the RBF on 18 March 2020, reduced its OPR by 25 basis points (bp) to stimulate demand by lowering the cost of borrowing and supporting consumption and investment. The RBF also injected additional liquidity into the financial system through its quantitative easing measures. Funding for the Import Substitution and Export Finance Facility (ISEFF) was increased by \$100 million to \$300 million. Similarly, the allocation for the recalibrated and renamed Disaster Rehabilitation and Containment Facility (DRCF) was raised to \$100 million from \$40 million. These facilities are targeted at assisting businesses to access concessional finance through their respective bankers during the crisis period.

External stability was a key consideration as it became clear that the crisis would be prolonged. The RBF moved swiftly on this front by tightening exchange control measures to prevent capital flight and speculative activities.

Furthermore, the RBF invested \$300 million in Government bonds between March and July 2020 to support Government revenue and ensure the continued functioning of Government operations. Mindful that the persistence of the crisis will drastically reduce fiscal revenue, the statutory limit of the RBF's exposure to Government and statutory corporations was raised from 30 percent to 50 percent of the average total revenue of the Government for the past three years.

Through these measures and other policy initiatives, the Bank's twin monetary policy objectives of low inflation and an adequate level of foreign reserves remained intact during the FY. In July 2020, inflation was -1.6 percent while foreign reserves stood at \$2.1 billion, sufficient to cover 7.7 months of retained imports.

Supervision of licensed financial institutions (LFI) intensified due to the pandemic. The Bank impressed upon supervised entities the importance of business continuity

planning and issued supervisory guidance, reinforcing the need to ensure adequate risk management during the pandemic. This included the review of Business Continuity Planning tests, controls for remote work in consideration of cybersecurity risk and infection control. Commercial banks and credit institutions were also issued with supervisory guidance regarding the prudential treatment and reporting of relief measures provided to customers.

Following the launch of the RBF's new Strategic Plan in August 2019, the Bank's focus was on the progressive implementation of the strategic priorities for the next five years, which were aligned to annual work plans. The inclusion of an additional mission – *enhance operational efficiency through innovation and risk management* – proved to be timely. Innovation is now more relevant than ever to drive the Bank's work processes. The benefits of the Bank's ongoing digitisation of work processes, and resilience against risk and cybersecurity threats, were quite evident during the lockdown, whereby 60 percent of the Bank's employees worked from home and continued to deliver on essential services via remote access to the corporate network.

In its continued efforts to develop Fiji's financial system, the Bank launched the FinTech Regulatory Sandbox Guideline in December 2019, a framework which aims to foster the responsible development of innovative solutions in Fiji's financial sector. This initiative provides a creative and safe space that facilitates controlled live tests of new financial products and services before commercial deployment. Such financial technology continues to play a transformative role in broadening access to essential financial services. Further collaborative efforts with the Pacific Islands Regional Initiative (PIRI) and the Alliance for Financial Inclusion (AFI) led to a consultative forum hosted by the RBF during the FY for key stakeholders towards the development of the world's first Regional Regulatory Sandbox.

Despite the challenging global economic, financial and substantially low interest rate environment, the Reserve Bank reported a net profit of \$30.1 million, slightly higher than the \$28.9 million recorded in the preceding financial year. A transfer of \$31.8 million was made to Government, which accounts for \$1.0 million transfer to the General

GOVERNOR'S FOREWORD (continued)

Reserve Account and inclusive of \$2.7 million being one-fifth of the Revaluation Reserve Account, as required under section 34(3) of the RBF Act. The profit outturn was underpinned by a reduction in total operating cost which more-than offset the lower interest income.

The RBF remains committed to delivering its statutory responsibilities to all stakeholders, including the wider community and the environment, as part of its corporate social responsibility. The RBF continues to actively engage the community, both at the local and national level. A meaningful involvement of the Bank in this regard included creating awareness through its financial literacy programme in the *iTaukei* language by hosting the *Noda i Lavo* television programme which recorded its fourth season in 2019.

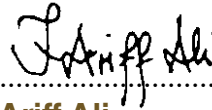
Looking ahead, global risks and policy uncertainties remain elevated. The pandemic is a unique crisis that will undoubtedly have implications on the domestic economy in the next financial year and beyond. While we have noted some improvements in the economy over the last couple of months, we are still a long way from pre-COVID levels. Against this backdrop, the Reserve Bank will continue to vigilantly monitor economic and financial developments and align monetary policy accordingly. The focus over the next few months is on supporting the domestic economy and preserving financial sector stability.

On a positive note, the Bank looks forward to celebrating Fiji's 50th year of independence in October 2020 and will be unveiling some unique and specially designed currency.

The Reserve Bank maintained its collaborative efforts during the FY despite the challenging economic conditions. This included meeting with key industry stakeholders, implementing policy initiatives, particularly in the area of providing relief during the pandemic through our response measures, disaster risk financing, inclusive insurance, payment systems reform, review of the Insurance Act and continued strengthening of research.

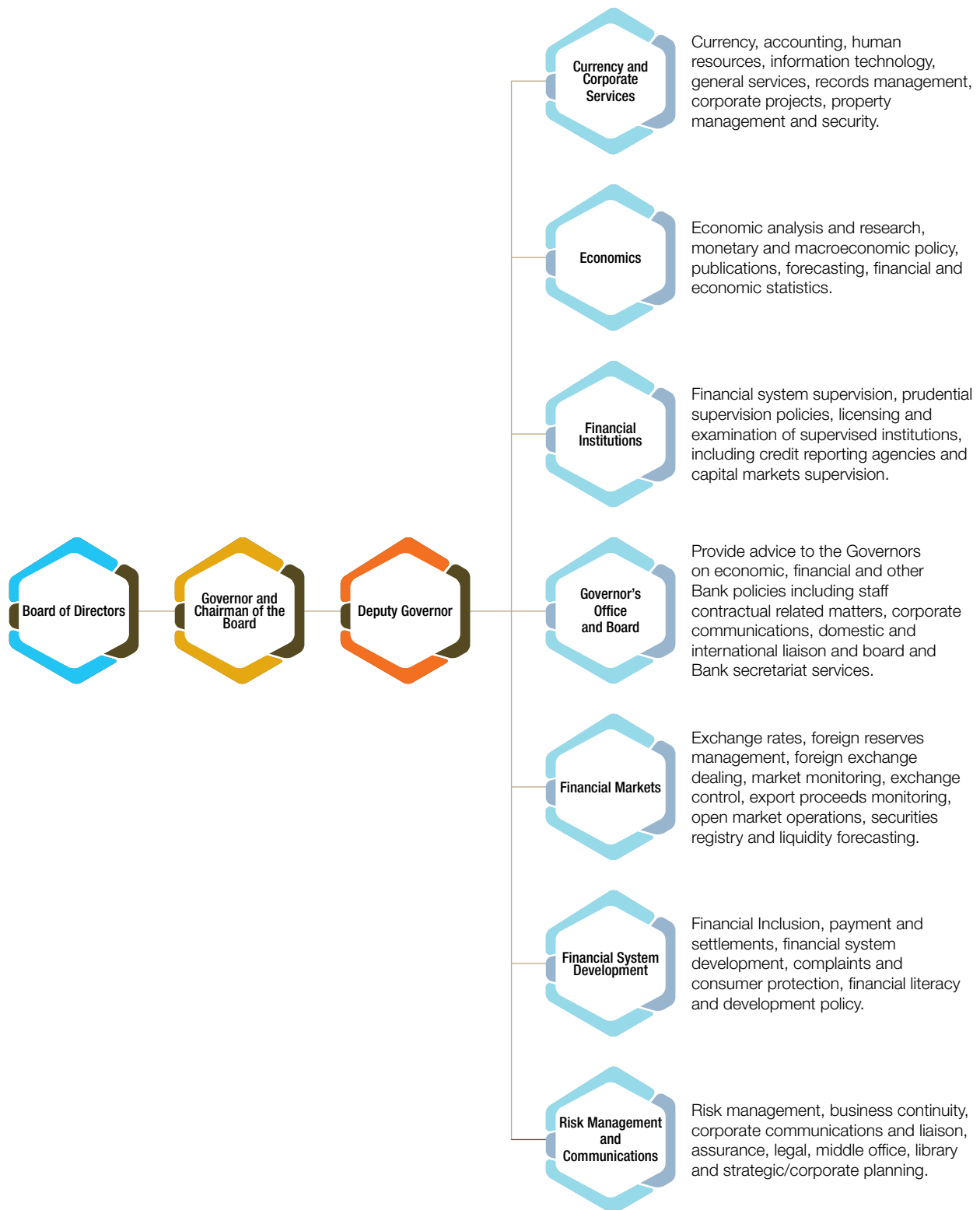
Finally, I extend my sincere appreciation to the Board of Directors, Management and external stakeholders for their continuous support and guidance throughout the FY and Team RBF for their dedication and commitment.

I assure all our stakeholders, especially all Fijians that the Board, Management and staff of the Reserve Bank will continue to uphold our values and strive diligently towards meeting our mandate in the coming financial year.



Ariff Ali
Governor and Chairman of the Board

ORGANISATIONAL STRUCTURE



Quarantine



RESERVE BANK OF FIJI'S RESPONSE MEASURES TO COVID-19

The Reserve Bank implemented the following response measures to boost the economy by supporting businesses and individuals and assist in the recovery from the effects of COVID-19.



Reduced the OPR by 25 basis points to 0.25 percent on March 18, 2020 to help stimulate demand by reducing the cost of borrowing and support consumption and investment.

The interest rate corridor was also lowered on both sides of the OPR. Effectively, the interest rate at which commercial banks may borrow from the RBF under the Repurchase facility has fallen to 0.50 percent from 1.00 percent while the deposit rate at which banks would earn interest on deposits held at RBF, remains at zero percent.



Engaged in a number of quantitative easing measures, thereby pumping additional liquidity into the financial system. The Natural Disaster Rehabilitation Facility was recalibrated to cover pandemics and renamed to DRCF with an increased allocation to \$100 million. This means that financial institutions could borrow from the RBF at interest rate of 1.0 percent and then on-lend to businesses which were affected by the COVID-19 pandemic at a maximum interest rate of 5.0 percent.



Approved an additional \$100 million into the financial system through the ISEFF. Under this facility, businesses involved in exports and import substitution could access finance from financial institutions at a maximum rate of 5.0 percent.



In line with its accommodative monetary policy stance and to support lower interest rates for businesses and consumers, the RBF invested \$300 million in Government bonds between March and July 2020. Given the projected fall in Government revenue, the RBF Act was amended to allow the exposure limit of the RBF to Government and statutory corporations to be increased from 30 percent to 50 percent of the average total revenue for the past three years.



Provided guidance on the prudential classification of loans on repayment moratoriums and the provisioning treatment of COVID-19 loans. The RBF continuously monitors the FNPF in light of the COVID-19 assistance provided, in order to ensure the sustainability of the Fund and the adequacy of members' funds for future needs.



Tightened exchange control policies as a way of curtailing sudden or large outflows in foreign reserves and protecting the balance of payments position. Foreign reserves have remained adequate so far into the year, an objective that the Bank closely monitors.



By providing liquidity, the RBF aims to reinforce the bank lending channel to encourage commercial banks to maintain their lending to the real economy. As a result of these actions, liquidity in the system remains at ample levels, totalling \$765.2 million at the end of the financial year.

BOARD OF DIRECTORS



Makereta Konrote



Ariff Ali



Pradeep Patel



Tevita Kuruvakadua



Tony Whitton (OF)



Top left to right:

Makereta Konrote
**Permanent Secretary,
 Ministry of Economy
 (Ex-officio)**

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

Ariff Ali
**Governor and
 Chairman of the Board**

Appointed as Governor with effect from 11 September 2017 for five years. Alternate Governor for Fiji at the International Monetary Fund (IMF) and the Asian Development Bank (ADB). Chairman of the Monetary Policy Committee. Chairman of the MC. Chairman of the 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. Board Director of the FRCS. Member of the Council of the Fiji Institute of Bankers and the National Anti-Money Laundering (AML) Council.

Bottom left to right:

Pradeep Patel
Director

Appointed to the Board on 9 June 2014. Reappointed on 8 June 2020 for one year. Chairman of the RBF's BARC and Member of the RBF's Board Governance Committee (BGC). Senior Partner of BDO, Chartered Accountants. Member of the Fiji Institute of Accountants (FIA), Certified Practising Accountants Australia and Australian Institute of Company Directors (AICD). Member of the CMADT. Former President of the FIA and have served on committees of the FIA, including the Standards Committee and Business & Government Committee.

Tevita Kuruvakadua
Director

Appointed to the Board on 9 June 2014. Reappointed on 8 June 2020 for one year. Chairman of the RBF's BGC. Member of the RBF's BARC. Chief Executive Officer of the *iTaukei* Land Trust Board. Board Member of the Fiji Sugar Corporation Limited (FSC), Energy Fiji Limited (EFL) and Fiji Ports Terminal Limited.

Tony Whitton (OF)
Director

Appointed to the Board on 3 March 2015 for three years. Reappointed on 2 March 2018 for three years. Member of the 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.

EXECUTIVE MANAGEMENT



Esala Masitabua



Caroline Waqabaca



Susan Kumar



Vilimaina Dakai



Petaia Tuimanu



Poasa Werekoro



Lanieta Rauqeuqe



Subrina Hanif



Top left to right:

Esala Masitabua
Deputy Governor

Caroline Waqabaca
Chief Manager
Financial Markets

Susan Kumar
Chief Manager
Currency and Corporate Services¹

Vilimaina Dakai
Chief Manager
Financial Institutions

Left to right:

Petaia Tuimanu
Chief Manager
Economics

Poasa Werekoro
Chief Manager
Financial System Development²

Lanieta Rauqeuqe
Acting Chief Manager
Risk Management and Communications³

Subrina Hanif
Board Secretary



⁴

Lorraine Seeto



⁵

Praneel Prasad



⁶

Peni Kumatuba

¹ Reverted to Chief Manager Currency and Corporate Services with effect from 1 April 2020. Prior to this, she was rotated as Chief Manager Risk Management and Communications.

² Confirmed as Chief Manager Financial System Development with effect from 9 January 2020.

³ Appointed as Acting Chief Manager Risk Management and Communications with effect from 1 April 2020. Prior to this, she was Manager Financial Conditions.

⁴ Served as Chief Manager Governor's Office up to 31 December 2019.

⁵ Acting as Chief Manager Currency and Corporate Service with effect from 1 April to 30 September 2019.

⁶ Acting as Chief Manager Currency and Corporate Service with effect from 1 October to 31 March 2020.

CORPORATE GOVERNANCE

The RBF is established as an independent institution under the RBF Act (1983) and is fully owned by the Government of Fiji. The functions and duties of the Reserve Bank are specified in the RBF Act (1983), RBF Amendment Decree (2009), the Banking Act (1995), the Insurance Act (1998), the Exchange Control Act (1952), the FTR Act (2004), Payment and Settlement Systems Oversight Regulations (2004), 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 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 and was later appointed as acting Governor on 28 May 2017.

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 five⁴ 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, Permanent Secretary for Economy, is an ex-officio member appointed on 11 January 2016. Other Board Directors holding office as at 31 July 2020 were Mr Pradeep Patel, Mr Tevita Kuruvakadua and Mr Tony Whitton.

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 Governor, another Director present shall be appointed by consensus to chair the Board meeting.

⁴ Currently, there are 2 vacant positions at the Board level.

Board meetings are usually held on the last Thursday of each month.

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 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 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 Ms Makereta Konrote as members. The Committee met on four occasions during the year.

The role of the Board Governance Committee is to strengthen the governance of the Bank and to ensure the accountability of the Office of the Governor to the Board. The main functions of the Committee is 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 (KPI). Board members who are not members of the Board Governance Committee are invited to assess the performance of the Governors. In addition, all staff related matters such as review of the terms and conditions of employment for staff and members of Executive Management are reviewed and approved by this Committee.

The Board Governance Committee is chaired by Mr Tevita Kuruvakadua and the members include Mr Pradeep Patel and Mr Tony Whitton. The Committee met five times during the review period. Out of this, four were normal meetings while a special meeting was also convened.

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

Board and Board Committee Meetings August 2019-July 2020 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	6	11	0	4	1	1
Pradeep Patel	11	11	4	4	5	5
Tevita Kuruvakadua	11	11	4	4	5	5
Tony Whitton	10	11	NM		3	5
NM - Not a Member						

Source: Reserve Bank of Fiji



11 RBF Board Meetings during the financial year

performance assessment of the Board Directors on an annual basis, commencing in 2017.

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

Bank Management

The Executive Management of the Reserve Bank comprises the Governor, Deputy Governor and all Head of Groups. 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 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 business of the Bank, formulate effective strategies to address these risks as well as respond, manage and recover from any incident or crisis event faced by the Bank.

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

Delegation of Authority

All activities and expenditure in the Bank must be authorised in accordance with the respective delegations, policies and procedures. The Board receives monthly 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.

Conflict of Interest

As part of ensuring good governance practices and providing transparency, the Bank has in place policies and procedures to guide and protect staff and board members with respect to incidents and concerns around actual or perceived conflicts of interest. 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.

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.

On a quarterly basis, a report on all conflicts of interest declared is provided to the Board Governance Committee. 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.

Strategic Plan

The Bank's 2019-24 Strategic Plan guides the achievement of deliverables and initiatives of the Bank in the next five years and from which annual work plans are distilled. A continued focus on excellence and innovation in policy formulation and

analysis and operational efficiency, underpins the Strategic Plan.

Monitoring tools have been developed to ensure that there are regular reviews of the plan and reporting to the Board. A review of the progress in implementation of the 2019-24 Strategic Plan is undertaken on a quarterly basis.

During the first year of the 2019-24 Strategic Plan, the Bank met 93 percent of its planned outcomes and targets. A few outputs were reprioritised and shelved as a result of COVID-19 cost and resource rationalisation efforts.

Corporate Planning and Monitoring

Corporate planning is undertaken annually in the Bank. The Work Plan is developed and presented in line with the strategic priorities and missions of the Bank. Every strategy, output and process must identify 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 aligns to individual KPIs.

The initial formulation of the Bank's Work Plan for the new FY commences in April. Extensive discussions are held in preparing the Annual Work Plan. Groups held interactive planning workshops in May and feedback was obtained from mostly internal stakeholders, due to the restrictions based on social distancing, on suggested areas to be considered by the Bank in preparing its Annual Work Plan.

In resourcing the Annual Work Plan, the Bank uses zero based budgeting in determining the necessary financial resources for the coming year, in line with on the work plans submitted by the Groups. Given the projections for next year's income, the Bank carried out an extensive cost-cutting exercise, 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. In doing so, the Bank brought down its operating expenditure by \$1.8 million when compared to the previous FY.

The final Annual Work Plan and Budget for the 2020-21 financial year were presented and approved by the Board, in its June meeting.

In terms of monitoring, heads of Groups are responsible for ensuring that scheduled outcomes within both the Strategic and Work Plans are achieved. For the 2019-20 FY, some reprioritisation of output were made during the year as the Bank realigned resources in the prevailing COVID-19 environment.

2019-20

AT A GLANCE

Fiji's Real GDP

-21.7%

2020 economic growth rate forecast

Overnight Policy Rate

0.25%

July 2020

Foreign Reserves

\$2.1b

Sufficient to cover 7.7 months of retained imports, July 2020

Inflation Rate

-1.6%

July 2020

Reserve Bank's Financial Performance

\$30.1m

Profit for 2019-20 FY

Currency in Circulation

\$870.7m

31 July 2020

No. of Employees at RBF

199

Male - 108
Female - 91
in 2019-20 FY

Gross Assets of Fiji's Financial System

\$22.8b

June 2020

Personal Properties Securities Registry

60,831

Filings on the registry by 6 commercial banks, 4 credit institutions, 12 non-bank financial institutions, 4 car dealers, 4 hire purchase companies and 42 law firms

Disaster Rehabilitation & Containment Facility

\$92.9m

Against the total allocation of \$100m in 2019-20 FY

Import Substitution & Export Finance Facility

\$133.6m

Against the total allocation of \$300m in 2019-20 FY

Mobile Money

152,467

Active Mobile Money Accounts 2019-20 FY

ECONOMIC OVERVIEW

The COVID-19 pandemic and its containment measures combined with the on-going geopolitical tensions, have significantly dented global growth prospects. Consequently, the spillovers from the global meltdown will have significant negative implications on the domestic economy, which is forecast to contract by 21.7 percent in 2020, the sharpest contraction since independence.

International Economic Developments

The IMF⁵ expects the global economy to contract by 4.4 percent in 2020, following a growth of 2.8 percent in 2019. The global contraction is on account of weak output anticipated in advanced and emerging market and developing economies as extended containment measures relating to the pandemic has severely restrained private consumption and investment, as well as disrupted international trade and travel. Additionally, the ongoing trade dispute between the United States (US) and China has led to more uncertainty over the global outlook this year.

In 2021, the global economy is forecast to rebound by 5.2 percent.

The recovery is highly contingent on the availability of a vaccine, the opening of borders and the resumption of international travel.

All of Fiji's major trading partners are expecting to contract in 2020, except for China, which is envisaged to grow by 1.9 percent.

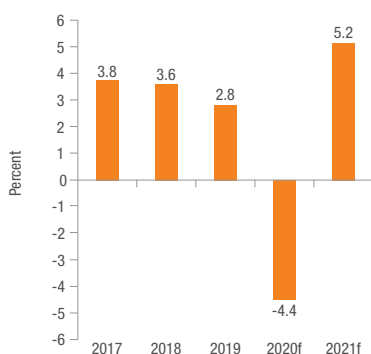
The US economy is forecast to contract by 4.3 percent in 2020, in contrast to the 2.2 percent growth noted in 2019. The projected contraction is on account of the significant fall in consumer spending, business investment and exports amidst the pandemic. Furthermore, labour market conditions have deteriorated significantly as the unemployment rate rose to 10.2

percent in July 2020 from 3.7 percent in July last year.

To bolster household and business spending, as well as assist state and local governments during the COVID-19 crisis, the US Government launched a string of fiscal stimulus programmes. On its end, the Federal Reserve reduced the target range for its federal funds rate by 100bp to 0-0.25 percent on 15 March and started with its quantitative easing programme.

The Eurozone economy is forecast to decline by 8.3 percent in 2020, following a 1.3 percent expansion in 2019. The outturn is due to weak business and household spending and sluggish external demand.

World Gross Domestic Product (GDP) Growth Rates



Source: IMF World Economic Outlook October 2020

-4.3% ↓

US 2020 growth rate

-8.3% ↓

Eurozone 2020 growth rate

-5.3% ↓

Japan's 2020 growth rate

-4.2% ↓

Australia's 2020 growth rate

-6.1% ↓

New Zealand's 2020 growth rate

1.9% ↑

China's 2020 growth rate

⁵ October 2020 IMF World Economic Outlook (WEO).

Labour market conditions have worsened compared to last year, while annual inflation remained low largely underpinned by depressed demand and weak commodity prices. To alleviate the economic and financial fallout from the pandemic, the European Central Bank kept its benchmark interest rate at zero percent (unchanged since March 2016) and also provided an unprecedented level of stimulus to cushion the impact in the region. Also, many governments in the region pledged loan guarantees to reduce banks' credit risks to maintain financial stability in their economies.

The Japanese economy is envisaged to contract by 5.3 percent this year, much lower than the 0.7 percent growth registered in 2019. The expected decline is mainly due to the disruptions to consumption and investment activities and reduced demand for Japanese exports. In light of the anticipated severe contraction, the Government rolled out stimulus measures of around 40.0 percent of GDP in May. Labour market conditions remained weak with muted inflationary pressures. The Bank of Japan kept its policy interest rate at -0.1 percent (unchanged since January 2016) and provided stimulus funding for business and households to mitigate the negative impact of the pandemic.

The Australian economy is forecast to contract by 4.2 percent in 2020, the first contraction in 29 years.⁶ The expected negative outcome is driven mainly by declines in household consumption, gross fixed capital formation and inventories. Labour market conditions remained weak as the unemployment rate climbed to the highest level since November 1998, while inflation remained low on the back of weak commodity prices. As part of its monetary stimulus, the Reserve Bank of Australia (RBA) lowered the cash rate further from

0.5 percent in February to an all-time low of 0.25 percent in March complementing it with its market operations to ensure adequate levels of liquidity in the Australian financial system. Moreover, the combined fiscal and monetary stimulus injected by the authorities is one of the largest amongst the Group of 20 nations.

The New Zealand (NZ) economy is projected to contract by 6.1 percent in 2020, compared to the 2.2 percent growth last year. The contraction is expected to be driven by declines in services, construction, transport & postal and warehousing activities. Annual inflation remained low amid depressed demand and low commodity prices. To support economic activity, employment and inflation, the Reserve Bank of NZ (RBNZ) reduced its official cash rate from 1.0 percent in February to a record low of 0.25 percent in March. The RBNZ continued with its alternative monetary policy tools such as the Large Scale Asset Purchase programme to keep interest rates low in the short to medium term to supplement the NZ Government's COVID-19 response package aimed at assisting businesses and individuals affected by the pandemic.

Economic Developments in Fiji

The Fijian economy is anticipated to contract by 21.7 percent in 2020 following a 0.4 percent⁷ decline in 2019. The outturn is mostly attributed to the significant fall in tourism activity and rippling effects to the rest of the economy in light of the pandemic.

The major drivers for the decline in 2020 include the accommodation & food services; wholesale & retail trade; transport & storage; financial & insurance; and construction sectors. The severe economic downturn is in line with the projected global contraction, weak domestic demand and sluggish sectoral performances.

Risks to the outlook remain on the downside as the anticipated opening of international borders in the final quarter of this year may not materialise given the second round of COVID-19 cases in Australia and NZ.

Sectoral performances have been broadly weak in the 2019-20 FY with notable declines in visitor arrivals, electricity, gold and timber output. Similarly, aggregate demand indicators point to dismal consumption and investment activities in the review period.

In the 2019-20 FY, visitor arrivals declined sharply by 40.5 percent to 532,730 visitors, compared to a growth of 4.2 percent recorded in the previous FY. Lower arrivals from all source markets underpinned the negative outcome as travel restrictions and border closures since March 2020 due to the pandemic halted tourism activity.

The ramifications of the downturn in tourism on other industries were swift. COVID-19 restrictions caused disruptions in the transport & storage sector, especially air transport as planes were grounded due to the closure of international borders. In addition, businesses in the services sector such as wholesale & retail and entertainment were affected with the imposition of strict health guidelines and nationwide curfew, which limited the movement of people and severely impacted domestic economic activity.

Electricity consumption declined by 4.7 percent in the reviewed FY, driven by lower demand from commercial (-5.1%), industrial (-11.0%) and other⁸ (-7.0%) users. Consistent with the low demand, electricity production declined by 6.7 percent in the same period compared to a growth of 3.7 percent in the previous FY. Nonetheless, the generation mix improved as 56.5 percent of total electricity was produced using

⁶ The economy grew by 1.8 percent in 2019.

⁷ Mainly driven by the transport & storage, public administration & defense, manufacturing and information & communication sectors.

⁸ This includes streetlights and institutions such as schools.

renewable sources in the 2019-20 FY, compared to the 55.2 percent achieved in the last FY.

Gold production declined by 8.9 percent to 34,254 ounces in the 2019-20 FY owing to technical issues, power supply constraints and coronavirus-related supply chain disruptions. However during the same period, gold exports rose by 16.4 percent as the price for this safe-haven asset rose amid the global health pandemic. The timber industry recorded weak results in the 2019-20 FY, owing to persistently lower production and depressed foreign demand. Pine wood supply declined by 5.7 percent to 377,762 tonnes. Consequently, woodchip and sawn timber production fell by 16.3 percent and 18.2 percent to 250,465 tonnes and 22,837.2 cubic metres (m³), respectively. Mahogany production also declined by 25.2 percent to 15,150.4m³.

In the sugar industry, the 2019 crushing season ended with 1,806,379 tonnes of harvested cane, yielding 168,702 tonnes of sugar. Cane and sugar production rose by 6.5 percent and 5.3 percent respectively. In the 2020 season⁹, a total of 102,037 tonnes of sugar

has been produced from 1,141,964 tonnes of cane, an annual increase of 0.8 percent and 10.2 percent in sugar and cane output, respectively. The positive outcome is primarily due to increased mill efficiency at the Rarawai and Labasa mills as well as reduced inside/outside stoppages.

Labour market conditions deteriorated during the 2019-20 FY as a result of job losses in tourism and related industries in the second half of the FY. Evidently, the number of vacant positions advertised in the RBF's Job Advertisements Survey¹⁰ decreased by 36.8 percent in the review FY. Lower recruitment intentions were noted in all sectors, particularly the transport, storage & communication; construction; mining & quarrying; and wholesale & retail trade & restaurants & hotels sectors.

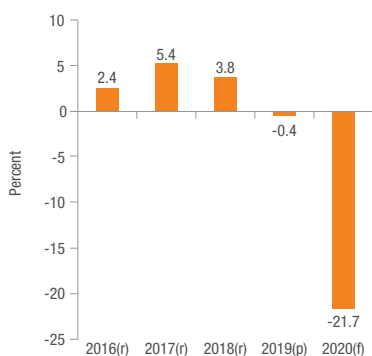
Given the weak labour market conditions, consumer spending softened further. Net Value Added Tax (VAT) collections declined by 24.5 percent in the 2019-20 FY driven by lower collections from import VAT (-24.6%), domestic VAT (-9.6%) and other Government departments (-1.5%). Also, second-hand and new vehicle registrations fell by 56.7 percent and 36.7 percent respectively

in the same period. Moreover, commercial banks' new lending for consumption purposes declined over the fiscal year by 17.1 percent to \$959.3 million, led by lower lending to both private individuals and the wholesale, retail, hotels & restaurants categories.

Investment indicators remained broadly negative in the review period. Construction activity noted sluggish results as domestic cement sales fell by 9.6 percent in the 2019-20 FY as major private sector projects stalled. Additionally, new lending to the building & construction sector fell by 36.6 percent in the same period. Despite the marginal increase in Government's capital expenditure as announced in the 2020-21 National Budget, domestic investment is forecast to fall to 13.0 percent of GDP in 2020 from 20.1 percent of GDP in 2019 due to weak private sector investment.

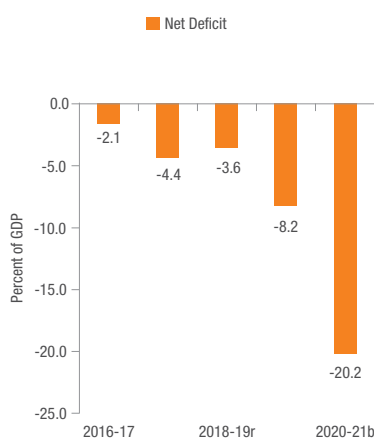
In the 2019-20 financial year, the fiscal deficit is estimated to be \$837.0 million, equivalent to -8.2 percent of GDP. This is higher than the \$419.3 million deficit (-3.6 percent of GDP) recorded in the 2018-19 FY. The higher deficit is on account of lower Government revenue collections

Fiji's GDP Growth Rates



Source: Fiji Bureau of Statistics and Macroeconomic Committee

Government Balance



Source: Ministry of Economy

-40.5% ↓

Visitor arrivals in 2019-20 FY

-36.8% ↓

Number of vacant positions advertised in 2019-20 FY

⁹ As at 28 September since respective commencement of crushing at the various mills in 2020 (10 June for Labasa, 23 June for Rarawai and 10 July for Lautoka).

¹⁰ This is based on advertised vacant positions in both the Fiji Times and Fiji Sun.

stemming from subdued tourism industry and declining business and consumer activity.

For the 2020-21 FY, Government has budgeted for a net deficit of \$2,001.0 million, equivalent to -20.2 percent of GDP. Given the halt in tourism activity and the overall weak economy, total revenue is expected to fall sharply by 38.0 percent. On the other hand, total expenditure is anticipated to increase by 3.9 percent, reflecting the Government's efforts to stimulate the economy and support livelihoods.

Total Government debt stood at 65.2 percent of GDP at the end of the 2019-20 FY, higher than 49.3 percent recorded in the previous fiscal year on account of the higher deficit.

Inflation¹¹ averaged -1.3 percent in the 2019-20 FY, much lower than the 3.8 percent average recorded in the previous fiscal year. The negative inflation rate was driven by lower prices of yaqona, vegetables, fruits, petrol, kerosene and diesel. Given

domestic and international price developments, inflation is anticipated to remain in negative territory in 2020.

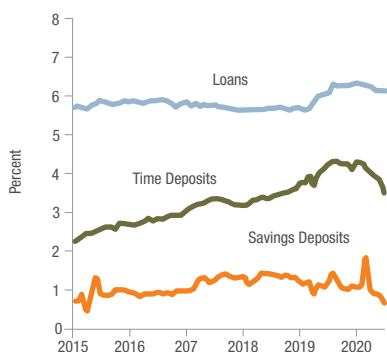
Financial conditions were accommodative, reflective of quantitative easing measures aimed at stimulating economic activity during the fiscal year. In July 2020, broad money rose on an annual basis by 0.7 percent (\$56.5m), compared to a 1.7 percent (\$140.6m) increase in the same period last year. The growth was due to increases in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). The positive outturn in NFA was reflective of the higher gross reserves position. Growth in NDA slowed to 0.7 percent in July, compared to 6.1 percent in 2019, mainly due to the annual deceleration in private sector credit (1.2% from 7.6%) as a result of the slowdown in lending to households and private sector business entities by both commercial banks and credit institutions.

New lending by commercial banks

registered a decline of 11.5 percent (-\$304.6m), led by contraction in new loans to the wholesale, retail, hotels & restaurants; private individuals category; building & construction and electricity, gas & water sectors. Liquidity in the banking system at the end of July 2020 remained ample at \$765.2 million. The commercial banks' weighted average outstanding lending rate rose over the year to 6.14 percent in July 2020, higher by five bp when compared to the same period last year. However, the new lending rate fell by 47bp to 5.91 percent in July 2020. Similarly, the commercial banks' existing and new time deposit rates fell on an annual basis to 3.52 percent (from 4.25%) and 2.74 percent (from 5.42%), respectively.

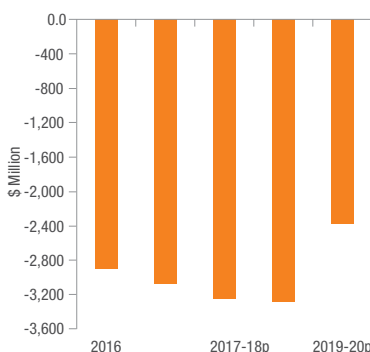
In the 2019-20 FY, total exports (excluding aircraft) fell by 8.9 percent to total \$1,952.8 million, while total imports (excluding aircraft) declined by 20.4 percent (to \$4,321.9m). As such, the merchandise trade deficit (excluding aircraft) narrowed by 28.0 percent to \$2,369.1 million,

Commercial Banks' Lending and Deposit Rates



Source: Reserve Bank of Fiji

Trade Deficit



Source: Fiji Bureau of Statistics

\$765.2m

Liquidity as at 31 July 2020

65.2%
of GDP

Total Government debt at the end of 2019-20 FY

¹¹ Deflation since October 2019.

compared to a 1.5 percent expansion in the previous FY.

The significant contraction in re-exports of machinery & transport equipment (excluding aircraft), mineral fuels and fresh fish together with lower exports of crude material, miscellaneous manufactured articles, beverage & tobacco and food & live animals contributed to the outcome in exports. The decline in imports was led mainly by reduced imports of mineral fuels, manufactured goods, miscellaneous manufactured goods and chemicals.

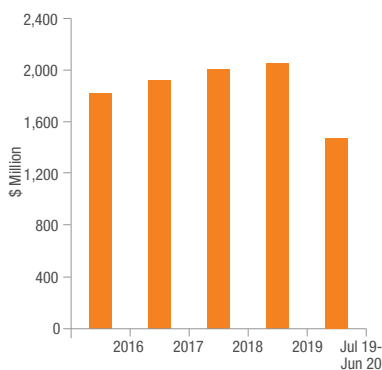
In the July 19–June 20 period, tourism earnings declined by 28.5 percent to \$1,478.2 million, compared to a 5.4 percent growth in the previous corresponding period. The marked decline was mostly on account of the closure of international borders and travel restrictions to all inbound visitors, which led to a reduction in the number of visitor arrivals and earnings across all major source markets in the year to June.

Inward remittances in the 2019-20 FY grew marginally by 0.8 percent to total \$588.4 million, compared to a 5.1 percent growth in the corresponding period in 2019. The outcome was due to higher inflows for gifts, maintenance & donations (1.1%), which more-than-offset the decline in personal receipts (-1.1%) and immigrant transfers (-12.9%). Notably, monthly inward remittance for July 2020 was at an all-time high of around \$63.2 million, 45.0 percent higher over June 2020 (\$43.6m) and 37.3 percent higher than July 2019 (\$46.0m).

The current account deficit (excluding aircraft) is estimated to be around \$817.4 million (8.0% of GDP) in the 2019-20 FY, higher than the \$684.3 million (6.7% of GDP) in the 2018-19 FY. This outcome is mainly on account of the lower-than-expected services and secondary income balance, which more-than-offset the improvement in the trade and primary income deficit.

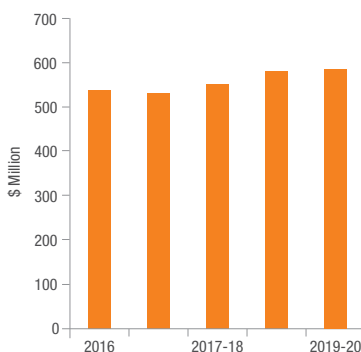


Tourism Earnings



Source: Fiji Bureau of Statistics

Personal Remittances



Source: Reserve Bank of Fiji

-8.9% ↓

2019-20 FY Total exports
(excluding aircraft)

-20.4% ↓

2019-20 FY Total imports
(excluding aircraft)



MISSION

CONDUCT MONETARY POLICY TO FOSTER SUSTAINABLE AND INCLUSIVE ECONOMIC GROWTH

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



Monetary Policy Formulation

Chronology of Monetary Policy Actions

The synchronised global slowdown, soft domestic demand and lacklustre sectoral performances underpinned the 0.4 percent decline in the Fijian economy in 2019. This year, growth prospects have been shattered by the Coronavirus, which led to travel restrictions and international border closures that in turn have severely impacted the tourism industry and the broader economy. Consequently, job losses have risen significantly across the board, causing considerable losses in incomes and livelihoods and placing undue pressure on the Government's tax revenues. Aggregate demand deteriorated significantly as consumer spending slumped and private sector investment stalled. Against this backdrop, the Government adopted an expansionary fiscal stance to stimulate domestic demand and support economic activity. As such,

a net deficit of -20.2 percent of GDP has been budgeted in the 2020-21 national budget, the highest shortfall since Fiji's independence.

To mitigate the impact of the pandemic, the Reserve Bank also implemented numerous policy measures to stabilise the economy whilst ensuring that the twin objectives of monetary policy remained intact. On 18 March, the Bank reduced the OPR by 25bp to 0.25 percent from 0.5 percent and lowered the interest rate corridor on either side of the OPR by 25bp from 50bp previously. Consequently, the repurchase rate¹² fell to 0.50 percent from 1.00 percent.

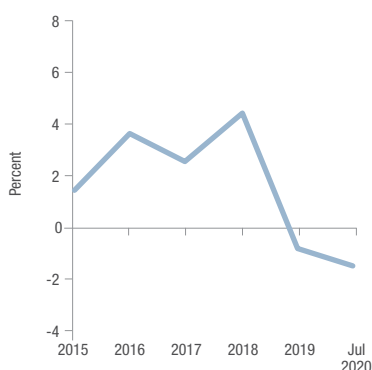
The RBF also implemented several unconventional monetary policy measures to assist businesses cushion the impact of the pandemic. The Natural Disaster and Rehabilitation Facility was recalibrated and renamed to DRCF on 26 March. Correspondingly, the funding for this facility was raised to \$60 million from

\$40 million and further increased to \$100 million¹³ in May.

To preserve external stability, the Reserve Bank also introduced exchange control measures to prevent capital flight and speculative activities. Furthermore, the RBF increased the allocation to the ISEFF with an additional \$100 million to \$300 million in 30 April 2020 to ensure that credit to exporters, large scale commercial agricultural farmers, public transportation and renewable energy businesses were available at affordable rates from relevant financial institutions.

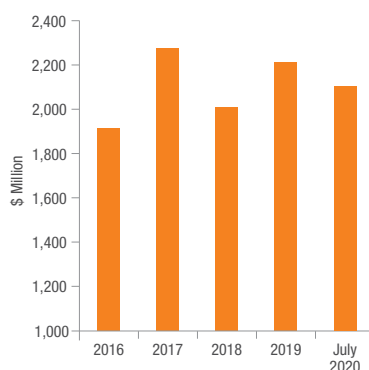
The Bank strengthened its role in the administration of the MSME Credit Guarantee Scheme¹⁴ to help affected businesses. In addition, the RBF invested \$300 million in Government bonds between March and July 2020 to assist Government meet its financing needs. All these measures have raised liquidity levels in the financial system and put interest rates, especially deposit rates, on a

Inflation (Annual Percent Change)



Source: Fiji Bureau of Statistics

Foreign Reserves



Source: Reserve Bank of Fiji

\$60m ↑

Disaster Rehabilitation and Containment Facility in 2019-20 FY

\$100m ↑

Import Substitution & Export Finance Facility in April 2020

¹² The rate at which commercial banks borrow from the RBF to meet short term financing needs.

¹³ Out of this, \$75 million was lent to the national carrier (Fiji Airways) through FDB in July 2020.

¹⁴ The Government established the scheme in 2012 with a \$2.5 million allocation and this was subsequently raised to \$4.0 million in 2013. Under the COVID-19 Response Budget in March 2020, the Government allocated an additional \$5.0 million to a total of \$9.0 million.

downward trajectory.

Monetary Policy Outcomes

Annual inflation stood at -1.6 percent in July 2020, much lower than the 0.7 percent in July last year driven by lower prices of yaqona, domestic fuel and second-hand cars. The 2020 year-end inflation rate is expected to fall further to -3.0 percent, on account of the actual inflation outturn in the first seven months of 2020, lower crude oil prices and reduced duties¹⁵ announced in the 2020-21 National Budget.

Foreign reserves stood at \$2,107.0 million in July 2020, sufficient to cover 7.7 months of retained imports. Notably, Government loan drawdowns, sustained inflow of remittances coupled with significant declines in imports have contributed positively towards the reserves position so far this year.

Exchange Rates

In July 2020, the Fiji dollar (FJD) appreciated against the US (2.1%) and the NZ dollars (NZD) (0.9%), while depreciating against the Euro (-3.9%), the Australian dollar (AUD) (-2.4%) and the Japanese Yen (JYP) (-1.6%) compared to a year ago. The Nominal Effective

Exchange Rate (NEER) Index rose over the year in July (0.2%), 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 an improvement in trade competitiveness due to lower domestic inflation.

Monetary Policy Implementation

Open Market Operations

During the first seven months of the 2019-20 FY, the Reserve Bank continued with its accommodative monetary policy stance by keeping the OPR unchanged at 0.50 percent. Maintaining a low policy rate was appropriate for providing necessary stimulus for the economy in light of weaker global and domestic conditions. Nonetheless, as the negative impact of the pandemic weighed on international travel and trade and consumer and business sentiments further weakened, the Reserve Bank reduced the OPR by 25bp to 0.25 percent in March 2020.

The reduction in the OPR was necessary to stimulate demand by reducing the cost of borrowing and support much-needed consumption

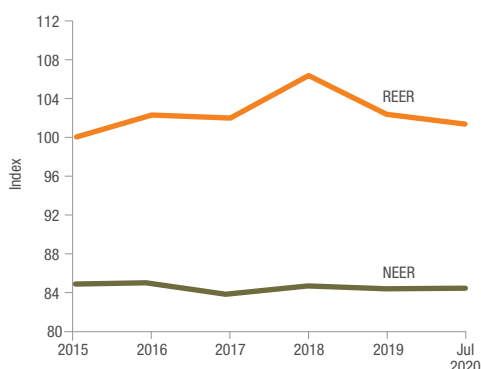
and investment. Associated with the lowering of the OPR, the interest margin on either side of the OPR was reduced by 25bp from 0.50bp. As such, the lending rate to commercial banks known as the repurchase facility (repo) rate was reduced from 1.00 percent to 0.50 percent while the deposit rate remains at zero percent. Furthermore, since there was no auctioning of RBF Notes throughout the year, there was no associated cost to monetary policy.

Management of Foreign Reserves

The RBF is assigned the authority and responsibility to manage Fiji's foreign reserves under the RBF Act (1983). Foreign reserves management is an essential function of the Bank and is performed with the primary objectives of safety, liquidity and profitability.

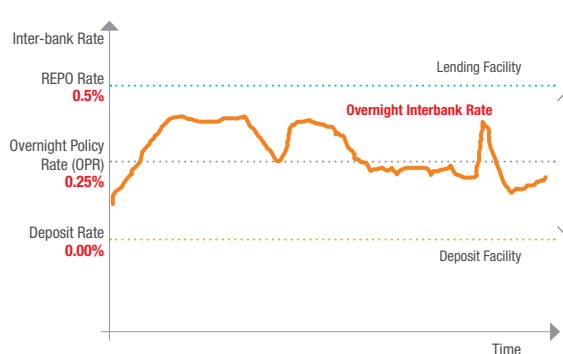
Internal credit criteria ensures that the Bank invests reserves in securities issued or guaranteed by foreign Governments and other issuers with strong credit ratings. Similarly, deposits and foreign exchange deals are transacted with counterparties who meet minimum credit requirements. For liquidity requirements, the Bank ensures that all investments are readily convertible

REER/NEER (Monthly Average)



Source: Reserve Bank of Fiji

Overnight Policy Rate



Source: Reserve Bank of Fiji

¹⁵ Duties were comprehensively reduced for a range of food items, alcoholic beverages, white goods, motor vehicles and other items.

into cash at minimal cost. In addition, the Bank attempts to maximise income within approved guidelines.

The composition of RBF's foreign reserves holdings is primarily determined by currencies in the Fiji dollar basket, namely the USD, Euro, JPY, AUD and NZD. The Bank also holds IMF Special Drawing Rights and small amounts of gold and British pound sterling.

Global financial markets in the first half of the FY 2019-20 were driven by uncertainties surrounding a number of factors including the US-China trade tensions, geopolitical fears and a synchronised global economic slowdown. However, these concerns faded into the background with the outbreak of the coronavirus in early 2020 which delivered a giant shock to the world economic system. To mitigate the spread, countries introduced drastic containment measures that brought economic activity to a near standstill. Consequently, global growth deteriorated with most economies expected to fall into recession in 2020. In response, Governments rolled out massive stimulus packages while central banks cut interest rates to new record lows and expanded

their range of unconventional monetary policy tools in an effort to cushion the economic impact of the pandemic. As a result, interest rates in Fiji's trading partner countries fell to unprecedented low levels, presenting an ongoing challenge for foreign reserves management.

Gross foreign reserves (RBF holdings) averaged around \$2,198.3 million during the FY 2019-20, higher than the \$2,027.4 million average of the previous financial year. The foreign reserves level peaked at \$2,391.2 million in February 2020, before declining to \$2,107.0 million at the end of the financial year.

Investible reserves, which accounted for 91.0 percent of gross foreign reserves, also averaged higher at F\$2,002.5 million, compared to F\$1,837.0 million in the prior fiscal year.

Net foreign exchange income for the FY 2019-20 decreased to \$38.9 million from \$45.8 million the previous year. The notable fall in income reflected the decline in global interest rates. Similarly, the return on investible reserves reduced from 2.49 percent in FY 2018-19 to 1.94 percent in FY 2019-20.

The RBF foreign reserves portfolio achieved a return of 2.7 percent, outperforming the RBF benchmark portfolio return of 1.6 percent.

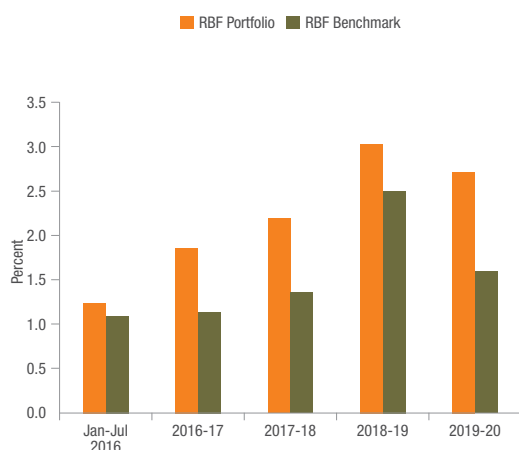
The impact of exchange rate movements on the value of foreign reserves is reflected in the Revaluation Reserve Account (RRA). As a hedge against volatility in exchange rates, foreign reserves holding is aligned to the currencies in the Fiji dollar basket.

In accordance with the RBF Act (1983), a fifth of the year-end balance in the RRA is transferred to the Government. At the end of July 2020, the RRA had a balance of \$13.5 million. As a result, \$2.7 million was transferred to Government in the FY 2019-20, compared to \$1.5 million transferred in the FY 2018-19.

Exchange Rates

Exchange rate setting is a daily responsibility of the Bank with the Fiji dollar fixed to a basket of five currencies: the USD, AUD, NZD, JPY and the Euro. This exchange rate regime is appropriate for Fiji as it reduces volatility in exchange rates and is a nominal anchor for inflation. The weight of each currency in the basket is reviewed annually and is based on the value of Fiji's

Performance of RBF Portfolio against Benchmark

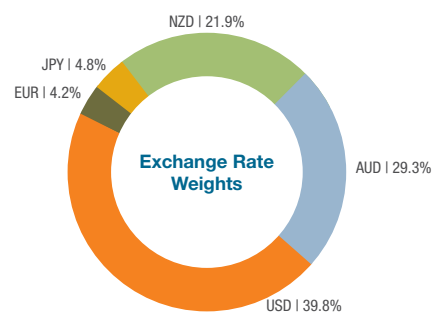


Source: Reserve Bank of Fiji

Return on External Reserves

	Aug 2017-Jul 2018	Aug 2018-Jul 2019	Aug 2019-Jul 2020
Net Foreign Exchange Income (\$M)	45.0	45.7	38.9
Average Month-End Level of Investible Reserves (\$M)	2,051.8	1,837.0	2,002.5
Return on Investible Reserves (%)	2.19	2.49	1.94

Source: Reserve Bank of Fiji



Source: Reserve Bank of Fiji

merchandise trade, services and debt servicing transactions. The current exchange rate weights¹⁶ are as follows: USD (39.8%), AUD (29.3%), NZD (21.9%), JPY (4.8%) and Euro (4.2%). The value of the Fiji dollar against other basket currencies is calculated from the mid-rate of the Fiji dollar relative to the US dollar set daily. These exchange rates are disseminated to local commercial banks by 9.00am and published 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 operations within allowable 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

Exchange controls continue to play an essential role in the maintenance of adequate foreign exchange reserves and monetary policy formulation in Fiji. During the earlier part of the financial year, exchange controls were maintained in line with the prevailing outlook for foreign reserves.

However, following the deterioration in the external sector outlook from the impact of COVID-19 during the second half of the financial year, certain controls were re-introduced. Liaison with commercial banks and authorised foreign exchange dealers were stepped up immediately to ensure effective monitoring systems were in place. Given that many delegated activities of the commercial banks were reduced or returned to the direct authority of the Reserve Bank, a surge in the number of public enquiries at the Bank was anticipated. The Exchange Control e-service played a critical role during this period

in view of the nationwide restriction on social distancing.

The Bank continued to place due emphasis on compliance and undertook several spot checks on the operations of foreign exchange dealers. Meetings with exporters continued, resulting in the reconciliation of \$1,541 million, representing over 90 percent of outstanding export receipts during the year.

Collaboration with other Government agencies continued during the year with the aim of improving efficiencies in work processes and strengthening compliance measures.

¹⁶ Based on results of 2020 Annual Review of Exchange Rates Weights.

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

The promotion of the Fijian financial system as internationally reputable is only possible through the maintenance of a sound financial structure, required as one of the principal purposes of the Reserve Bank of Fiji under the RBF Act (1983). In the ongoing meeting of its financial stability mandate, the Reserve Bank continues to provide prudential oversight of the Fijian financial system ensuring the safety and soundness of individual entities, the sustainability of the various financial industries and the efficiency and inclusiveness of the financial system as a whole.



Financial System Regulation and Supervision

The Fijian financial system has remained stable in the reporting 2019-20 FY, despite the significant challenges brought on by some natural disasters and the COVID-19 pandemic. The stability of the financial system has been a reflection of the continued satisfactory performance of the commercial banking industry, which registered satisfactory capital and earnings levels during the year.

The insurance industry mirrored the performance of the banking industry, backed by strong consolidated solvency positions and satisfactory earnings and liquidity levels.

The FNPF, as the single largest financial institution in Fiji, continued to report positive operating results over the reporting period and adequately met its solvency requirement as mandated under section 32 of the FNPF Act (2011).

Prudential Regulation

Regulation by the Reserve Bank of Fiji involves the setting of requirements through prudential supervision policies and the issue of regulations and guidance under the various legislations which provides for the relevant powers to supervise the Fijian financial system.

Prudential Supervision Policy Development and Review

The Reserve Bank continued to enhance the effectiveness of its regulatory framework through the development of new and review of existing, prudential supervision policies. The review of the Banking Supervision Policy Statement Nos. 9A and 9B on *Liquidity Risk Management Requirements for banks and credit institutions*, were completed during

the year together with the drafting of the new policy to be issued on Minimum Requirements for Cybersecurity of Supervised Entities. This new policy will be issued for industry consultation in the upcoming year.

Acknowledging the findings of the recent Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in Australia, the Reserve Bank sought in August 2019 to confirm its role as conduct regulator for the Fijian financial system in addition to its prudential regulator role. In this regard, the Reserve Bank has embarked on a reform programme to review how conduct risk is managed by supervised entities, with the objective of developing its conduct risk management framework. Phase 1 of the reform which was undertaken in the review year, included the completion of a self-assessment questionnaire by all supervised entities.

Results of the self-assessment questionnaire have been analysed and will feed into Phase 2 of the programme where a thematic review on conduct risk and culture will be conducted by the Reserve Bank in the next financial year, after which the necessary framework for the supervision of conduct risk will be developed and implemented.

For the insurance industry, apart from the continued parallel implementation of the draft revised Solvency Requirements, the Reserve Bank continued to liaise with the industry on exploring the enablement of fronting arrangements with the objective of increasing underwriting capacity of domestic insurers.

On its oversight role of the capital markets, the Reserve Bank continued to review policies relating to Capital

Raising through Equity and Debt Securities and the development of a Trustee approval framework in line with the wholesale corporate bonds development project, on which the International Finance Corporation (IFC) has been providing technical assistance to Fiji.

A significant project also commenced during the year regarding the establishment of a Regional Know Your Customer (KYC) Utility for a number of South Pacific countries. The Reserve Bank as a member of the South Pacific Central Banks Forum undertook several liaison sessions at regional and national levels to establish the initial requirements of the project and work on this will continue in the next 12 months.

Legislation Review and Developments

Work on enhancing the legislative framework underpinning the Reserve Bank's supervision role also continued on various financial sector reforms being undertaken. These included the review of the Insurance Act 1998, though the technical assistance of the IMF Pacific Financial Assistance Centre (PFTAC). The review is expected to be completed in 2021.

Observations have also been made for the amendment of the Fair Reporting of Credit Act 2016 in light of the ongoing work regarding the national objective of improving Fiji's Ease of Doing Business ranking. The relevant amendments will be proposed through the usual law amendment process in the 2020-21 FY.

Work regarding the finalisation of the proposed Credit Union legislation is ongoing and now onto the final phase of legal vetting with the aim of taking the proposed draft legislation through the relevant approval process, in the next 12 months.

Licensing

The Reserve Bank continued to undertake licensing and registration of relevant institutions during the review period. 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.

After being under offsite monitoring by the Reserve Bank in line with relevant Ministerial directives issued over the years, the Fiji Development Bank officially came under the full supervisory ambit of the Reserve Bank in November 2019 as directed by the Minister for Economy pursuant to section 69 of the Banking Act 1995.

Registration of new and renewed Credit Information Providers and Credit Report Recipients continued during the year. The Reserve Bank of Fiji also undertook regular liaison with the only registered credit reporting agency, Credit Information Reporting Agency.

Being the regulatory authority responsible for registering capital raising documents as articulated under Part 26 of the Companies Act 2015, the Reserve Bank assessed and approved two capital raising applications during the year.

Prudential Supervision

As part of the Reserve Bank's many supervisory activities, a total of 270 offsite review reports were prepared, five onsite examinations conducted and 92 prudential consultations/meetings were convened during the 2019-20 FY. The emergence of the global pandemic mandated closer monitoring of the banking industry.

In view of disruptions to businesses caused by the pandemic, the Reserve Bank continued to impress upon supervised entities the importance of business continuity planning. The Reserve Bank subsequently developed a 'Frequently Asked Questions' document to clarify Essential Financial Services status of Supervised Entities during the COVID-19 national lockdown.

Supervisory guidance was issued to all regulated entities in March 2020, reinforcing the need to ensure adequate risk management during the pandemic which included the review of Business Continuity Planning tests, controls for remote working in consideration of cybersecurity risk and infection control and the supervisory stances taken by the Reserve Bank in line with national containment measures. These included the suspension of onsite examinations; cancellation of face to face meetings and prioritisation of matters of safety and soundness over other regulatory approvals normally sought by supervised entities.

In seeking to ease the impact of COVID-19 on businesses and households, the banking sector provided relief measures through repayment holidays to affected borrowers, on a case by case basis. Guidance was issued by the Reserve Bank to commercial banks regarding the prudential treatment and reporting of these moratoriums.

As at 31 July 2020, a total number of 16,891 loan customers accessed the COVID-19 relief packages, amounting to \$3.0 billion or 39.1 percent of the total loans of commercial banks and credit institutions.

Closer monitoring continued during the year on the Fiji National Provident Fund with regular prudential consultations conducted as a result of the economic impact

of the pandemic. Due to the surge in unemployment coupled with the increased number of workers on reduced hours, the Fund, in partnership with the Government, introduced withdrawals grounds specifically related to the pandemic, to assist members.

Consultations were also held between the Reserve Bank, the South Pacific Stock Exchange (SPX) and the Registrar of Companies in April 2020 to discuss regulatory relief measures in light of COVID-19, subsequent to which extensions were provided by the SPX on the timeline for the release of annual audited accounts and annual reports of listed companies. Listed companies were also advised to apply to the Registrar, under the Companies Act 2015, for an extension to the timeline for holding their annual general meetings.

The regulation and supervision of foreign exchange dealers continued during the year, to ensure compliance with legislation and prudential supervision policies relevant to their operations. There was also regular communication with the industry regarding the impact of the pandemic on remittances and money transfer operations.

Macroprudential Surveillance

In October 2019, the Reserve Bank published its fourth Financial Stability Report (FSR). The Report highlighted that the overall macroprudential risks remained relatively unchanged compared to 2018. However, downside risks persist, in light of the continued economic moderation, together with the implementation of Government's fiscal consolidation for the 2019-20 FY. While the stress test results on commercial banks implied that they were well capitalised to withstand plausible shocks in the short to medium term, there were however, specific areas at institutional and industry level that would continue

to be closely monitored. In a similar vein, the rising level of non-performing loans of households and corporates would warrant closer monitoring.

The Technical Assistance (TA) programme following the IMF Financial Sector Stability Review (FSSR) for Fiji continued with a Stress Testing mission from 4-14 November 2019. The Reserve Bank persisted with the process of assessing and implementing if considered relevant, the recommendations highlighted in the TA reports received.

The pandemic has brought about a greater need for monitoring indicators of financial soundness by the Reserve Bank and also international partners. In this regard, the Reserve Bank towards the latter half of the financial year committed itself to the

provision of financial soundness data to the World Bank, the IMF and other international financial institutions.

The Fijian Financial System

Six commercial banks continued to operate in Fiji over the review period through 65 branches and 130 agencies and agent banking centres. The number of branches decreased by two over the review period, while the number of agencies increased by two when compared to June 2019.

Four credit institutions remained in operation; one superannuation fund (FNPF); seven general insurers; two life insurers; five insurance brokers; 574 insurance agents; 10 foreign exchange dealers; one securities exchange; two managed investment schemes (MIS) companies; 64 capital market intermediaries and

participants; one credit reporting agency and five registered credit information providers and credit report recipients.

The number of Electronic Funds Transfer at Point of Sale (EFTPOS) terminals increased over the year from 5,735 to 5,817 and Automated Teller Machines (ATM) from 336 to 339.

Gross Assets of the Financial System

Fiji's financial system grew by 6.4 percent over the year to \$22.8 billion in June 2020, with the FNPF and the insurance industry being the major contributors to the annual growth. Commercial banks continued to dominate the make-up of the financial system assets at 46.7 percent, while the FNPF and the insurance industry accounted for 35.7 percent and 8.4 percent, respectively.

Licensed Financial Entities including Branches/Agencies (Number)

	2016	2017	2018	Jun 2019	Dec 2019	Jun 2020
Commercial Banks	6	6	6	6	6	6
- Branches	70	69	68	67	65	65
- Agencies and Agent Banking	95	119	126	128	126	130
- ATMs	326	325	338	336	339	339
- EFTPOS	6,081	5,872	6,137	5,735	5,841	5,817
Credit Institutions	4	4	4	4	4	4
- Branches	17	17	18	19	20	20
- 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	4	5	5	5	5
Insurance Agents ¹	526	537	464	514	528	574
Foreign Exchange Dealers	9	9	9	9	9	9
Money Changers	2	1	1	1	1	1
Securities Exchange	1	1	1	1	1	1
Managed Investment Schemes (MIS)	2	2	2	2	2	2
Property Trusts	0	0	0	0	0	0
Investment Advisers	12	12	12	11	10	10
Stock Brokers	3	3	3	3	3	3
Dealers	3	3	3	3	3	3
MIS Representatives	16	14	15	12	17	17
Stock Broker/Dealer Representatives	13	10	13	11	13	12
Investment Adviser Representatives	20	22	22	21	21	19
Credit Reporting Agency			1	1	1	1
Credit Information Provider and Credit Information Recipient				4	6	5

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

Source: Reserve Bank of Fiji

270

Off-site review reports in 2019-20 FY

16,891

Loan customers accessed COVID-19 relief packages

5,817

EFTPOS terminals

339

ATMs

The capital markets noted a contraction over the year with the stock market capitalisation and MIS funds under management decreasing by 6.4 percent and 2.6 percent, respectively, while the outstanding bonds recorded a growth of 15.0 percent.

The Commercial Banking Industry

The banking industry's prudential assessment indicators of capital, earnings and asset quality remained at satisfactory levels, while the liquidity position was assessed as marginal resulting in an overall satisfactory assessment as at 30 June 2020.

Commercial banks' total assets grew by 4.0 percent over the year to \$10.6 billion as at 30 June 2020. This was mainly due to the increases

in balances with the Reserve Bank by \$383.4 million and investments by \$170.7 million. The decrease in balances due from banks by \$172.9 million partially offset the overall increase in total assets.

The lending book of the commercial banks, however, declined slightly by 0.6 percent over the year to \$7.3 billion as at 30 June 2020 compared to the 7.0 percent growth noted last year. The annual movement was reflective of the effect of the pandemic on the Fijian economy. Lending to private individuals and non-residents sectors were the only increases recorded for the year ended 30 June 2020 by \$33.1 million and \$14.5 million respectively, whilst all the other sectors declined. This is compared to the growth in lending to the private sector business entities (by \$396.0m)

and private individuals (by \$87.6m), recorded in 2019.

Private individuals continued to account for the majority of the commercial banks' lending portfolio at 29.4 percent, followed by wholesale, retail, hotels and restaurant (19.7%), real estate (17.5%), building and construction (9.4%) and manufacturing (6.6%).

Commercial banks' deposits increased by 4.6 percent over the year to \$8.3 billion as at 30 June 2020. The growth was underpinned by demand deposits which grew by \$584.5 million, while time and savings deposits declined by \$216.8 million and \$4.4 million, respectively.

As at 30 June 2020, all commercial

Gross Assets of the Financial System (\$ Million)

	2016	2017	2018	Jun 2019r	Dec 2019	Jun 2020p
Regulated Financial Entities						
Commercial Banks	8,990	9,988	10,034	10,231	10,594	10,646
Credit Institutions	443	558	694	724	785	825
Insurance Companies	1,569	1,658	1,744	1,765	1,875	1,914
FNPF	5,496	6,139	7,037	7,450	7,902	8,142
Insurance Brokers	49	52	61	61	60	80
Capital Markets ¹	236	279	368	388	439	383
Total	16,783	18,674	19,938	20,619	21,655	21,970
Non-Regulated Financial Entities						
Non-Bank Financial Institutions ²	664	727	801	847	863	869
Total	664	727	801	847	863	869
Total Financial System³	17,447	19,401	20,739	21,466	22,518	22,828

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

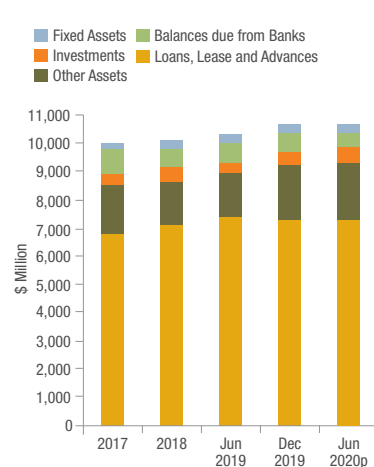
Composition of the Capital Markets (\$ Million)

	2016	2017	2018	Jun 2019r	Dec 2019	Jun 2020p
Equities Market ¹	1,319	1,797	3,070	3,638	4,119	3,405
Managed Investment Schemes ²	227	271	353	378	422	368
Bonds Market ³	3,387	3,636	4,014	4,275	4,289	4,915

¹ Based on the market capitalisation of the listed companies.
² Based on the funds under management.
³ Based on outstanding bonds.

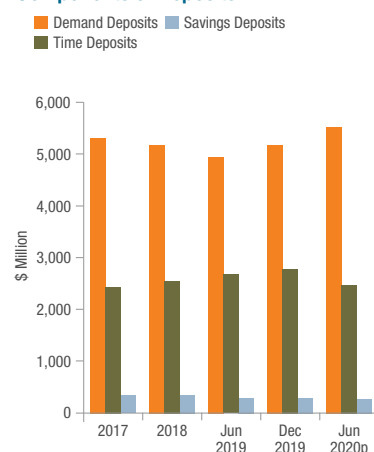
Source: Reserve Bank of Fiji

Commercial Banks' Assets



Source: Reserve Bank of Fiji

Components of Deposits



Source: Reserve Bank of Fiji

Reserve Bank of Fiji Annual Report

banks complied with the minimum capital adequacy requirement of 12.0 percent, reporting a combined capital adequacy ratio of 18.7 percent.

Classified exposures of commercial banks deteriorated by 44.8 percent to \$299.2 million resulting in a notable increase in the classified exposure to gross loans ratio from 2.8 percent in 2019 to 4.1 percent as at 30 June 2020. The outcome was mainly attributed to the pandemic which had affected the repayment capability of borrowers in particular over the six months to 30 June 2020.

Similar to 2019, specific provisions increased by a higher margin (\$36.4m) over the year to \$117.9 million. The growth is reflective of the commercial banks' International Financial Reporting Standards 9 provisioning models in line with the

economic forecast and the impending increase in credit risk inherent in their respective loan books. Overall, specific provisions were adequate to cover 39.4 percent of classified exposures. In addition, the general reserves for credit losses (GRCL) represented 1.4 percent (2019: 0.9%) of net loans.

Total past dues increased by 42.7 percent to \$462.7 million, compared to a 1.0 percent growth in 2019 to \$324.2 million. The one to three months category accounted for 59.6 percent of total past dues.

Problem loans were concentrated in the private individuals (30.1%), wholesale, retail, hotels and restaurants (16.5%), real estate (15.1%), transport and storage (12.6%), manufacturing (9.8%) and building and construction (9.5%)

sectors.

Commercial banks' soundness is threatened by the likelihood that there will be a continuous sharp increase in non-performing loans if the pandemic endures, from the already high levels as at 30 June 2020. Borrowers across all sectors and scales of business have been affected, as declines in income and revenue means that customers are unable to service their loans and make repayments. Consequently, banks will have to continuously monitor their non-performing loans and make prudent decisions on their current and future provisioning levels.

Net profit before-tax for commercial banks for the first six months of 2020 stood at \$47.1 million. The annualised return on equity (ROE) ratio fell to 5.3 percent from 14.9

Summary of Commercial Banks' Profitability (\$ Million)

	2016 ¹	2017 ¹	2018 ¹	Jun 2019 ²	Dec 2019 ¹	Jun 2020p ²
Interest Income	360.0	386.9	413.4	219.2	462.9	235.6
Interest Expense	101.1	130.4	140.1	82.3	177.6	82.9
Net Interest Income	258.9	256.5	273.3	136.9	285.3	152.7
Add: Non Interest Income:	204.9	231.3	239.1	119.7	249.2	97.2
Income from Overseas Exchange Transactions	80.5	84.0	92.9	46.8	96.5	35.1
Commission	14.0	14.5	17.2	8.8	17.6	7.6
Fee Charges	83.1	85.2	90.2	42.0	86.2	32.3
Other Income	27.3	47.6	38.8	22.0	48.9	22.2
Total Operating Income	463.8	487.8	512.4	256.6	534.5	249.9
Less: Operating Expenses	237.0	245.6	257.2	122.8	254.1	133.0
Less: Bad debts and Provisions	22.0	24.8	4.9	14.6	21.1	69.8
Profit Before-Tax and Extraordinary Items	204.8	217.4	250.3	119.2	259.3	47.1
Less: Tax	44.2	46.4	47.0	27.0	52.6	11.4
Net Profit After-Tax	160.6	171.0	203.3	92.1	206.7	35.7
Add/Less: Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit After-Tax and Extraordinary items	160.6	171.0	203.3	92.1	206.7	35.7
Average Assets	8,446.7	9,148.4	9,569.0	9,741.5	10,156.2	10,208.8
After-Tax Return on Equity (%)	18.4	17.7	19.2	14.9	15.8	5.3
Efficiency (%)	51.1	50.3	50.2	47.9	47.5	53.2
Yield on Earning Assets (%)	4.8	4.8	4.9	2.5	5.2	2.6
Cost of Funding Liabilities (%)	1.3	1.6	1.7	1.0	2.0	1.0

¹ Calendar year profits for all commercial banks used.

² 6 months profits for all commercial banks used.

Source: Reserve Bank of Fiji

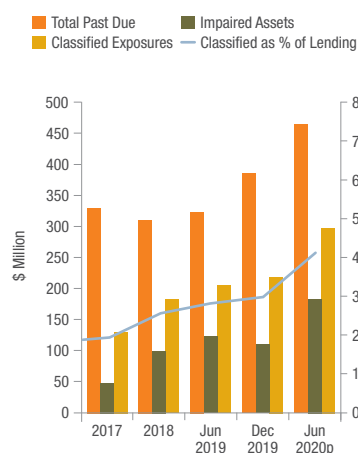
4.0% 

Commercial Banks' Assets

18.7%

Capital adequacy ratio of commercial banks as at 30 June 2020

Asset Quality



Source: Reserve Bank of Fiji

percent in 2019. The efficiency ratio increased to 53.2 percent whilst return on assets (ROA) stood at 0.9 percent, as at 30 June 2020.

The annualised interest rate spread increased to 3.3 percent in June 2020 from 3.1 percent reported in December 2019. This was due to decreases in both the cost of funding liabilities and the yield on earning assets.

Commercial banks' liquidity remained marginal despite the increase in liquid assets by 19.8 percent to \$2.0 billion as at 30 June 2020. Major components of liquid assets for commercial banks were investments (29.5%), exchange settlement accounts (37.2%), deposits with banks and at call (23.0%) and cash (10.2%).

Credit Institutions

Credit institutions' capital position continued to be assessed as strong while earnings were at satisfactory levels, for the year ended 30 June 2020. Asset quality, however, continued to be assessed as poor and liquidity levels were marginal, resulting in an overall marginal prudential assessment.

Total assets of the credit institutions grew by 13.7 percent over the year to \$824.7 million as at 30 June 2020, slightly lower than the 15.4 percent growth recorded in the same period of 2019. All categories of assets increased, with major growth in balances due from banks and loans and advances.

Lending growth remained positive for the credit institutions with loans and advances increasing by 5.7

percent to \$607.1 million as at 30 June 2020, compared to an 18.7 percent increase in the same period in 2019. Lending to private individuals recorded the highest increase of 16.9 percent to \$235.0 million, while lending to private sector business entities and public enterprises declined.

Total investments of credit institutions increased by 62.1 percent to \$28.5 million as at 30 June 2020. Government bonds continued to account for the major share of investments at 99.2 percent.

Total deposits continued to grow and stood at \$530.1 million as at 30 June 2020, an increase of 13.4 percent, slightly higher than the 12.6 percent growth recorded in 2019 (\$467.7m). Private individuals accounted for the majority of deposits at 36.9 percent

Commercial Banks' Profitability (% of Average Assets)

	2016 ¹	2017 ¹	2018 ¹	Jun 2019 ²	Dec 2019 ¹	Jun 2020p ²
Net Interest Income	3.1	2.8	2.9	2.8	2.8	3.0
Charges for Bad & Doubtful Debts	0.3	0.3	0.1	0.3	0.2	1.4
Non-interest Income	2.4	2.5	2.5	2.5	2.5	1.9
Operating Expenses	2.8	2.7	2.7	2.5	2.5	2.6
Net Profit Before-Tax	2.4	2.4	2.6	2.4	2.6	0.9
Net Profit After-Tax	1.9	1.9	2.1	1.9	2.0	0.7

¹ Calendar year profits for all commercial banks used.
² 6 months profits for all commercial banks used.

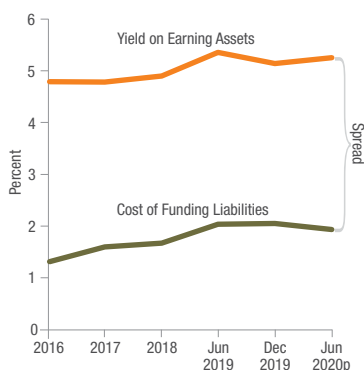
Source: Reserve Bank of Fiji

13.7% ↑
Credit Institutions' Total Assets

5.7% ↑
Lending by Credit Institutions

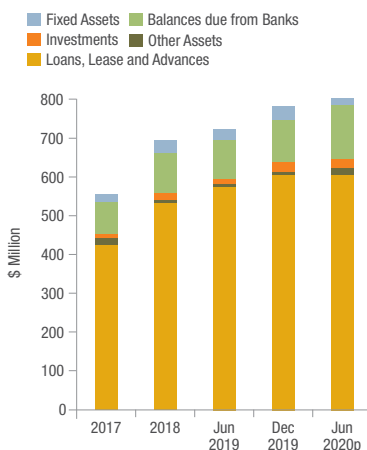
13.4% ↑
Deposits held at Credit Institutions

Commercial Banks' Annual Spread



Source: Reserve Bank of Fiji

Credit Institutions' Assets



Source: Reserve Bank of Fiji

followed by private sector business entities at 28.7 percent. The share of deposits by public enterprises and non-bank financial institutions were at 19.2 percent and 13.5 percent, respectively.

Credit institutions' combined capital adequacy ratio stood at 21.0 percent, above the regulatory minimum requirement of 15.0 percent, as at 30 June 2020.

The pandemic had also significantly impacted the credit institutions performance over the six months to June 2020. Classified exposures increased substantially by 63.3 percent over the year to \$114.0 million (June 2019: \$69.8m). Accordingly, classified exposures to gross loans ratio rose to 18.8 percent from 12.2 percent in the prior year. These movements were fully reflected

in the past due loans which notably increased from \$93.2 million over the year to \$270.6 million.

In line with the increase in classified exposures, total specific provisions increased by \$16.9 million to \$38.0 million and were assessed to cover 33.3 percent of classified exposures, at the end of June 2020. GRCL to net loans ratio slightly increased to 1.7 percent from 1.0 percent, in the prior year.

Credit institutions reported a net profit before tax of \$2.9 million for the first six months of 2020, compared to \$19.1 million for the six months ending 30 June 2019. The decrease in profit was mainly due to the increase in provisions in light of the pandemic. The annualised ROE and ROA ratios stood at 3.5 percent and 0.7 percent respectively, with

the industry's efficiency ratio at 39.4 percent.

The combined credit institutions' annualised spread was at 8.8 percent in June 2020, a decrease from the 10.1 percent recorded in the same period in 2019, primarily underpinned by the decline in the yield on earning assets over the year.

Liquid assets of credit institutions increased by 47.3 percent to \$166.7 million at the end of June 2020. Balances due from banks accounted for the majority of credit institutions' liquidity at 82.9 percent, followed by investments at 17.1 percent.

The Insurance Industry

The life and general insurance sectors complied with the mandated solvency requirements and reported surpluses as at 30 June 2020. The life and

Summary of Credit Institutions' Profitability (\$ Million)

	2016 ¹	2017 ¹	2018 ¹	Jun 2019 ²	Dec 2019 ¹	Jun 2020p ²
Interest Income	49.6	64.0	82.6	47.6	99.1	50.0
Interest Expense	10.7	15.2	20.6	12.4	27.1	15.3
Net Interest Income	38.9	48.8	62.0	35.2	72.0	34.7
Add: Non Interest Income	4.2	4.1	4.2	2.1	4.0	2.7
Commission	0.8	0.8	0.4	0.1	0.1	0.1
Fee Charges	2.0	1.8	2.5	0.6	1.6	1.9
Other Income	1.4	1.5	1.3	1.4	2.3	0.7
Total Operating Income	43.1	52.9	66.2	37.3	76.0	37.4
Less: Operating Expenses	17.3	20.0	25.4	14.3	29.8	14.7
Less: Bad debts and Provisions	6.3	5.4	6.2	3.9	10.2	19.8
Profit Before-Tax	19.5	27.5	34.6	19.1	36.0	2.9
Less: Tax	4.1	5.7	5.1	3.4	6.3	0.4
Net Profit After-Tax	15.4	21.8	29.5	15.7	29.7	2.5
Earning Assets	392.7	500.2	624.4	649.4	699.2	719.4
Cost of Funds	314.3	401.5	509.6	523.6	572.5	596.1
Average Assets	371.9	479.2	602.9	678.2	702.4	765.7
After-Tax Return on Equity (%)	18.9	23.1	26.5	25.1	23.3	3.5
Before Tax Return on Asset (%)	5.2	5.7	5.7	5.1	5.1	0.7
Efficiency (%)	40.1	37.8	38.4	38.4	39.2	39.4
Yield on Earning Assets (%)	14.3	14.3	14.7	7.5	15.1	7.0
Cost of Funding Liabilities (%)	4.0	4.2	4.5	2.4	5.1	2.6

¹ Calendar year profits for all credit institutions used.

² 6 months profits for all credit institutions used.

Source: Reserve Bank of Fiji

8.5% ↑
Total Assets of Life
and General Insurance
sectors

4.2% ↑
Combined Life and
General Sectors' Net
Premium Income

8.0% ↑
FNPF Total Assets

general insurers recorded strong solvency positions of \$484.9 million and \$98.0 million, respectively.

The insurance industry's assets recorded a growth of 8.5 percent over the year and stood at \$1.9 billion as at 30 June 2020. Both life and general insurers' assets grew by 8.5 percent and stood at \$1.5 billion and \$422.7 million, respectively. The increases in life insurer's assets were underpinned by increases in Government securities, equity investments and cash on hand. Similarly, growth in assets of general insurer's, was attributed to increases in cash on hand and land and buildings.

The aggregate net premium income for the insurance industry grew by 4.2 percent over the year to \$314.1 million for the period ended 30 June 2020. Net premium income for life insurers' rose by 4.4 percent while general insurers recorded an increase of 4.0 percent and stood at \$151.9 million and \$162.3 million, respectively.

The combined net policy payments and net claims paid by the life and general insurers totalled \$219.4 million, an increase of 2.7 percent. Net policy payments for life insurers increased by 7.8 percent to \$128.1 million while general insurers, paid out \$91.3 million, reflecting a decrease of 3.5 percent.

The combined insurance brokers facilitated 1,175 offshore placements worth \$89.0 million for the period ending 30 June 2020 in comparison to 1,535 offshore placements worth \$70.6 million during the same period last year.

Fiji National Provident Fund

The FNPF's performance for the review period was assessed as marginal with the challenging

economic and uncertain investment environments. The Fund's solvency requirement continued to be met at 125 percent risk-based capital coverage, with positive returns on investments reported for the review period.

As the largest financial institution and the only superannuation fund in Fiji, the Fund's assets accounted for 35.7 percent (or \$8.1b) of total financial system assets as at 30 June 2020. The increase in FNPF assets from \$7.5 billion in June 2019 is mostly attributed to the 8.6 percent (\$597.8m) expansion in its investment portfolio to \$7.6 billion. The growth in the investment portfolio was due to the increase in investments in Government securities and local equities.

While noting the challenging investment environment, the Fund declared an interest rate of 5.0 percent (\$288.0m) for the financial year ending 30 June 2020. This contributed to the 7.2 percent growth in member balances over the year to \$6.3 billion. Despite additional withdrawals allowed to members affected by the Coronavirus, the Fund reported positive net contributions of \$142.3 million, as at June 2020.

The Fund also faced the critical challenge of striking a balance between assisting members during the crisis and meeting its core objective of ensuring that members have a meaningful income when they reach retirement.

In partnership with the Government, the Fund implemented COVID-19 relief withdrawal packages for members and employers, including the provision of early retirement assistance to members affected and the reduction in employer and employee contributions to 5.0 percent from 10.0 percent and 8.0 percent, respectively.

In terms of supervision and in line with the pandemic induced economic environment, the Reserve Bank has more frequently undertaken offsite monitoring activities during the review period including prudential consultation meetings, offsite supervision of high-risk areas and ongoing follow-ups on actions taken by the FNPF on the recommendations of past Reserve Bank onsite examinations.

Capital Markets Industry

Securities Exchange

The volume and value of shares traded on the SPX increased for the year ending 30 June 2020, following the listing of Port Denarau Marina Limited in August 2019. Furthermore, there was an additional quotation of shares by listed companies such as Fijian Holdings Limited and Kontiki Finance Limited (KFL), as part of their dividend reinvestment schemes.

In terms of market capitalisation, the decrease in share prices of eight of the 20 listed securities, coupled with the delisting of Future Forests (Fiji) Limited in February 2020, contributed to the decline in market capitalisation from \$3.6 billion to \$3.4 billion, as at 30 June 2020. Consequently, the top five listed securities, in terms of market capitalisation, accounted for 71.3 percent of the stock market.

In line with the decrease in market capitalisation, the SPX Total Return Index (STRI), a measure of the stock market performance that indicates total returns, decreased by 5.9 percent from 8,527.84 to 8,026.50 as at 30 June 2020.

There were 11 special crossing transactions conducted during the review period, for nine listed securities, with a total volume of 12.3 million shares valued at \$31.7 million. Excluding these special crossing

transactions, a total of 13.7 million shares valued at \$23.3 million were transacted through 3,721 trades, over the year to June 2020, compared to 8.4 million shares valued at \$15.6 million through 2,420 trades for the corresponding period in 2019.

As at 30 June 2020, the average dividend yield on the listed shares fell to 1.9 percent, from 2.7 percent reported in June 2019. Similarly, capital growth significantly decreased to 8.9 percent, compared to 46.9 percent for the same period in 2019.

The average buy-to-sell order ratio as at 30 June 2020, stood at 1:19 relative to 1:5 at the end of June 2019. The significant increase in total shares on offer was due to the inclusion of new sell orders for multiple listed entities, such as KFL, Flour Mills of Fiji Foods Limited and Paradise Beverages (Fiji) Limited.

Managed Investment Schemes (MIS)

Funds under management of the MIS industry declined by 2.6 percent (or by \$9.7m) to \$367.8 million as at 30 June 2020 as a result of decreases

in reserves and unitholders' funds by \$5.7 million and \$4.0 million, respectively.

Total investments of the MIS industry stood at \$348.1 million, a significant decrease of \$27.7 million from the prior year. Listed securities continued to dominate the investment portfolio at 47.3 percent, followed by unlisted securities (23.4%), term deposits held with financial institutions (15.5%), bonds (9.3%), loans and receivables (3.8%) and property investments (0.7%).

The MIS industry reported a net profit of \$21.6 million for the year ended 30 June 2020, an increase of \$5.8 million from the prior year. The increase in net profit was a result of higher investment income of \$4.2 million, coupled with the decrease in investment expenses of \$1.6 million.

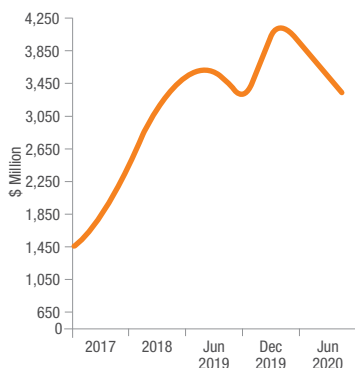
The number of unitholders in the MIS industry grew by 10.5 percent to 41,254 as at 30 June 2020. Private individuals comprised 74.9 percent of total unitholders, with institutions making up the remaining 25.1 percent.

Liquid assets held by the MIS industry stood at \$74.8 million, a decrease of 11.5 percent over the year. The reduction in liquid assets was mainly attributed to the decline in cash and cash equivalents by \$18.5 million to \$51.1 million. Liquid assets were able to cover 30.7 percent of unitholders' funds and 20.0 percent of total assets.

Complaints Management

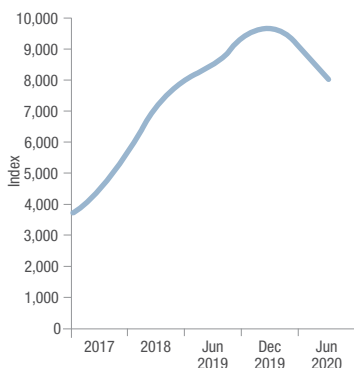
Complaints management and customer protection are undertaken by the Reserve Bank under its mandate to promote a sound financial structure. Complaints that are not resolved at the LFI level may be escalated by customers to the Reserve Bank. During the year, the Bank processed 88 complaints of which 10 were pending from the 2018-19 FY. There were 78 new complaints received which included nine referrals from Consumer Council, Fijian Competition and Consumer Commission (FCCC) and the Office of the Attorney-General. This is an annual decrease of 7.1 percent in complaints compared to the previous period.

Market Capitalisation



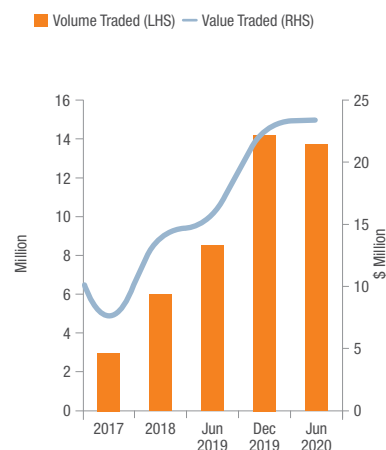
Source: South Pacific Stock Exchange

SPX Total Return Index



Source: South Pacific Stock Exchange

Volume and Value of Shares Traded*



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

During the review year, 75 complaints were resolved and 13 are pending and awaiting either further action from the LFI or additional information from the complainants. A total of 21 queries requesting information and assistance with exchange control and other banking processes were also received and immediately assisted.

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

To address the complaints received, the Bank held 78 meetings with complainants, LFI and other partner organisations.

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



CURRENCY

Under 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 2020, total currency in circulation was \$870.7 million compared to \$852.2 million a year ago. The value of notes in circulation increased by 2.1 percent to \$804.0 million during the FY with the \$5, \$10 & \$50 denominations being the highest circulated notes.

The value of coins in circulation increased by 3.6 percent to \$66.7 million during the financial year. The \$1 and \$2 coins registered a growth of 3.7 percent to \$16.9 million and 5.0 percent to \$19.0 million, respectively. The 5-cent coin accounted for the highest volume of coins in circulation.

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

Notes and Coins in Circulation (\$ Million)

Notes in Circulation			
Denomination	Jul 2018	Jul 2019	Jul 2020
50c	0.1	0.1	0.1
\$1	1.7	1.7	1.7
\$2	7.9	7.8	7.8
\$5	23.1	24.1	23.5
\$7	6.5	6.2	6.1
\$10	47.1	47.7	46.5
\$20	85.5	83.4	80.4
\$50	234.1	240.8	243.4
\$100	370.3	375.7	394.2
Pre-decimal Currency	0.3	0.3	0.3
Total	776.6	787.8	804.0
Coins in Circulation			
Denomination	Jul 2018	Jul 2019	Jul 2020
1c	1.3	1.3	1.3
2c	1.1	1.1	1.1
5c	4.7	5.0	5.1
10c	5.1	5.3	5.5
20c	7.4	7.7	7.9
50c	9.0	9.4	9.7
\$1	15.3	16.3	16.9
\$2	16.7	18.1	19.0
Pre-decimal Currency	0.2	0.2	0.2
Total	60.8	64.4	66.7
Notes & Coins in Circulation			
	Jul 2018	Jul 2019	Jul 2020
Notes	776.6	787.8	804.0
Coins	60.8	64.4	66.7
Currency in Circulation	837.4	852.2	870.7

Source: Reserve Bank of Fiji

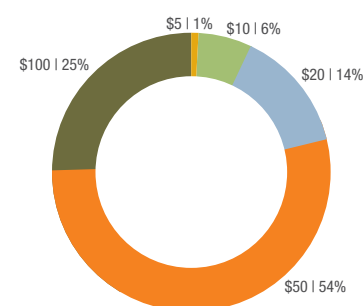
2.1% ↑

Value of notes in circulation

3.6% ↑

Value of coins in circulation

Notes Issued from Aug 2019–Jul 2020 (Total Value: \$972.0 Million)



Source: Reserve Bank of Fiji

Cost of Currency

For the financial year ending 31 July 2020, the cost of currency issued by the Bank increased by 13.2 percent to \$4.3 million.

Banking Transactions

For the FY ended 31 July 2020, the value of currency issued to commercial banks was \$976.1 million, of which \$972.0 million was in notes and \$4.1 million in coins.

The \$50 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 are in circulation. All notes returned to the Bank through commercial banks and the general public are processed and sorted for fitness by a note processing machine.

For the financial year ending 31 July 2020, 26.8 million returned notes were processed, of which 3.1 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 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

Cost of Currency Issued (\$ Million)

	Aug 2017-Jul 2018	Aug 2018-Jul 2019	Aug 2019-Jul 2020
Notes	2.7	3.1	3.8
Coins	1.1	0.7	0.5
Total	3.8	3.8	4.3

Source: Reserve Bank of Fiji

13.2% 
Cost of currency issued by RBF

Notes Processed

	Aug 2018-Jul 2019		Aug 2019-Jul 2020	
	Value (\$ Million)	Pieces (Million)	Value (\$ Million)	Pieces (Million)
Notes Processed				
Notes Saved for Reissue	438.0	7.4	171.5	3.1
Notes Destroyed	712.2	22.9	772.1	23.7
Total Processed	1,150.2	30.3	943.6	26.8

Source: Reserve Bank of Fiji

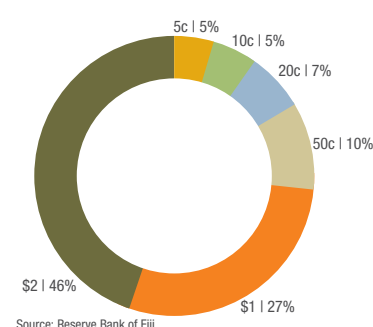
28.6m
Notes processed during the 2019-20 FY

Counterfeit Note Summary

Denomination	Aug 2018-Jul 2019		Aug 2019-Jul 2020	
	Value (\$)	Number of Notes	Value (\$)	Number of Notes
\$5	-	-	-	-
\$7	-	-	-	-
\$10	30	3	30	3
\$20	160	8	80	4
\$50	900	18	1550	31
\$100	900	9	1,100	11
Total	1,990	38	2,760	49

Source: Reserve Bank of Fiji

Coins Issued from Aug 2019-Jul 2020 (Total Value: \$4.1 Million)



Source: Reserve Bank of Fiji

the general public.

Numismatics

Numismatic or “collector” currency income for the FY ending 31 July 2020 was \$1.4 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.



PAYMENT AND SETTLEMENT SYSTEMS

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

FIJICLEAR

FIJICLEAR assures final and risk-free settlement and offers an efficient mode for financial institutions to meet their payment obligations. All commercial banks in Fiji use FIJICLEAR to settle their interbank and customer payments. The system continued to operate efficiently with increases recorded in activity over the year.

There were 149,940 transactions valued at \$161.4 billion recorded during the financial year. The growth in activity, as highlighted in the graph above, reflects commercial banks’ dependence and trust in FIJICLEAR.

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

Settlements

The Payment and Settlement Systems Unit plays a supportive and critical role to the reserves management function of the Bank by facilitating the accurate and timely settlement of all foreign currency trade obligations undertaken by the RBF. The Bank also provides correspondent banking services to regional and supranational institutions and central banks who maintain a Fiji Dollar-denominated account with the Reserve Bank. It also accounts for all foreign currency trades into the Hi-Portfolio Investment System.

The Bank also keeps abreast of developments within SWIFT, a secure messaging system used globally to send all financial transactional instructions to our foreign and

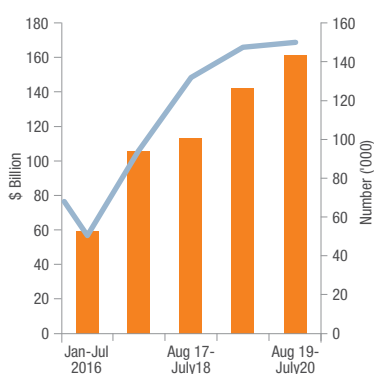
domestic counterparties.

Mobile Payments

Mobile Money services through Fiji’s two Mobile Network Operators, Vodafone Fiji Limited (Vodafone) and Digicel Fiji, continued to provide an alternative electronic payment platform for retail users and mobile phone subscribers. Vodafone’s M-PAiSA and Digicel’s Mobile Money offer a convenient and secure method of topping up airtime credit, purchasing internet data, paying for bills and transferring money within the mobile money platform and activity within these categories grew during the year. These payment channels proved convenient during the COVID-19 lockdown periods and remittances through the mobile money channel increased immediately

FIJICLEAR Transactions

■ Gross Payments (LHS) — Number of Transactions (RHS)



Source: Reserve Bank of Fiji

Monthly Average FIJICLEAR Transactions

Monthly Average	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018	Aug 2018-Jul 2019	Aug 2019-Jul 2020
Gross Payments (\$M)	8,395	8,927	8,793	9,455	11,900	13,450
Number of Transactions	9,144	9,336	10,019	11,015	12,297	12,495

Source: Reserve Bank of Fiji

following the onset of the pandemic and nationwide lockdown as well as into the transitioning period that followed.

Mobile Money Development

Under its financial inclusion programme and to promote the adoption of more efficient payment and settlement systems, the Reserve Bank continued with its offsite monitoring and advocacy for mobile money development. Fiji's two MNOs, Vodafone Fiji Limited (Vodafone) and Digicel Fiji, continued to provide mobile money services during the year. Highlights in key mobile money indicators are as follows:

- Overall, the total value of electronic money in circulation noted a decline of 2.8 percent to \$30.8 million at the end of July 2020 which is consistent with the dampening impact of the pandemic on the overall performance of mobile money services nation-wide.
- There were 282 registered mobile money active agents around Fiji, a decline of about 37.3 percent compared to the end of the last review period. The weak outturn is mainly due to cash-flow issues faced by many agents, especially during the COVID-19 situation,

which heavily impacted sales, revenue as well as agent performance.

- As at July 2020, there have been 589,952 person-to-person (P2P) transfers valued at \$58.2 million since the launch of Mobile Money in June 2010. Notably, the value of P2P transfers has increased significantly by 113.6 percent to \$25.4 million in the review period. Similarly, the number of P2P transfers notably increased by 119.6 percent to 257,261 transactions.
- The eTransport, which uses Vodafone's M-PAiSA platform, continued to facilitate e-money circulation for both mobile money and eTransport services. For the 12 months ending 30 June 2020, there were 1.6 million cards issued, recording around 9.9 million top-up transactions worth \$72.3 million. When compared to the same period ending 30 June 2019, the number and value of top-up transactions declined by 40.0 percent and 41.0 percent, respectively. The declines reflect the impact of the pandemic in 2020 as lockdowns, social gathering restrictions, school closures,

the slump in business and job losses impacted demand from commuters.

Inward Remittances through Mobile Money

The COVID-19 pandemic and the associated physical distancing restrictions and lockdowns have led to a significant growth in the use of digital financial services, particularly for remittances through digital channels.

In the six months to January 2020, the value of inward remittances through mobile money averaged \$1.8 million a month. In the six months following this period, remittances averaged \$5.3 million and peaked at \$8.1 million in the month of July 2020 alone, the highest since mobile money inward remittance channels were introduced.

As at 31 July 2020, the total number of inward remittance transactions recorded had increased by 160.6 percent to 143,848 while the total value registered an increase of 160.6 percent to \$42.7 million.

The observed pandemic-induced boost to this service represents both a historic and promising development in advancing the uptake of these digital channels for remittances.



NODA i LAVO

MISSION

PLAY AN INFLUENTIAL ROLE IN
THE DEVELOPMENT OF THE
ECONOMY

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

Finance Facilities available at the RBF

Import Substitution and Export Finance Facility

In response to the economic challenges of COVID-19 and the consequent increase in demand from affected eligible businesses, the Reserve Bank increased the total lending allocation under ISEFF from \$200 million to \$300 million. During the year, the Reserve Bank continued to provide concessional funding towards exports, import substitution, public transportation and renewable energy projects. The scale of operations under the facility continued to expand, which resulted in 34 business loans advanced during the year with a sum of \$64.2 million compared to 22 business loans with a total value of \$47.7 million in the previous year.

The largest number of approved loans was made to the manufacturing sector, followed by the agriculture, public transportation and renewable energy sectors. As at 31 July 2020, total outstanding loans under the facility was \$133.6 million against the total allocation of \$300.0 million in

comparison to \$103.5 million against an allocation of \$200.0 million at the end of the previous financial year.

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

As part of its ongoing efforts to help small businesses during the pandemic and promote inclusiveness, the Fijian Government enhanced its Credit Guarantee Scheme to increase coverage and renamed the facility as the MSMECGS. As part of the changes, Government now guarantees to pay 60 percent of the principal outstanding on defaulted micro, small and medium business loans up to a limit of \$60,000 per business. In addition, to encourage women participation in business and to support the development of the agriculture, fisheries and the forestry sectors, Government guarantees to pay 75 percent of the principal outstanding on defaulted loans up to a limit of \$75,000 per business on related loans to women entrepreneurs, as well as the agriculture, forestry and fisheries sectors. Businesses with an annual turnover of up to \$1.25 million will now be able to enjoy the

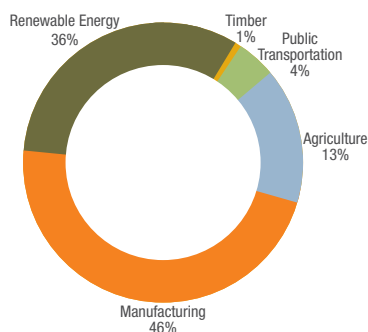
credit guarantee compared with the previous limit of \$500,000.

At the end of July 2020, a total of 478 business loans valued at \$34.6 million were covered under the Scheme. From these registered loans, the Reserve Bank has paid out loss claims totalling \$0.26 million on 18 defaulted business loans. Of this total, \$0.16 million on 12 loans was paid out in 2019-20 FY, up from \$0.01 million for two defaulted loans in the previous year. The Reserve Bank continued to administer the MSMECGS on behalf of the Government since the inception of the scheme in 2012.

Disaster Rehabilitation and Containment Facility

As part of RBF financial measures to support local businesses and minimise any long term damage to the economy, the RBF re-activated the Natural Disaster and Rehabilitation Facility and expanded the coverage to include businesses affected by health epidemics or pandemics such as the Coronavirus. With the enhancement and renaming of the facility as the DRCF, there was noticeable interest from the

ISEFF Outstanding Loans by Sector as at 31 July 2020



Outstanding Loans: \$133.9 Million Approved
Loans Pending Drawdown: \$67.5 Million

Source: Reserve Bank of Fiji

\$64.2m

Advanced to 34 businesses under ISEFF

\$83.7m

24 applications approved under the DRCF

\$34.6m

478 business loans covered under the MSMECGS

\$17.6m

195 low-income households accessed the Housing Facility

business community resulting in the processing of more applications and disbursements of funds. A total of 21 applications (\$83.4 million) was approved during the year while there were no applications received in the previous year. Of these approvals, a total of \$4.6 million is awaiting instructions for the drawdown of funds. At the end of the financial year, total outstanding loans under the facility was \$92.9 million against the total allocation of \$100.0 million, an increase from \$14.3 million against an allocation of \$40.0 million in the previous fiscal year.

Housing Facility

The RBF continued to provide concessional funding under the Housing Facility for low-income earners. During the review year, a total of 195 low-income households were able to purchase or build their first homes at a total value of \$17.6 million under the scheme. Since the inception of the facility, a total of \$58.8 million against the allocation of \$100 million has been advanced to 1,007 households to build or purchase their new homes.

Secondary and Retail Bond Market

The appetite from retail investors for Viti bonds was strong during the 2019-20 FY resulting in the full subscription of the \$10 million allocation for the first time since 2012. The outstanding value of Viti bonds at the end of July 2020 stands at \$56.2 million for 435 investors.

On the secondary market, the Reserve Bank purchases of Viti bonds were the only activities recorded in the review period. There were purchases of 71 parcels of Viti bonds valued at \$0.9 million, compared to purchases of 101 parcels of Viti bonds valued at

\$1.7 million in the previous year.

Financial System Development

Secured Transactions Reform

The secured transactions reform continued to progress in the review year. Milestones achieved include the successful completion of the 180-day transition period which ended on 27 November 2019. This period allowed lenders to migrate their existing security interests into the FPPSR. After the transition period, the number of filings stood at 49,436.

The Reserve Bank continued its awareness and presentations to various business houses and forums on the key implications of the Personal Property Securities Act 2017 and the workings of the PPSR. The awareness will continue in the new financial year.

The PPSR operated seamlessly throughout the COVID-19 period, especially during the lockdown of the Suva area. As expected, a decline was noted in the numbers of filings, but clients were still able to register filings and the public could conduct searches on the registry.

As at 31 July 2020, the PPSR has recorded more than 60,000 filings from all six commercial banks, four credit institutions, 12 non-bank financial institutions, four car dealers, four hire-purchase companies and 42 law firms.

Micro, Small and Medium Enterprises (MSME) Development

In an effort to improve MSME access to finance, the Reserve Bank continued to collaborate with the Ministry of Commerce, Trade, Tourism and Transport (MCTTT) to provide

support towards the development of the MSME sector through the MSME Technical Working Group (TWG) as required under Pillar 6 the RBF Financial Sector Development Plan 2016-2025.

The MSME TWG met three times over the year and discussions included finalising the setup of MSME Fiji – a MSME-dedicated division within the Ministry.

MSME Fiji was officially established in December 2019 and is responsible for developing and administering Government's MSME-related national initiatives include providing business advisory services and undertaking training and capacity building programmes.

The new financial year presents an even more crucial time to stimulate the MSME sector to help with economic recovery. The Reserve Bank will continue to provide support to MSME Fiji and the Ministry in this regard.

Financial Inclusion

Throughout the year the Bank engaged with the Alliance for Financial Inclusion (AFI) on a number of activities, training webinars and working group discussions to further the financial inclusion agenda of the Bank and the RBF's 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 Banks' broader financial inclusion agenda.

During the year, the Bank contributed to various projects through AFI's eight working groups. These included a

number of upcoming and published knowledge products such as a 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 a Policy Model for E-Money.

National Financial Inclusion Taskforce (NFIT)

The work of the NFIT is guided by the National Financial Inclusion Strategic Plan 2016-2020. Financial inclusion efforts were challenged in early 2020 due to the global pandemic which affected and continues to affect many households, particularly the low-income earners and the MSMEs.

The *iTaukei* financial literacy programme, *Noda i Lavo*, aired on Fiji Broadcasting Corporation TV and hosted by Tevita Gade of the RBF, has completed three seasons. The programme features partner stakeholders as guests discussing financial products or sharing their experiences on how they have benefited from making prudent financial decisions. The airing of Season 4 commenced on 21 July 2020. The programme continues to receive positive feedback.

In partnership with Pacific Financial Inclusion Programme (PFIP), the RBF continued to recognise and reward teachers and schools for creative approaches and initiatives in teaching Financial Education (FinEd) through the annual FinEd Innovation Awards. This was held at the Fiji Head

Teachers' Association Conference in Suva. Approximately 700 head teachers were present during the Awards, where four primary schools and four teachers from Central, Northern, Western and Eastern Divisions received Awards.

As at 31 December 2019, 76.8 percent of the adult population were formally served by a financial institution, gradually increasing by an average of 2.8 percent over the past four years. In addition, all urban and the majority of rural *tikinas* (89.5%) had access to at least one financial access point. Those *tikinas* with no access point have relatively weak to no mobile coverage.

Financial Services Disaggregated Data

The Reserve Bank's Financial Sector Development Policy Statement on the Minimum Requirements for the Provision of Disaggregated Data was implemented on 1 June 2019. Under the policy, regulated and supervised financial service providers (FSPs) are required to provide disaggregated data by gender, age and location for bank account ownership (depositors & borrowers), mobile money wallet ownership, insurance policyholders, superannuation members, remittance recipients – both local and international, e-channel registered customers, non-bank financial institutions customers (depositors & borrowers), capital markets investors and micro, small and medium enterprises (depositors & borrowers).

Between September 2019 and July 2020, the RBF received datasets for the 2018 and 2019 periods from 33 and 34 of the 35 FSPs, respectively.

The RBF continues to work with financial industry players to improve data collection under the newly

introduced policy and analyse submissions to assist stakeholders formulate evidence-based financial inclusion interventions.

Capital Markets Advisory and Development Taskforce (CMADT)

The CMADT held two meetings during the review period concentrated in the first half of the year. There were no meetings held in the latter part of 2019-20 FY due to COVID-19 restrictions.

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

- Fiji was scheduled to host the next World Exchange Congress in June 2020. The annual event brings together representatives from the stock, commodity and energy exchanges, clearing and settlement houses, regulators, capital market authorities and digital technology solution providers. The 2020 event had registered more than 500 participants and 120 confirmed speakers focusing on new technology, new customers, new revenue streams, exchange evolution, regional collaboration and cyber security. However, due to the global impact of the Coronavirus, the event was postponed to a later date.
- The Taskforce also looked at the challenges faced by the Capital Markets intermediaries in implementing AML/CFT requirements. An Industry Forum was convened in September 2019 to gather specific issues and challenges from the experiences of the industry. An important

outcome of the Forum was the need to understand the processes in place for resident and non-resident investors by the financial institutions and Government agencies such as FRCS and Investment Fiji. Further discussions with the regulators pointed at the need for a more facilitative environment, frequent interactions between the supervisor and the industry and regular training of the customer service officers.

- The Private Sector Development Initiative, a private arm of the ADB, made a presentation to the Taskforce on alternative financing opportunities for Fiji and the beneficial impact of an enabling legal framework on small and medium enterprises faced with capital raising constraints. Taskforce members deliberated the legal avenues within the Fijian context that could be considered in order to facilitate capital-raising through such platforms and agreed to collaborate with Government on a way forward.
- Work on developing Fiji's corporate debt market continued with the IFC for the drafting of the regulatory framework that would enable large corporations to issue bonds. An industry

consultation was conducted in November 2019 with key stakeholders from the financial markets, legal, accounting and auditing firms, the FRCS and Government. The consultations centred the discussions on eligible investors, key obligations of issuers and specific legislative and regulatory avenues through which an issuance would be viable. Following the consultations, a draft Companies (Wholesale Corporate Bonds) Regulations was developed and discussed with stakeholders and is scheduled to be vetted for approval by Government in the second half of 2020.

- Bond issuances in Fiji are subject to the requirements in the Companies Act 2015, which requires that companies that wish to conduct an offer to enter into a trust deed and appoint a trustee. In this regard, a bond trustee licensing framework was developed and approved by the Reserve Bank in October 2019.

Regulatory Sandbox Guideline

On 31 December 2019, the Reserve Bank launched its FinTech Regulatory Sandbox Guideline, a framework which aims to foster the responsible development of innovative solutions in Fiji's financial sector. Specifically, the regulatory sandbox provides

an innovative and safe space that facilitates controlled live tests of new financial products and services prior to commercial deployment.

The launch was a culmination of development work which the RBF embarked on in May 2017 when it publicly announced its intention to issue guidelines, reaffirming its support for financial innovation and responding to a growth in interest to introduce new types of financial solutions that aim to address various inefficiencies in the financial system.

Like many financial regulators around the world, the Reserve Bank is continuously challenged with responding to new and innovative financial products, services and processes. The Guidelines recognise the need to evolve regulation that enables genuinely beneficial innovation while simultaneously responding to new risks emerging from more sophisticated solutions. As such, the Guideline adopts a number of key design principles such as requiring prospective participants to incorporate adequate risk management, consumer protection and redressal frameworks, in addition to the test parameters that will be in place to control and contain potential risks specific to the nature of solutions.

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.

Corporate Donations to Organisations

The following charitable organisations received contributions of \$1,000 each from the Bank in December 2019: -

- 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 (QMT) and staff to families and individuals in need.

- o Groceries for some families
- o Visiting the sick with food items and cash contribution
- o Cash contribution for medical treatment
- o Contribution towards food parcels to needy families during Diwali and Christmas through Rotary
- o Cash donation to Fiji Cancer Society for WOWS

The Bank also donated food and clothing towards efforts to rehabilitate rural areas after Tropical Cyclone Harold.

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. Staff members were judges for Investment Fiji's Prime Minister's International Business Award as well as FDB Small Business and SPX Awards.

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.

The Bank continued to benchmark itself against similar institutions and participated in the SPX Annual Report Competition in the August 2018-July 2019 Report.

The Governors and senior staff made presentations and submissions to the Parliamentary Standing Committees on a number of occasions. Presentation on the 2019 Insurance Annual Report was made to the Standing Committee on Economic Affairs on 16 January and tabled in Parliament on 4 September 2020.

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 visits.

The Bank participated in the activities of the Fiji Institute of Bankers (FIB).

In an effort to keep the public informed of its assessment of the economy, the

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

To create awareness of RBF operations, the Bank participated in interviews and talkback radio shows in Hindi and English. The Bank also featured in a financial literacy programme in the *iTaukei* language by hosting the *Noda i Lavo* programme which recorded its fourth season in 2019.

The Bank's Sports and Social Club also organised social events and cultural activities such as Diwali, Eid, Chinese New Year and Sports Day for staff. The Bank also participated in sports organised by business houses.

School Visits to the Bank

Every year the Bank facilitates sessions where school students, get to learn the operations of a central bank. The visit ends with a question and answer session and tour to the Bank's numismatic centre. Four schools visited the Bank: Namosi District School, Viro District School, Burenitu Village School and International School. The students also get to meet and network with their school alumni working in the Bank.



MISSION

PROVIDE PROACTIVE AND SOUND ADVICE TO GOVERNMENT

Policy advice to Government is provided in many ways. During the 2019-20 FY, the Governor met with Government officials on a number of occasions to discuss issues pertaining to the economy. The RBF also accompanied Government officials on visits and consultations abroad. Presentations on the economy were made to Ministries and other Government agencies, as and when requested.

Policy Coordination

Policy formulation is critical to the effectiveness of Government's macroeconomic management, therefore, must be appropriately undertaken by relevant economic policymaking agencies. RBF continued to 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 GDP, trade 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 Commerce, Trade, Tourism and Transport, Fiji Bureau of Statistics, Prime Minister's Office, Ministry of Infrastructure & Meteorological Services, FRCS, Investment Fiji and the Reserve Bank. During the 2019-20 FY, there were two forecasting rounds, six 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 2020-21 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 2020, the RBF registry recorded a total nominal value of \$4,951.4 million in bonds, compared to \$4,275.5 million in the previous financial year. For the review period, Government bonds recorded a net issuance of \$710.1 million, which led to an increase in the value of outstanding bonds by 17.8 percent to \$4,681.1 million. On the contrary, the outstanding balance for statutory corporation bonds fell by a combined 11.2 percent to \$270.3 million.

Total registry payments fell by 9.7 percent (\$109.4m) to \$1,022.0 million at the end of July 2020. The lower payments resulted from a decrease in Treasury bills redemptions by \$79.5 million to \$439.5 million. In addition, bond redemptions decreased by \$50.7 million to \$278.8 million.

Despite the increased demand for funds by Government, the yields tracked downwards across the maturity spectrum, especially towards the end of the year. The decline was generally associated with the easing of monetary policy stance 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 2019-20 FY, Government Treasury bills recorded total issues of \$401.7 million and redemptions worth \$439.5 million. The outstanding Treasury bills balance at the end of July stood at \$269.7 million.

Similar to the Government bonds, yields on Treasury bills also fell significantly throughout the maturity span during the year.

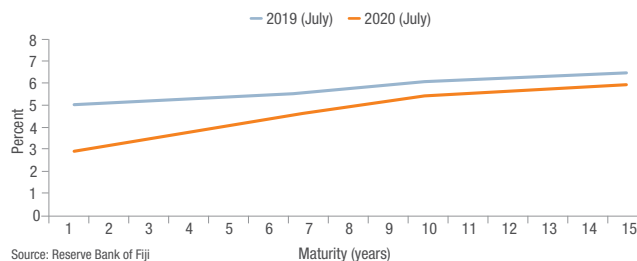
Outstanding Bonds as at 31 July 2020 (\$ Million)

	Issued	Redeemed	Outstanding
Total Government	904.1	194.0	4,681.1
o/w Fiji Development Loan Bonds	-	129.5	1,415.6
o/w Fiji Infrastructure Bonds	804.1	63.4	3,019.3
o/w Fiji Green Bonds	-	-	100.0
o/w COVID-19 Response Bonds	90	-	90.0
o/w Viti Bonds	10	1.1	56.2
FDB	40.5	54.5	228.8
EFL	-	-	8.0
HA	10.0	5.2	33.5
FSC	-	25.0	-
Total	954.6	278.7	4,951.4

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



Treasury Bills (\$ Million)

	Aug 2016- Jul 2017	Aug 2017- Jul 2018	Aug 2018- Jul 2019	Aug 2019- Jul 2020
Flotations	230.0	240.0	805.0	545.0
Allotments	241.6	269.0	639.0	401.7
Redemptions	310.4	177.9	519.0	439.5
Outstanding	96.4	187.5	307.5	269.7

Source: Reserve Bank of Fiji

RESERVE BANK OF FIJI

MEDIA NOTE

01 NOVEMBER 2019



Roadshow on World's First Regional Regulatory Sandbox Commences with Fiji Visit



(From Left to Right) Mr Wameek Noor (AFI), Mr Eliko Boletawa (AFI), RBF Governor Mr Ariff Ali and Mr Adeyemi Omotoso (AFI)

The Reserve Bank of Fiji (RBF), in conjunction with the Pacific Islands Regional Initiative (PIRI) and the Alliance for Financial Inclusion (AFI), hosted a consultative forum in Suva on 24-25 October for key stakeholders towards the development of a Regional Regulatory Sandbox (Regional Sandbox).

The Regional Sandbox is earmarked to be the first multijurisdictional regulatory sandbox in the world and is designed to enable and facilitate controlled testing and deployment of innovative, financial solutions within participating countries of PIRI – AFI's initiative for its Pacific Island member countries including Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu and Fiji.

Fiji was the first PIRI member to be visited by AFI as part of its seven-country regional regulatory sandbox roadshow which aims to discuss and understand specific requirements for operationalising the seven-country initiative. The AFI mission team and the RBF used the opportunity to leverage off insights into the strides that Fiji has made in the digital financial services and towards the development of a national regulatory sandbox – one of two proposed national regulatory sandboxes in the Pacific.

In his remarks during the visit by AFI, RBF Governor, Mr Ariff Ali acknowledged the role of technology in advancing inclusive development through extending essential financial services to the underserved segments of society including rural communities and micro, small and medium enterprises. He added "The regional regulatory Sandbox is the right direction. We need to know ourselves, so we understand the risks but also to support FinTech and innovation. Our job is not to have bottlenecks but to find solutions."

AFI's Head of Policy Programs and Regional Initiatives Mr Eliko Boletawa added that, "With the emergence of new, more sophisticated technologically-driven financial service solutions – regulators from developing and developed economies around the globe have moved towards introducing national regulatory sandboxes as a means of responding to associated challenges and risks. A regional crossjurisdictional framework will enable a safe space with well-defined safeguards that is tailored to new solutions including those that assist in eliminating genuine barriers to innovation in the financial system."

Mr Shailendra Prasad of Vodafone Fiji, a participant at the forum mentioned that "a key benefit to the region is that the Regional Sandbox will present the Pacific as a single market for many innovative financial solutions that hinge on leveraging a sufficiently large population to be a viable offering. This should encourage new entrants and provide an opportunity for existing platforms to grow even further. At the end of the day, customers will benefit from innovation."

Additionally, central bank leaders from PIRI member countries have recognised the potential that the regional initiative has for catalysing the convergence of regulatory requirements and processes across the Pacific region.

AFI will continue its planned in-country visits across participating PIRI member countries in November as it seeks to harmonise and synthesise the processes involved in the implementation of the Regional Sandbox and identify potential sandbox participants with innovative solutions that can enhance financial inclusion.



MISSION

DISSEMINATE TIMELY AND QUALITY INFORMATION

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



Financial Performance

Income

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

For the financial year ended 31 July 2020, total income was \$59.8 million led by the high foreign interest income emanating from the high yields on the foreign reserves held by the Bank.

Expenditure

Total expenditure incurred during the year was \$29.7 million. Administrative spending was \$20.4 million with staff costs representing the single largest operating expenditure for the Reserve Bank accounting for over 52.9 percent of total operating costs. Other expenses for the year totalled \$9.3 million.

Assets and Liabilities

The Bank's total assets stood at \$3.1 billion as at 31 July 2020, representing a 14.8 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 2020 was \$30.1 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 \$2.7 million as at 31 July 2020. The amount transferred from the RRA was \$1.5 million in the previous financial period.

The Bank transferred \$31.8 million to the Government for the year ended 31 July 2020 compared to the \$29.4

million paid for the year ended 31 July 2019.

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. The Corporate Communications function coordinates internal and external communications by the Bank through publications, press releases, media notes, website management, responses to external enquiries and media relations.

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

During the year, the Bank released the August 2018-July 2019 RBF Annual Report and the 2019 Insurance Annual Report, after both reports were tabled in Parliament on 17 February and 4 September 2020,

RBF Foreign and Domestic Income (\$ Million)

	Aug 2016- Jul 2017	Aug 2017- Jul 2018	Aug 2018- Jul 2019	Aug 2019- Jul 2020
Foreign Interest Income	39.8	44.8	46.6	38.6
Domestic Interest Income	9.7	9.7	10.2	16.1
Other Income	6.6	5.3	4.4	5.1
Total	56.1	59.8	61.2	59.8

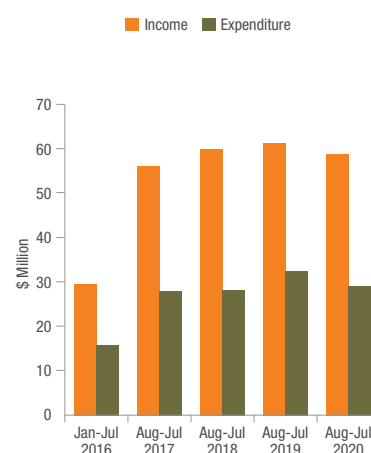
Source: Reserve Bank of Fiji

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

	Jan-Jul 2017	Aug 2017- Jul 2018	Aug 2018- Jul 2019	Aug 2019- Jul 2020
Operating Profit	28.3	31.5	28.9	30.1
Less				
Transfer to General Reserves	1.0	1.0	1.0	1.0
Balance Paid to Government	27.3	30.5	27.9	29.1
One-fifth of RRA	2.1	2.0	1.5	2.7
Total Paid to Government	29.4	32.5	29.4	31.8

Source: Reserve Bank of Fiji

Total Income and Total Expenses



Source: Reserve Bank of Fiji

respectively. The 2019 FSR was released on 5 December 2019.

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 26 Press Releases and 6 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 how the Reserve Bank operates. The Bank also maintains a Facebook account to provide updates in a timely manner to its stakeholders.

The Reserve Bank's website and Facebook page were regularly

updated during the year to ensure timely and relevant information were disseminated. The website is also being reviewed as the Bank seeks to ensure that it continues to be designed around the principle of making the most relevant information as accessible as possible for all its audience. The website redesign will be completed in the next fiscal year.

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 (Rev. 2006) for proper recording and preservation of vital official records.

The Bank uses Total Records Information Management, an integrated Electronic Document Records Management System (EDRMS), for storing and retrieving indexed and digitised records. The Bank's EDRMS project continued during the year and will be ongoing during the rest of 2020.

Property Management and Security

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

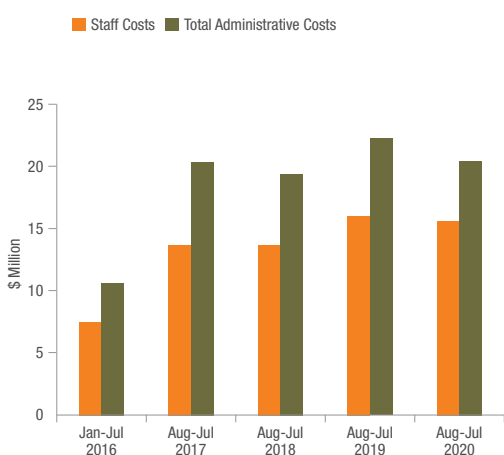
The security management for the RBF building, BRS and Governor's residence were well maintained throughout the year without any major security breach.

Domestic Relations

Over the 2019-20 FY, the Reserve Bank continued to engage and conduct economic presentations in strengthening its relationship with stakeholders.

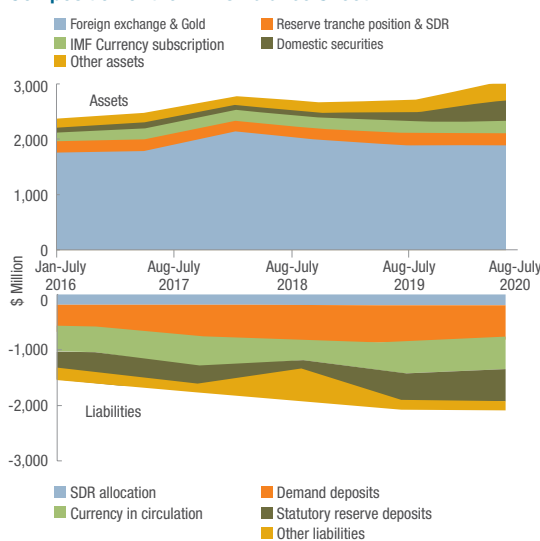
The Reserve Bank continued its regular prudential consultations with supervised institutions in 2019-20 FY. The Bank also met with industry stakeholders namely the Association

Operating Expenses by Type



Source: Reserve Bank of Fiji

Composition of the RBF's Balance Sheet



Source: Reserve Bank of Fiji

of Banks in Fiji, the Finance Companies Association on a quarterly basis and the Insurance Association of Fiji and the Foreign Exchange Dealers Association on a six-monthly basis.

Bilateral meetings were held with the heads of commercial banks, credit institutions, the FDB and the FNPF 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. The Bank also provided economic and financial briefs to officials from Government ministries and other statutory bodies.

International Relations

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

Regular correspondences with multinational agencies were ongoing during the year on matters relating to the IMF, the World Bank, the ADB and other related agencies. In September 2019, the Bank was represented at the 11th AFI Global Policy Forum in Kigali, Rwanda.

The Bank was also represented during the physical and virtual annual meetings of the IMF and the World Bank in October 2019 and April 2020, in Washington D.C. Representations were also made in November 2019 at the 34th South Pacific Central Bank Governors' meeting in Australia.

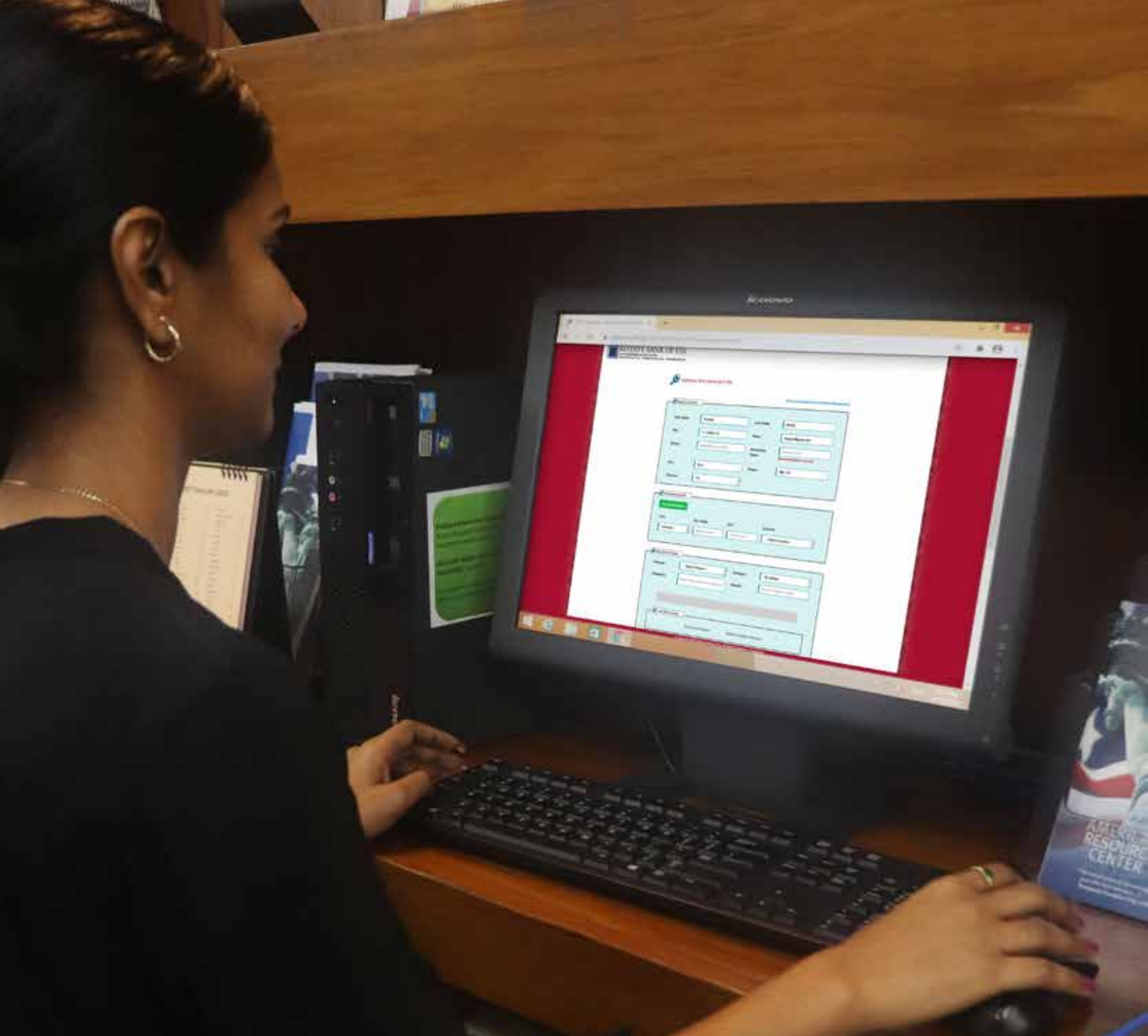
An IMF Article IV Visit took place from 3-13 December 2019. In addition, a Stress Testing TA Mission was held on 4-15 November 2019 while the FSSR Mission was conducted from 4-15 November 2019.

The Bank also continues its collaboration with Griffith University and Bank of Papua New Guinea, CBSI and Reserve Bank of Vanuatu

(RBV) in the form of publishing of working papers and contributing to regular blog updates in the areas of research and central banking. The Governor and RBF staff also attended and participated in the South Pacific Central Banking Research Conference as well as the Regional Policy Dialogue held in Vanuatu on 13-14 November 2020.

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 collaboration 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.



MISSION

ENHANCE OPERATIONAL EFFICIENCY THROUGH INNOVATION AND RISK MANAGEMENT

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

Information Technology (IT)

Whilst innovation has always been engrained in the culture of the Bank, COVID-19 has in many ways heightened the need for the Bank to push all boundaries beyond the normal ways of doing business by building a workplace model that is nimble, resilient, responsive, clear in its communication and accountable in its partnerships.

IT systems and infrastructure has been at the forefront of innovation, playing an integral role in leading the digital transformation at the Bank. To successfully deliver on the 2019-24 Strategic Plan, the IT implementation plan was developed to provide the much-needed framework and guidance on new technology initiatives, digitisation of processes and resilience against risk and cybersecurity threats, all geared towards delivering maximum efficiency whilst reducing operating costs, improving customer service, increasing the accessibility of data to staff and optimising the use of information for decision making.

The benefits of these achievements were quite evident especially during the COVID-19 lockdown whereby 60 percent of the Bank's employees worked from home, continued to meet online and delivered essential services via remote access to the corporate network. To further elaborate on the achievements, our IT infrastructure, including websites and networks, has remained secure, modern and resilient throughout the year.

The implementation of the Bank's network monitoring and Security Information and Event Management (SIEM) solutions has boosted the

security of resources with proactive identification of potential security issues. Greater focus was also placed on strengthening the internal IT compliance culture.

In our efforts to continuously strengthen cybersecurity capabilities during the FY, the Bank commenced with the development of its cybersecurity framework as it remains a priority focus for the Bank, as a safe, secure and fully operational IT environment in ensuring we deliver our mandates. This includes ongoing threat monitoring and vulnerability assessments. Furthermore, ethical hackers and international penetration testers were engaged to conduct independent vulnerability assessments of external interfaces. To further elaborate on works towards IT-related innovations, completion of the 2019 SWIFT attestation SWIFT Customer Security Programme (CSP) mandatory and advisory security controls, aimed at ensuring the security and integrity of the systems was a positive 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, however, is not limited to the Economics Data Management and the Online Submission of Registry Regulatory Returns.

During the year, there were ongoing improvements to the Human Resource Information System to provide automated system reports with real-time people 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. Further, the Bank continued to ensure that our employees are provided with the latest and relevant hardware and technologies.

Management of records is also a focus area for the Bank as good records management, i.e. retention and usage of data, assists in decision making and mitigation of risks associated with it. Over the year, the Bank has successfully digitised all its hard copy records into the Total Records Information Management (TRIM) system. This allowed the Bank to ensure staff have complete access to accurate information in a timely and cost-effective manner.

The Bank further enhanced digital transformation by capturing all financial source documents into the Epicor Financial Management Software (EFMS). This enabled faster and easier access to data resulting in quicker turnaround time for report generation and dissemination. Furthermore, the teller receipt function was automated, with receipts being generated from EFMS resulting in added efficiencies in the teller operations via way of enhanced controls, tracking and reporting of cash inflows.

The Bank, over the years, has been very active in the coin numismatic market and during the year ventured into the budding banknote numismatic market. Numismatic is a niche market involving the study and

collection of currency and includes both, banknotes and coins. From our humble beginnings where a modest numismatic income target of \$50,000 was barely achievable, the Bank's numismatic operations have grown in strength over the years reaching thousands of collectors worldwide via its circulation/numismatic banknotes and coins sold. At the end of this FY, the Bank has realised a notable approximate \$1.4 million in numismatic income. Notwithstanding this positive trend, the Bank continues to explore numismatic avenues in the market.

Our procurement function has evolved throughout the past decades from a clerical, order-taking role to a strategic role in order to enhance efficiencies and to streamline processes. In this transition, the Bank moved away from a decentralised to centralised procurement process. The Bank fully implemented its procurement manual, which led to a shift from traditional to modern procurement functions that operate cross-functionally with a much broader array of activities than in the past, ranging from selecting from reputable and experienced suppliers, forging better supplier relationships and developing the Bank's supply strategy.

To seek assurance on the Bank's building infrastructure, the Bank during the year completed the Building Condition Assessment project with a reputable local engineering consultant to ensure compliance and safety of the building systems and to also provide direction on the modification or replacement of services to enhance the building's operational efficiency. The Bank has commenced implementation of the recommendations arising from this report.

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 a comprehensive list of 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 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 dedicated focus on driving effectiveness in HR strategies and policies is key to strengthening human capital development and workplace culture.

Regular review of policies, the framework and awareness training for staff help strengthen the risk culture and overall risk management in the Bank.

The Bank continued its review of the Risk Management Framework through 2019-20 FY to ensure its continued alignment with the latest

standards in risk management practices and relevance to global and domestic developments. This included reviews to the Bank's policies on risk management, incident management, business continuity management, updating of the risk appetite statement and the risk registers. Further to this, two new policies were introduced, namely, the Assurance and AML/CFT policies.

The Assurance policy specifically provides guidance to the Bank's second line of defence in monitoring and reporting on the implementation of internal audit findings, in addition to carrying out assurance checks that would complement the Bank's outsourced internal audit process.

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 updated during the review year, specifically on the workforce and workplace arrangements as a result of the COVID-19 situation. The BCP framework included arrangements for functional teams to be separated into two groups to ensure that the entire human resource pool and the workplace were not compromised. The plan also considered work from home arrangements for the duration of the lockdown to ensure continuity of business operations.

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 include foreign reserves management, finance management, settlements and some domestic market processes, including FIJICLEAR operations are regularly 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 emergency procedures, conducted training for fire wardens and participated in several emergency drills to raise staff familiarity with the evacuation processes and will continue to conduct such training

and drills to enhance disaster preparedness and planning.

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

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

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

Corruption in 2018.

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

Areas for improvement identified by internal and external audits are addressed as appropriate and forms part of the internal 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 2020, the Reserve Bank staff complement was 199. During the review period, 19 staff left the Bank, of which, seven left for other employment opportunities, six retired, five migrated, and one employment contract was terminated. At the end of the FY, the Bank recruited nine staff.

Management Remuneration

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 market.¹⁸ The last market adjustments were made in August 2019.

Staff Development

The Staff Development Policy and Staff Training Needs Analysis (TNA) supports a continuous learning

culture in the Bank through on-the-job training, job rotations, full-time study leave with/without pay, part-time studies, correspondence and short courses at both local and overseas institutions.

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

In the 2019-20 FY, one staff was on study leave with pay, pursuing Masters Studies in NZ. This was completed in December 2019 after which she returned to the Bank. In addition, 16 staff pursued part-time studies at the University of the South Pacific (USP) and the Fiji National University (FNU) towards Bachelors, Postgraduate and Masters programmes.

In the 2019-20 FY, 88 staff undertook various short courses locally such as those organised by the USP, FNU, Pacific TAFE, FIA, Fiji Commerce and Employers Federations, Ministry of Labour, Fiji Institute of Bankers, Fiji Institute of Internal Auditors (IIA), Fiji Human Resources Institute (FHRI) and those organised internally.

Moreover, 61 staff attended various courses abroad that were organised by the IMF-STI, South East Asian Central Banks, AFI, Asia Pacific Group, ADB, RBA, RBV, Bank of England, Griffith University and the World Bank.

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

Employment Relations

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

RBF Staff Statistics (as at 31 July 2020)

	2015	Jan – Jul 2016	Aug – Jul 2017	Aug – Jul 2018	Aug – Jul 2019	Aug – Jul 2020
Total Staff	214	214	210	211	209	199
Average Years of Service	9.9	9.8	9.9	9.9	10.5	11
Annual Staff Turnover (%)	6.5	7.5	9.1	8.6	4.8	9.5

Source: Reserve Bank of Fiji

Management Remuneration as at 31 July 2020

Total Cash Remuneration	Staff Numbers
i. \$335,061	1
ii. \$290,707	1
iii. \$200,865	6
iv. \$63,517 - \$102,890	27
(i) - (iii) Executive Management. (iv) Other Management staff.	

Source: Reserve Bank of Fiji

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

Under the Bank's Rewards and Recognition System, performance bonuses were paid out to eligible staff in July 2020.

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. There were four meetings held in the 2019-20 FY.

Quality Management Teams

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.

Attachments

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

Internship

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

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

Occupational Health and Safety

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

On 11 March 2020, the World Health Organisation declared COVID-19, a disease caused by a new strain of coronavirus as a global pandemic.

To safeguard staff and ensure a safe working environment, the Bank implemented rapid safety measures whilst ensuring continuity of the Bank's critical functions.

There was a fire drill organised in July 2020 whereby staff took part in the evacuation exercise.

In the 2019-20 FY, the Bank's Occupational Health and Safety (OHS) Committee met three times. The Bank continued to provide OHS related training and monitor OHS issues regularly to ensure that we maintain a safe and healthy work environment.

Long Service Recognition

The Governor's Service Recognition and Long Service Loyalty Award recognises dedicated, long and meritorious service to the Bank. In the 2019-20 FY, four staff achieved 15 years of service, three staff achieved 20 years of service and two staff achieved 25 years of service while two staff achieved 30 years of service.

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



Ms Vilimaina Ketenilagi



Ms Lavenia Cocker



Mr Dennis Murray



Ms Caroline Waqabaca

SELECTED UPDATES AUGUST 2019–JULY 2020

August

22
Launch of the RBF 2019-24 Strategic Plan

September

11-13
4th AFI AGM, Kigali, Rwanda

October

8
Governor launched the ANZ Bank's Financial Literacy Impact Survey 2019

October

18-20
World Bank Group and IMF Annual Meetings, Washington D.C.

October

21-23
Deputy Governor attended the Cyber Security and the Resilience of the Financial Sector Conference, Bank of England, London

November

12-14
15th AFI Budget and Finance Committee

November

13-14
Governor attended the South Pacific Central Banking Research Conference and Regional Policy Dialogue, Vanuatu

November

19-20
34th South Pacific Central Bank Governors' Meeting, Sydney, Australia

November

21
Fiji Institute of Bankers 26th AGM

November

16
Investment Fiji's Prime Minister's International Business Awards

December

3-13
IMF Article IV Consultation Mission

December

6-7
Governor attended the 21st Attorney General's Conference

December

11
RBF Seminar Series – Global Developments and Prospects: Implications for Fiji

December

31
RBF launched the Fintech Regulatory Sandbox

January

30
Opening of the International Social Security Association Focal Point for PICs at the FNPF

February

17
Honorable Minister for Economy tabled the Reserve Bank of Fiji Annual Report 2018-19 in Parliament.

February

19
Deputy Governor opened the RegNet Seminar and roundtable discussions with the RBF and stakeholders on climate finance

March

4
Deputy Governor – Joint Guest at the opening of the Westpac Garden City Branch and officially launched BSP Life's New 'Bula Secure' and 'Bula Secure Plus' single premium products

March

9
Bank of Papua New Guinea Delegation Visit

March

16-20
Central Bank of Solomon Islands Delegation Visit

June

9
Deputy Governor received print resources from the US Ambassador Joseph Cella

June

22-24
RBF Industry Visit

June

29
13th PIRI Experts Group for Financial Inclusion (virtual meeting)

July

2
Press Statement on the revised growth projections for the Fijian economy

THE YEAR AHEAD

The Reserve Bank will continue to focus on fulfilling its core responsibilities in the 2020-21 FY. Listed below are priority areas where special efforts will focus.

Strategic Direction and Alliances

The Bank will continue the implementation of its 2019-24 Strategic Plan for the second year. The Bank's executives and management will monitor this and ensure that the key deliverables in the Strategic Plan are achieved.

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

Legislation

The Reserve Bank will continue to progress the legislative work it is currently undertaking in 2020-21 FY on the following financial sector reforms:

- Review of the Insurance Act 1998, through the technical assistance of the IMF PFTAC;
- Amendment to the Fair Reporting of Credit Act 2016 in line with the ongoing work regarding Fiji's Ease of Doing Business ranking; and
- Finalisation of the proposed Credit Union legislation.

Monetary Policy

The Reserve Bank of Fiji will continue to ensure that appropriate and effective monetary policy is implemented 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, 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, the RBF will continue to prioritise safety and liquidity over income, in its management of foreign reserves.

Financial System Regulation and Supervision

The Reserve Bank will continue to develop and implement initiatives to enhance its risk-based supervision processes and ensure the ongoing effectiveness of its prudential policy development work. The Bank will also continue to implement the recommendations of the Fiji FSSR conducted in 2018 and subsequent technical assistance missions provided by the IMF under the programme.

Prioritising the regulatory lens on the impact of COVID-19 on the financial sector and the preservation of financial system stability is of paramount importance. The Reserve Bank will continue to closely monitor and liaise with supervised entities on the relief measures extended to customers and how the impact of these are to be managed and reported.

The Banking Supervision Policy Statement Nos. 9A and 9B on *Liquidity Risk Management Requirements* for both commercial banks and credit institutions and the new draft policy on *Minimum Requirements for Cybersecurity of Supervised Entities* are planned for

industry consultation in the next reporting year. The Reserve Bank will also work on completing Phase 2 of its reform programme on conduct risk and culture.

As a member of the South Pacific Central Banks Forum, the Reserve Bank will continue to be part of the Regional KYC Utility project.

Corporate Services Enhancements

The Reserve Bank will continue to strengthen its work processes to reduce its carbon footprint.

To further increase the Bank's process efficiency and allow for better information and decision support system, work will continue on the enhanced automation and process reengineering of several of its key processes.

Furthermore, the Bank will commence work on a new cybersecurity framework which will include the drafting and alignment of IT practices and processes to enhance its cybersecurity posture.

The Records Management System will be upgraded to provide for enhanced management and storage of records.

Work will continue on projects for the modification and enhancement of service systems in the building towards improved operational efficiency.

National Payments System Project (NPSP)

The Reserve Bank of Fiji (RBF) and the Fiji Government, with the assistance

and collaboration of the IFC and Commonwealth Secretariat, have embarked on a programme to reform our national payments system. The broad objectives of the NPSP are to modernise the country's payment system infrastructure to effectively and efficiently meet the growing needs and aspirations of our economy. Amongst other things, these include facilitating digital solutions, enhancing inclusiveness, promoting safety and soundness, mitigating potential risks and protecting users.

The programme's work is expected to span at least 24 months and includes developing a legal framework and

strategy for the national payment system, upgrading the current payments system infrastructure and building a central securities depository system. The development of the central depository system is a vital milestone in our capital markets development plan and also forms part of our commitment when listing our Green bonds under the London Stock Exchange.

This is a large and complex project that will provide immense benefit for the nation.

MSME Sector Development

The Bank will work with MSME Fiji at the MCTTT to develop an enabling

and comprehensive framework and development plan for the MSME sector in Fiji. Efforts to improve MSME access to finance and other alternative capital raising technologies are part of the development agenda for the coming year.

Commemorative currency

During the next financial year, the Reserve Bank will launch the new \$50 banknote and 50 cent coin commemorating the 50th anniversary of Fiji's independence. These will co-circulate with the current \$50 banknote and 50 cent coin.



Financial Statements

For the year ended 31 July 2020

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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 2020 and the auditor's report thereon.

Directors

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

Ariff Ali (Chairman and Governor)

Makereta Konrote (Ex-officio member)

Pradeep Patel

Tevita Kuruvakadua

Tony Whitton

State of affairs

In the opinion of the Directors:

- there were no significant changes in the state of affairs of the Bank during the financial year under review not otherwise disclosed in this report or the financial statements;
- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Bank as at 31 July 2020 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 2020 was \$30.1m (2019: \$28.9m).

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 (2019: \$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 2020, the value of the External reserves was 78% (2019: 88%) of total Demand liabilities.

Payable to the Fiji Government

In accordance with the Reserve Bank of Fiji Act, 1983, the following amounts totalling \$31.8m for the year ended 31 July 2020 (2019: \$29.4m) are payable to the Fiji Government:

Section 8(3): Net profit after transfer to General reserves - \$29.1m for the year ended 31 July 2020 (2019: \$27.9m).

Section 34(3): One-fifth balance of Revaluation reserve account - foreign currency - \$2.7m (2019: \$1.5m).

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

There were no material movements in provisions during the financial year from the normal amounts set aside for depreciation and employee entitlements. In relation to allowance for impairment losses, an additional allowance of \$0.58m was raised during the financial year in accordance with the requirements of IFRS 9 and to cater for potential longer term impacts of COVID-19.

Significant events during the year

The rapid spread of COVID-19 served a severe blow to the global economy that was on the cusp of a modest revival after a synchronised slowdown last year. Global growth prospects have weakened markedly as domestic demand collapsed amidst the standstill in international travel and plunge in global trade. Governments responded by introducing stimulus packages to contain the virus and support the economy. On their part, central banks reduced interest rates and injected liquidity to boost credit creation and support economic activity.

The Fiji economy is not immune to the impact of the Coronavirus. Already slowing from the second half of 2019, the onset of the pandemic earlier this year escalated the downturn in economic activity. Given the considerable uncertainties, the extent of the overall damage will depend on how soon and effectively the outbreak is contained domestically, the resumption of international travel and ensuing pick-up in tourism-related activities over the coming months.

The Bank has carefully considered the impact of COVID-19 in preparing its financial statement for the year ended 31 July 2020.

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 period, 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

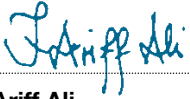
Directors' report - continued

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 24th of September 2020.

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



Ariff Ali
Chairman of the Board and Governor



Pradeep Patel
Director

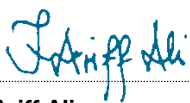
Reserve Bank of Fiji Statement by Directors

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 2020;
- (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 2020;
- (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 2020;
- (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 2020;
- (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 \$37.6m, an increase of \$7.5m being the currency translation gain for the year ended 31 July 2020.

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 24th of September 2020.



Ariff Ali
Chairman of the Board and Governor



Pradeep Patel
Director



Independent Auditor's Report

To the Board of Directors of Reserve Bank of Fiji

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of the Reserve Bank of Fiji (the 'Bank'), which comprise the statement of financial position of the Bank as at 31 July 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

Emphasis of Matter

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

Independence

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

Other Information

Directors and management are responsible for the other information. The other information comprises the information included in the Bank's Annual Report for the year ended 31 July 2020 (but does not include the financial statements and our auditor's report thereon).

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

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

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

Responsibilities of Directors and Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors and management.
- Conclude on the appropriateness of the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.



Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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

Restriction on Use

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

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

PricewaterhouseCoopers
Chartered Accountants

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

Wiliki Takiveikata

24 September 2020
Suva, Fiji

Reserve Bank of Fiji
Statement of comprehensive income
For the year ended 31 July 2020

	Note	31 July 2020 \$000	31 July 2019 \$000
Income			
Interest income	4(a)	54,769	56,764
Other revenue	4(b)	5,070	4,435
Total income		59,839	61,199
Expenses			
Interest expense	4(c)	1,060	2,150
Administration expenses	4(d)	20,401	22,286
Amortisation of securities	6	947	1,154
Other expenses	4(e)	6,730	6,118
Allowance for impairment losses	4(f)	578	597
Total expenses		29,716	32,305
Net profit for the period	13	30,123	28,894
Other comprehensive income/ (losses)			
Amortisation of fair value reserve		(921)	(1,133)
Change in fair value of financial assets		4,547	10,380
Asset revaluation reserve movement	18	629	5,107
Currency translation gains/ (losses)		7,485	(403)
Total other comprehensive income		11,740	13,951
Total comprehensive income for the period		41,863	42,845

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 79 to 108.

Reserve Bank of Fiji
Statement of changes in equity
For the year ended 31 July 2020

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

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 79 to 108.

Reserve Bank of Fiji

Statement of changes in equity - continued

For the year ended 31 July 2020

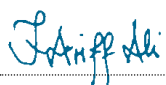
	Paid-up capital	General reserves	Revaluation reserve account - foreign currency	Fair Value reserve	Asset revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 August 2019	2,000	42,050	5,962	16,475	24,822	-	91,309
Total comprehensive income for the year							
Net profit	-	-	-	-	-	30,123	30,123
Transfer to General reserves (Note 18)	-	1,000	-	-	-	(1,000)	-
<i>Other comprehensive income/ (losses)</i>							
Amortisation of fair value reserve	-	-	-	(921)	-	-	(921)
Change in fair value of financial assets	-	-	-	4,547	-	-	4,547
Asset revaluation reserve movement (Note 18)	-	-	-	-	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
<i>Transactions with owners, recorded directly in equity</i>							
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 79 to 108.

Reserve Bank of Fiji
Statement of financial position
As at 31 July 2020

	Note	31 July 2020 \$000	31 July 2019 \$000
Foreign currency assets			
Short-term commercial paper and current accounts	5	272,588	401,289
Marketable securities	5	1,624,852	1,479,967
Gold	5	3,456	2,581
Accrued interest		13,665	17,685
International Monetary Fund			
- Reserve tranche position	5/19	73,161	72,384
- Special drawing rights	5/19	131,960	131,009
- PRGF - HIPC Trust	19	582	578
- Currency subscription	19	221,803	220,581
Total foreign currency assets		2,342,067	2,326,074
Local currency assets			
Cash on hand	16	2,206	1,598
Domestic securities	6	366,622	166,342
Financing facilities	7	284,675	158,753
Currency inventory	8	20,028	23,382
Other assets	9	9,538	4,255
Intangible assets	10	552	710
Property, plant and equipment	11	34,596	35,926
Total local currency assets		718,217	390,966
Total assets		3,060,284	2,717,040
Foreign currency liabilities			
Demand deposits	12	123	134
IMF - PRGF - HIPC Trust	19	582	578
IMF - Special drawing rights allocation	19	201,122	199,790
Total foreign currency liabilities		201,827	200,502
Local currency liabilities			
Demand deposits	12	779,219	513,949
Payable to the Fiji Government	13	31,812	29,385
Currency in circulation	14	870,654	852,219
Statutory reserve deposits		843,799	801,007
IMF - Notes currency subscription		220,985	219,792
Other liabilities	15	10,628	8,877
Total local currency liabilities		2,757,097	2,425,229
Total liabilities		2,958,924	2,625,731
Net assets		101,360	91,309
Capital and reserves			
Paid-up capital	17	2,000	2,000
General reserves	18	43,050	42,050
Revaluation reserve account - foreign currency	18	10,758	5,962
Available-for-sale reserve	18	20,101	16,475
Asset revaluation reserve	18	25,451	24,822
		101,360	91,309

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 79 to 108.

Reserve Bank of Fiji
Statement of cash flows
For the year ended 31 July 2020

	Note	31 July 2020 \$000	31 July 2019 \$000
Operating activities			
Rental lease income		476	476
Numismatic sales		1,373	789
Interest received		51,202	55,352
Other income		2,278	1,951
Interest paid		(1,060)	(2,150)
New currency payments		(646)	(277)
Administration and other expenses		(18,977)	(22,170)
Net movement of short-term commercial paper		70,152	(139,533)
Net movement in fixed term deposits		24,709	54,584
Net movement in International Monetary Fund accounts		756	731
Net movement of domestic securities		(201,586)	(86,308)
Net movement in financing facilities		(126,088)	(35,718)
Net movement in other assets		207	(348)
Cash flows used in operating activities		(197,204)	(172,621)
Investing activities			
Payment for property, plant and equipment and intangibles		(861)	(812)
Net movement of bonds		(164,491)	108,840
Cash flows from (used in) investing activities		(165,352)	108,028
Financing activities			
Net movement in demand deposits		265,270	11,314
Payment to the Fiji Government		(29,385)	(32,465)
Net movement in currency in circulation		18,435	14,842
Net movement in statutory reserve deposits		42,792	6,810
Cash flows from financing activities		297,112	501
Net effect of currency translation		7,485	(403)
Net (decrease) in cash and cash equivalents		(57,959)	(64,495)
Cash and cash equivalents at the beginning of the period		242,218	306,713
Cash and cash equivalents at the end of the period	16	184,259	242,218

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 79 to 108.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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 \$37.6m for the year ended 31 July 2020 (2019: \$28.5m), an increase of \$7.5m (2019: a decrease of \$0.4m), being the net gain arising from currency translation differences.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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

(b) Basis of preparation

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

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

- 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.

Changes in accounting policies

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard will result in the Bank recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. The Bank does not have any such lease arrangement at this point in time.

The new Standard requires the use of the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods need not to be restated. Given that the Bank does not have any such arrangements, adjustments were not applicable in the current financial year.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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

(c) Foreign currency transaction

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

(d) Functional currency

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

(e) Financial instruments

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

Valuation of financial instruments

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

(i) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include fixed deposits, other assets, financing facilities, discounted securities, domestic bonds, other assets and staff housing loans. In addition, most of the Bank's financial liabilities are measured at amortised cost.

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

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

Non-trading reverse repurchase, repurchase and similar agreements

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

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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

(e) Financial instruments - 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'). These comprise primarily marketable securities, cash and cash equivalents, gold and the IMF holdings. They are recognised at the trade date when the Bank enters into contractual arrangements to purchase and are derecognised when they are sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains or losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains and losses in the comprehensive income are recognised in the income statement as 'Gains and losses from financial instruments'. Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

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

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

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

Impairment of amortised cost and FVOCI financial assets

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

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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

(e) Financial instruments - continued

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.

Model	RBF	IFRS 9 Requirement
PD	<ul style="list-style-type: none"> Weighted average global corporate bond annual default rates (35 year period) leveraged on the Bank's foreign investment portfolio. Sovereign ratings leveraged on the financial assets in the Bank's domestic portfolio. Gold and IMF financial assets categorised as extremely low risk foreign holdings. Staff loans and advance categorised as the riskiest all the Bank's domestic holdings. Standard & Poor's rate tables are used. As the latest S&P report issued is for 31 December 2019, the Bank has applied the 2020 global & local economic outlook forecast to adjust the PD's and to account for the COVID-19 impact. 	<ul style="list-style-type: none"> Point in time (based on current conditions, adjusted to take into account future estimates that will impact PD).
EAD	<ul style="list-style-type: none"> Not lower than the current balance. 	<ul style="list-style-type: none"> Amortisation captured for financial instruments.
LGD	<ul style="list-style-type: none"> Basel 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.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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.

(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.

(h) Cash and cash equivalents

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

(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.

(j) Loans and advances

Loans are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for an allowance for bad and doubtful debts. A provision for impairment allowances is made based on expected loss rates. Movement in the provision is charged to profit or loss.

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

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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

(k) Demand deposits

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

(l) 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.

(m) 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.

(n) Statutory reserve deposit

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

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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

(o) 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%.

(p) 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.

(q) Employee entitlements

Short-term benefits

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

Other long-term employee benefits

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

(r) Income tax

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

(s) Revenue recognition

Interest income

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

Income from financial instruments

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

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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

(s) Revenue recognition - continued

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.

(t) Operating leases

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

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

(u) Comparative figures

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

(v) Rounding

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

3. Critical accounting estimates and judgements

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

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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 of financial assets accounted for at FVOCI – refer Note 21
- Determination of expected credit losses for financial assets – refer Note 20(c)
- Valuation of properties – refer 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.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

3. Critical accounting estimates and judgements - continued

Impact of COVID-19

Background

The rapid spread of COVID-19 served a severe blow to the global economy that was on the cusp of a modest revival after a synchronised slowdown last year. Global growth prospects have weakened markedly as domestic demand collapsed amidst the standstill in international travel and plunge in global trade. Governments responded by introducing stimulus packages to contain the virus and support the economy. On their part, central banks reduced interest rates and injected liquidity to boost credit creation and support economic activity.

The Fiji economy is not immune to the impact of the Coronavirus. Already slowing from the second half of 2019, the onset of the pandemic earlier this year escalated the downturn in economic activity. Given the considerable uncertainties, the extent of the overall damage will depend on how soon and effectively the outbreak is contained domestically, the resumption of international travel and ensuing pick-up in tourism-related activities over the coming months.

Consideration of the financial statements and further disclosures

The Bank has carefully considered the impact of COVID-19 in preparing its financial statement for the year ended 31 July 2020. 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 2020 global and domestic forecast of -4.9% and -21.7% to adjust the Probability of Default (PD) on its financial assets to account for the impact of the COVID-19 pandemic. In assessing this, the Bank has recorded an additional ECL provision of \$0.58m in accordance with the requirement of IFRS 9.

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 2020

4. Revenue and expenses	31 July	31 July
	2020	2019
	\$000	\$000
(a) Interest income		
Overseas investments	37,436	44,469
International Monetary Fund	1,147	2,055
Domestic securities	13,919	8,811
Financing facilities	2,219	1,383
Staff loans	48	46
	<u>54,769</u>	<u>56,764</u>
(b) Other revenue		
Rent received	476	476
Numismatic sales	1,396	874
License and application fees	500	367
Foreign currency trading gains	1,392	1,319
Amortisation of fair value reserve	921	1,133
Other miscellaneous income	385	266
	<u>5,070</u>	<u>4,435</u>
(c) Interest expense		
International Monetary Fund	1,047	2,129
Other	13	21
	<u>1,060</u>	<u>2,150</u>
(d) Administration expenses		
Staff costs	15,667	15,982
Other costs	4,734	6,304
	<u>20,401</u>	<u>22,286</u>
Total number of employees at period end	<u>199</u>	<u>209</u>
(e) Other expenses		
Depreciation	2,185	2,037
Amortisation of intangible assets	164	136
Auditor's remuneration		
- Audit fees	51	52
Board remuneration	29	30
Currency issue	4,278	3,780
Numismatic	23	83
	<u>6,730</u>	<u>6,118</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	(19)	31
Marketable securities	104	42
Other assets	(42)	45
<i>Local currency assets</i>		
Domestic securities	359	262
Financing facilities	166	197
Other assets	10	20
	<u>578</u>	<u>597</u>

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

5. External reserves	31 July 2020 \$000	31 July 2019 \$000
Short-term commercial paper	125,844	245,906
Current accounts	146,756	155,414
	<hr/> 272,600	<hr/> 401,320
Less: Allowance for impairment losses	(12)	(31)
	<hr/> 272,588	<hr/> 401,289
Marketable securities		
- Fixed term deposits	78,754	103,463
- Bonds	1,546,244	1,376,546
	<hr/> 1,624,998	<hr/> 1,480,009
Less: Allowance for impairment losses	(146)	(42)
	<hr/> 1,624,852	<hr/> 1,479,967
Gold	3,456	2,581
International Monetary Fund		
- Reserve tranche position	73,161	72,384
- Special drawing rights	131,960	131,009
	<hr/> 205,121	<hr/> 203,393
Total External reserves	<hr/> 2,106,017	<hr/> 2,087,230

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 2020, the value of the External reserves was 78% (2019: 88%) 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.

During the year, \$0.95m (2019: \$1.15m) was amortised in respect of securities held in the Domestic Bond Portfolio.

	31 July 2020 \$000	31 July 2019 \$000
<i>Movement of Hold-to-collect financial assets</i>		
Opening balance	166,604	81,450
Acquisitions	304,449	104,393
Redemptions	(102,863)	(18,085)
Amortisation	(947)	(1,154)
	<hr/> 367,243	<hr/> 166,604
Less: Allowance for impairment losses	(621)	(262)
Closing balance	<hr/> 366,622	<hr/> 166,342

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
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7. Financing facilities	31 July 2020 \$000	31 July 2019 \$000
Import Substitution and Export Finance Facility	133,617	103,489
Natural Disaster Rehabilitation Facility	92,873	14,327
Housing Facility	58,548	41,134
	<u>285,038</u>	<u>158,950</u>
Less: Allowance for impairment losses	(363)	(197)
	<u>284,675</u>	<u>158,753</u>

The RBF has three financing facilities that have been approved by the Board with a total approved limit of \$500 million as at 31 July 2020 (\$340 million: 2019) 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 2020 \$000	31 July 2019 \$000
<i>Movement of currency inventory</i>		
Opening balance	23,382	19,903
Consignments received	923	7,259
Currency issued	(4,277)	(3,780)
Closing balance	<u>20,028</u>	<u>23,382</u>

9. Other assets	31 July 2020 \$000	31 July 2019 \$000
Accrued interest	7,552	1,854
Currency prepayments	-	277
Prepayments and other receivables	1,012	1,220
Staff loans and advances	1,004	921
	<u>9,568</u>	<u>4,272</u>
Less: Allowance for impairment losses	(30)	(17)
	<u>9,538</u>	<u>4,255</u>

Currency prepayments represent advance payment for the purchase of notes and coins. 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 2020 \$000	31 July 2019 \$000
<i>Cost</i>		
Opening balance	4,594	4,108
Acquisitions	6	528
Disposals	-	(42)
Transfers from work in progress	-	-
Closing balance	<u>4,600</u>	<u>4,594</u>
<i>Accumulated amortisation</i>		
Opening balance	3,884	3,790
Amortisation charge for the period	164	136
Disposal	-	(42)
Closing balance	<u>4,048</u>	<u>3,884</u>
<i>Carrying amount</i>		
Opening balance	710	318
Closing balance	<u>552</u>	<u>710</u>

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

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 2018	34,928	1,194	461	3,061	2,089	524	42,257
Additions	-	171	155	328	34	282	970
Transfer from work in progress	-	-	-	-	-	(686)	(686)
Revaluations	4,856	-	-	-	-	-	4,856
Write-down on revaluation	(5,466)	-	-	-	-	-	(5,466)
Disposals	-	-	(84)	-	-	-	(84)
Balance at 31 July 2019	34,318	1,365	532	3,389	2,123	120	41,847
Balance at 1 August 2019	34,318	1,365	532	3,389	2,123	120	41,847
Additions	4	20	-	311	127	855	1,317
Transfers from work in progress	-	-	-	-	-	(462)	(462)
Revaluations	-	-	-	-	-	-	-
Write-down on revaluation	-	-	-	-	-	-	-
Disposals	-	-	-	(76)	-	-	(76)
Balance at 31 July 2020	34,322	1,385	532	3,624	2,250	513	42,626
Accumulated depreciation							
Balance at 1 August 2018	3,995	966	366	2,406	1,701	-	9,434
Depreciation for the period	1,542	66	45	333	51	-	2,037
Transfers	-	-	-	-	-	-	-
Depreciation reversal on revaluation	(5,466)	-	-	-	-	-	(5,466)
Depreciation on disposals	-	-	(84)	-	-	-	(84)
Balance at 31 July 2019	71	1,032	327	2,739	1,752	-	5,921
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
Transfers	-	-	-	-	-	-	-
Depreciation reversal on revaluation	-	-	-	-	-	-	-
Depreciation on disposals	-	-	-	(76)	-	-	(76)
Balance at 31 July 2020	1,726	1,126	387	2,981	1,810	-	8,030
Carrying amount							
Balance at 1 August 2018	30,933	228	95	655	388	524	32,823
Balance at 31 July 2019	34,247	333	205	650	371	120	35,926
Balance at 31 July 2020	32,596	259	145	643	440	513	34,596

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 2020

12. Demand deposits	31 July 2020 \$000	31 July 2019 \$000
Foreign		
International Monetary Fund	123	134
Local		
Banks' exchange settlement balances	765,240	506,557
Fiji Government	1,231	1,257
State NBF Trust account	1,380	1,380
International Monetary Fund	818	835
Other depositors	10,550	3,920
	779,219	513,949

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 2020 \$000	31 July 2019 \$000
Net profit for the year	30,123	28,894
Transfer to General reserve	(1,000)	(1,000)
One-fifth balance of 'Revaluation reserve account - foreign currency'	2,689	1,491
	31,812	29,385

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 2019 was paid in full to the Fiji Government during the year.

14. Currency in circulation	31 July 2020 \$000	31 July 2019 \$000
Notes	803,997	787,814
Coins	66,657	64,405
	870,654	852,219

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

Reserve Bank of Fiji
Notes to and forming part of the financial statements
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15. Other liabilities	31 July 2020 \$000	31 July 2019 \$000
Employee entitlements	2,024	1,776
MSME Credit Guarantee Scheme	5,743	3,908
Accruals	1,163	1,581
Other liabilities	1,698	1,612
	10,628	8,877
<i>Movements in employee entitlements:</i>		
Opening balance	1,776	1,525
Net movement during the period	248	251
Closing balances	2,024	1,776

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.

16. Cash and cash equivalents	31 July 2020 \$000	31 July 2019 \$000
Cash and cash equivalents included in the statement of cash flows comprise of the following:		
Cash on hand - local currency	2,206	1,598
Cash - foreign currency	182,053	240,620
	184,259	242,218

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

17. Share capital	31 July 2020 \$000	31 July 2019 \$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 Fijian Government as paid capital stock. Any subsequent amount of paid capital stock shall be proposed by the Board of Directors and approved by the Minister for Economy.

18. Reserves

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

General reserves

The General reserves provide for events which are contingent and which are non-foreseeable. Transfers to this account from the profit payable to the 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 (2019: \$1.0m) into the General reserve from the profits that is payable to the Fiji Government.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

18. Reserves - continued

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 period \$0.92m (2019: \$1.13m) has been amortised to other revenue.

Revaluation reserve account - foreign currency

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

Asset revaluation reserve

This reserve records movements between the carrying value and the fair values of the Bank's property and gold holdings. The Bank's freehold land and buildings were revalued in 2019 (refer to Note 11). As at 31 July 2020, the valuation movements of the Bank's gold holdings were captured in the Asset revaluation reserve. The Asset revaluation reserve comprises the following:

Asset revaluation reserve	31 July 2020 \$000	31 July 2019 \$000
<i>Property</i>		
Opening balance	23,686	18,830
Revaluation	-	4,856
Closing balance	23,686	23,686
<i>Gold</i>		
Opening balance	1,136	885
Revaluation	629	251
Closing balance	1,765	1,136
Total asset revaluation reserve		
Opening balance	24,822	19,715
Net movement	629	5,107
Closing balance	25,451	24,822

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 2020

19. 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 2020, the Republic of Fiji's membership subscription to the International Monetary Fund was \$295.0m (2019: \$293.0m). Of this amount \$73.2m (2019: \$72.4m) is shown as Reserve Tranche Position and is included as part of the External reserves of the Reserve Bank (refer Note 5) and the balance representing the Currency subscription portion of \$221.8m (2019: \$220.6m) 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 (2019: \$0.05m).

Special drawing rights holdings ("SDR") is an interest bearing international reserve asset created by the IMF and is allocated to members on the basis of their quotas in the IMF. As at balance date this Special drawing rights holdings (asset) had a balance of \$132.0m (2019: \$131.0m) and is included as part of External reserves of the Bank (refer to Note 5). IMF - Special drawing rights allocation (liability) with a balance of \$201.1m (2019: \$199.8m) is included under foreign currency liabilities.

The Poverty Reduction and Growth Facility (PRGF) Trust was established by the IMF to meet the objectives of poverty reduction and growth more central to lending operations in its poorest member countries. The facility is administered in line with the Heavily Indebted Poor Countries (HIPC) Initiative, and at balance date this account had a balance of \$0.6m (2019: 0.6m).

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

20. Financial risk management policies

a) Introduction and overview

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

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

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

Risk management framework

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

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

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

b) Liquidity risk

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

Management of liquidity risk

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

Exposure to liquidity risk

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

As at 31 July 2020, the value of External reserves was 78% (2019: 88%) of the total Demand liabilities.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

20. 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.

	0-3 Months \$000	3-12 Months \$000	1-5 Years \$000	Over 5 Years \$000	No Specific Maturity \$000	Total \$000
Foreign currency assets						
Short-term commercial paper and Current accounts	182,053	90,535	-	-	-	272,588
Marketable securities	254,141	548,766	821,945	-	-	1,624,852
Gold	3,456	-	-	-	-	3,456
Accrued interest	13,665	-	-	-	-	13,665
IMF - Reserve tranche position	73,161	-	-	-	-	73,161
- Special drawing rights	131,960	-	-	-	-	131,960
- PRGF - HIPC Trust	-	-	582	-	-	582
- Currency subscription	221,803	-	-	-	-	221,803
	880,239	639,301	822,527	-	-	2,342,067
Local currency assets						
Cash on hand	2,206	-	-	-	-	2,206
Domestic securities	-	302	39,659	326,661	-	366,622
Financing facilities	362	4,788	279,525	-	-	284,675
Currency inventory	20,028	-	-	-	-	20,028
Other assets	9,538	-	-	-	-	9,538
Intangibles	-	-	-	-	552	552
Property, plant and equipment	-	-	-	-	34,596	34,596
	32,134	5,090	319,184	326,661	35,148	718,217
Total assets	912,373	644,391	1,141,711	326,661	35,148	3,060,284
Foreign currency liabilities						
Demand deposits	123	-	-	-	-	123
IMF - PRGF - HIPC Trust	-	-	582	-	-	582
IMF - Special drawing rights allocation	-	-	-	-	201,122	201,122
	123	-	582	-	201,122	201,827
Local currency liabilities						
Demand deposits	779,219	-	-	-	-	779,219
Payable to the Fiji Government	31,812	-	-	-	-	31,812
Currency in circulation	-	-	-	-	870,654	870,654
Statutory reserve deposit	-	-	-	-	843,799	843,799
IMF - Notes currency subscription	-	-	-	-	220,985	220,985
Other liabilities	4,885	5,743	-	-	-	10,628
	815,916	5,743	-	-	1,935,438	2,757,097
Total liabilities	816,039	5,743	582	-	2,136,560	2,958,924
Net assets	96,334	638,648	1,141,129	326,661	(2,101,412)	101,360

Reserve Bank of Fiji
Notes to and forming part of the financial statements
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20. Financial risk management policies - continued

b) Liquidity risk - continued

Maturity analysis as at 31 July 2019

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

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

Reserve Bank of Fiji
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For the year ended 31 July 2020

20. Financial risk management policies - continued

c) Credit risk

Credit risk relates to the risk of loss to the Bank from the failure of a counter-party to a transaction to meet its contractual obligations and arises principally from the Bank's investments and loans and advances to customers and other banks. For risk management purposes, the Bank prescribes minimum credit ratings acceptable for investment and specifies the maximum permissible credit exposure to individual banks and countries. The minimum credit ratings for investments are 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 becomes available. Foreign exchange limits per bank are imposed for all currency dealings.

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

	31 July 2020 \$000	31 July 2019 \$000
Foreign currency assets		
Short-term commercial paper and current accounts	272,600	401,320
Marketable securities	1,624,998	1,480,009
International Monetary Fund	427,506	424,597
Gold	3,456	2,581
Accrued Interest	13,668	17,688
	2,342,228	2,326,195
Less: Allowance for impairment losses	(161)	(118)
	2,342,067	2,326,077
Local currency assets		
Domestic securities	367,243	166,604
Financing facilities	285,038	158,950
Cash on hand	2,206	1,598
Other assets	8,556	2,775
	663,043	329,927
Less: Allowance for impairment losses	(1,014)	(479)
	662,029	329,448
	3,004,096	2,655,525

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

Concentration by currency	31 July 2020		31 July 2019	
	\$000	%	\$000	%
USD	709,747	24	761,070	29
YEN	84,140	3	94,419	4
GBP	112	-	873	-
EURO	79,320	3	78,622	3
AUD	612,869	20	587,933	22
NZD	428,499	14	378,139	14
SDR	427,541	14	425,117	16
FJD	663,043	22	329,949	12
	3,005,271		2,656,122	
Less: Allowance for impairment losses	(1,175)	-	(597)	-
Total financial assets	3,004,096	100	2,655,525	100

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

20. Financial risk management policies - continued

c) **Credit risk - continued**

	31 July 2020		31 July 2019	
	\$000	%	\$000	%
Concentration by sector				
Foreign currency assets				
Central banks	153,915	7	200,034	9
Commercial banks	384,659	16	549,961	24
Government	814,925	35	640,666	28
Semi Government	26,676	1	3,023	-
Supranational	520,855	22	490,217	21
International Monetary Fund	427,506	18	424,597	18
Others	13,692	1	17,697	-
Less: Allowance for impairment losses	(161)	-	(118)	-
	2,342,067	100	2,326,077	100
Local currency assets				
Government and statutory bodies	581,561	88	288,509	88
Commercial banks	72,926	11	38,643	12
Others	8,556	1	2,775	-
Less: Allowance for impairment losses	(1,014)	-	(479)	-
	662,029	100	329,448	100
Total financial assets	3,004,096		2,655,525	

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:

	31 July 2020		31 July 2019	
	\$000	%	\$000	%
Summary by major credit category				
<i>Foreign currency financial asset by major credit category:</i>				
Aaa	1,145,514	49	885,543	38
Aa1	49,404	2	15,583	1
Aa2	93,545	4	96,929	4
Aa3	76,674	3	420,059	18
A1	286,154	12	103,845	5
A2	39,366	2	51,996	2
A3	-	-	-	-
International Monetary Fund	427,506	19	424,597	18
Central Banks	100,944	4	200,034	9
Others and Not rated	123,121	5	127,609	5
Less: Allowance for impairment losses	(161)	-	(118)	-
	2,342,067	100	2,326,077	100
<i>Local currency financial asset by major credit category:</i>				
Others	663,043	100	329,927	100
Less: Allowance for impairment losses	(1,014)	-	(479)	-
	662,029	-	329,448	-
Total financial assets	3,004,096	100	2,655,525	100

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

20. Financial risk management policies - continued

c) Credit risks - continued

Credit exposure by credit rating - continued

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

d) Market risks

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

Interest rate risk management

The principal risk to which trading 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.

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 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

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

20. Financial risk management policies - continued

d) Market risks - continued

Notional carrying amounts as at 31 July 2019

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

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 2020	31 July 2019
USD	0.4714	0.4619
YEN	49.37	50.18
GBP	0.3600	0.3802
EURO	0.3980	0.4141
AUD	0.6558	0.6719
NZD	0.7044	0.6982
SDR	0.3336	0.3358

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

20. Financial risk management policies - continued

d) Market risks - continued

Sensitivity analysis for exchange rate

A 10% strengthening and a 10% weakening of the Fijian dollar against the above currencies at 31 July would have the following impact on equity as shown below.

Effect on equity - Increase in equity/(Decrease in equity)

Period end	Strengthening by 10%		Weakening by 10%	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
USD	(64,521)	(69,188)	78,859	84,563
YEN	(7,649)	(9,494)	9,349	11,604
GBP	(10)	(2)	12	2
EURO	(7,211)	(5,634)	8,813	6,886
AUD	(55,715)	(56,970)	68,097	69,630
NZD	(38,954)	(34,969)	47,611	42,740
SDR	(38,864)	(38,598)	47,500	47,176
FJD impact	(212,924)	(214,855)	260,241	262,601

e) Operational Risk Management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than liquidity, credit and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Bank's operations.

Managing operational risk in the Bank is an integral part of day-to-day operations and oversight. This includes adherence to Bank wide corporate policies. There is also an active internal audit function carried out on a quarterly basis.

To reduce operational risks in foreign reserves operations there is a clear segregation of duties between the Front Office (dealing) and the Back Office (settlements function). The Front Office comprises teams of officers (dealers) who are duly authorised to transact on behalf of the Bank. The Back Office comprises officers who independently process and settle all the deals undertaken by the Front Office.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management within each business group. This responsibility is supported by the development of overall and business group-specific policies and procedures. The Middle Office and Internal and External Audit functions also ensure that operational risk is effectively minimised and managed.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

21. Fair values of financial assets and liabilities

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, 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. Bonds are valued at mark to market.

Domestic securities

The fair value of the Bank's Domestic securities is \$391.97m (2019: \$180.14m), based on quoted market prices.

Statutory reserve deposits

The carrying value of Statutory reserve deposits are considered to approximate their fair value as they are denominated in cash.

Demand deposits

The carrying value of Demand deposits are considered to approximate their fair value as they are payable on demand.

Currency in circulation

The carrying value of Currency in circulation is considered to be its fair value as reported in the financial statements.

Other financial assets and liabilities

The reported values of other financial assets and liabilities are considered to be their fair value.

Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

21. Fair values of financial assets and liabilities - continued

Valuation of financial instruments - continued

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
31 July 2020				
<i>Foreign currency assets</i>				
Available-for-sale financial assets at quoted market price	1,440,249	-	-	1,440,249
Fiji Government bonds	-	105,995	-	105,995
Less: Allowance for impairment losses	(136)	(3)	-	(139)
	1,440,113	105,992	-	1,546,105

31 July 2019

Foreign currency assets

Available-for-sale financial assets at quoted market price	1,266,625	-	-	1,266,625
Fiji Government bonds	-	109,921	-	109,921
Less: Allowance for impairment losses	(34)	(3)	-	(37)
	1,266,591	109,918	-	1,376,509

During the period ended 31 July 2020, 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 available-for-sale 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 2020 \$000	31 July 2019 \$000
Period end		
USD	55,458	48,832
EURO	7,869	7,706
AUD	58,236	54,653
NZD	33,061	26,464
FJD impact	154,624	137,655

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

22. 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)
 Pradeep Patel
 Tevita Kuruvakadua
 Tony Whitton

In April 2007 Cabinet agreed under the Banking Act for the Reserve Bank to assume controllership of the winding down process of NBF AMB. During the period the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for planning and controlling the activities of the Bank:

Ariff Ali	Governor
Esala Masitabua	Deputy Governor
Lorraine Seeto	Chief Manager Governor's Office up to 31 December 2019
Razim Buksh	Director Financial Intelligence Unit
Caroline Waqabaca	Chief Manager Financial Markets
Susan Kumar	Chief Manager Currency and Corporate Services from 1 April 2020 and Chief Manager Risk Management and Communications up to 31 March 2020
Vilimaina Dakai	Chief Manager Financial Institutions
Petaia Tuimanu	Chief Manager Economics
Poasa Werekoro	Chief Manager Financial System Development from 9 January 2020 and Acting Chief Manager Financial System Development up to 8 January 2020
Praneel Prasad	Acting Chief Manager Currency and Corporate Services up to 30 September 2019
Peni Kumatuba	Acting Chief Manager Currency and Corporate Services from 1 October 2019 to 31 March 2020
Lanieta Rauqueqe	Acting Chief Manager Risk Management and Communications from 1 April 2020
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. During the year, the Bank earned \$20.00m (2019: \$16.87m) of interest income relating to their investments in Government securities including foreign currency denominated bonds. The Bank is also obligated to pay \$31.81m (2019: \$29.38m) to the Fiji Government in accordance with Section 8(3) of the Reserve Bank of Fiji Act, 1983. The Bank has interest receivable on Government securities as at 31 July 2020 of \$9.83m (2019: \$5.79m). The balance of the Bank's investment in Government securities including foreign currency denominated bonds at period end amounted to \$472.62m (2019: \$276.26m).

The Bank also provides an overnight standby facility to the Fiji Government. At the end of the period, the approved facility of \$20m (2019: \$20m) was not utilised.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2020

22. Related parties - continued

The transactions with the respective related parties are carried out on normal trading terms.

During the period the following transactions were incurred with the related parties:

	31 July 2020 \$000	31 July 2019 \$000
Board remuneration expenses	29	30
Key management personnel:		
- Short-term employee benefits	2,173	2,026
- Long-term employee benefits	55	30
	2,257	2,086

23. Commitments

Commitments not otherwise provided for in the financial statements and which existed at 31 July 2020 comprise:

	31 July 2020 \$000	31 July 2019 \$000
Foreign exchange transactions:		
- Sales	15,971	8,973
- Purchases	7,646	9,480
Capital commitments		
- Other assets	351	38

24. Lease receivable

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

	31 July 2020 \$000	31 July 2019 \$000
Receivable not later than one year	519	186
Receivable later than one year but not later than five years	526	469
	1,045	655

25. 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	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20
	\$000	\$000	\$000	\$000	\$000
Five Year Financial Position					
Assets					
Foreign Currency	2,211,521	2,541,258	2,400,136	2,326,074	2,342,067
Local Currency	258,896	249,723	270,902	390,966	718,217
Total Assets	2,470,417	2,790,981	2,671,038	2,717,040	3,060,284
Liabilities & Equity					
Foreign Currency	194,928	190,719	198,696	200,502	201,827
Local Currency	2,186,088	2,518,599	2,394,493	2,425,229	2,757,097
Net Assets/Equity	89,401	81,663	77,849	91,309	101,360
Total Liabilities & Equity	2,470,417	2,790,982	2,671,038	2,717,040	3,060,284
Five Year Financial Performance					
Income					
Interest Income	26,223	49,522	54,523	56,764	54,769
Other Income	3,261	6,561	5,260	4,435	5,070
Total Income	29,484	56,083	59,783	61,199	59,839
Expenses					
Interest Expense	97	610	1,584	2,150	1,060
Administration Expenses	10,711	20,398	19,430	22,286	20,401
Amortisation of Securities	790	1,349	1,331	1,154	947
Other Expense	3,973	5,442	5,937	6,715	6,730
Total Expenses	15,571	27,799	28,282	32,305	29,716
Net Profit for the year	27,902	28,284	31,501	28,894	30,123
Five-year Profit and One-fifth balance of Revaluation Reserve Paid to the Fijian Government (\$M)					
Net Profit after transfer to general reserves	13.9	27.3	30.5	27.9	29.1
One-fifth balance of revaluation reserve account	3.0	2.1	2.0	1.5	2.7
Total Payment to Fijian Government	16.9	29.4	32.5	29.4	31.8

Notes:

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

- 2016: 1 Jan 2016 to 31 Jul 2016 (7 months)
- 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

FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

	2015	2016	2017	2018	2019	2020
I. GDP¹						
GDP at Market Price (\$ Million)	9,822.1	10,327.3r	11,065.0r	11,650.6r	11,874.1p	9,390.9f
GDP per Capita at Market Price (\$)	11,321.2	11,852.3r	12,504.4r	13,087.6r	13,259.2p	10,423.8f
Constant Price GDP Growth Rate (%)	4.5	2.4r	5.4r	3.8r	-0.4p	-21.7f
II. LABOUR MARKET²						
Labour Force		346,214e	356,789e	n.a	n.a	n.a
Wage and Salary Earners (mid-year)		199,515e	174,833e	n.a	n.a	n.a
III. INFLATION (year-on-year % change)³						
All Items	1.6	3.9	2.8	4.8	-0.9	-1.6
IV. EXTERNAL TRADE⁴						
Current Account Balance (\$ Million)	-343.0	-374.7	-743.4	-980.6p	-1,506.3p	-1,157.2f
Capital Account Balance (\$ Million)	6.4	9.0	9.1	10.4p	6.9p	6.9f
Financial Account Balance (\$ Million) ⁵	-178.4r	-634.8r	-703.0r	-1,666.3r	-1,200.4p	-1,137.6f
Current Account Balance (% of GDP)	-3.5	-3.6	-6.7p	-8.5p	-12.9p	-12.5f
V. FOREIGN EXCHANGE RESERVES (\$ Million)⁶						
Foreign Reserves	1,943.7	1,921.2	2,272.8	2,012.4	2,219.8	2,107.0
VI. MONEY AND CREDIT (year-on-year % change)⁸						
Narrow Money	13.4	4.0	13.9	1.1r	-0.1	6.1
Currency in Circulation	11.7	9.5	7.1	1.1r	2.9	2.4
Quasi-Money	14.3	4.6	8.5	3.1r	2.5	0.6
Domestic Credit ⁶	13.4	7.6	5.9	9.7r	4.9	2.4
VII. INTEREST RATES (% p.a.)⁸						
RBF OPR ⁷	0.50	0.50	0.50	0.50	0.50	0.25
Lending Rate	5.89	5.80	5.65	5.69	6.30	6.14
Savings Deposit Rate	1.01	0.97	1.34	1.32	1.10	0.68
Time Deposit Rate	2.71	2.95	3.21	3.61	4.10	3.52
Repurchase Rate	1.00	1.00	1.00	1.00	1.00	0.50
VIII. EXCHANGE RATES (mid rates, F\$1 equals: end of period)⁸						
US dollar	0.4701	0.4695	0.4874	0.4669	0.4663	0.4714
Real Effective Exchange Rate (January 1999 = 100)	99.86	102.31	102.02	106.23	102.43	101.26
IX. Government Finance (\$ Million)⁹	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total Revenue and Grants	2,908.3	2,837.4	3,244.4	3,181.1	2,699.1r	1,673.6b
Total Expenditure (excluding loan repayments)	3,292.0	3,060.3	3,742.2	3,600.3	3,536.4r	3,674.6b

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

Notes:

¹ GDP Figures from 2014 to 2020 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 2020 – 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 Asset Management Bank's non-performing loans and advances.

⁷ The RBF OPR came into effect in 2010.

⁸ Data for 2020 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

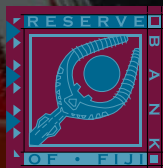
ADB	Asian Development Bank	LFIs	Licensed Financial Institutions
AFI	Alliance for Financial Inclusion	LHS	Left-hand side
AICD	Australian Institute of Company Directors	LMCC	Labour Management Consultation and Cooperation
AML	Anti-Money Laundering	MC	Macroeconomic Committee
ATM	Automated Teller Machines	MCTTT	Ministry of Commerce, Trade, Tourism and Transport
AUD	Australian dollar	MIS	Managed Investment Schemes
BCP	Business Continuity Plan	M-PAiSA	A mobile phone money transfer service
bp	basis points	MSME	Micro, Small and Medium Enterprises
BRS	Business Resumption Site	MSMECGS	Micro, Small and Medium Enterprises Credit Guarantee Scheme
CEMC	Consumer Empowerment and Market Conduct	NDA	Net Domestic Assets
CFT	Combating the Financing of Terrorism	NEC	National Employment Centre
CMADT	Capital Markets Advisory and Development Taskforce	NEER	Nominal Effective Exchange Rate
D.C.	District of Columbia	NFA	Net Foreign Assets
DRCF	Disaster Rehabilitation and Containment Facility	NFIT	National Financial Inclusion Taskforce
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
FAQ	Frequently Asked Questions	OHS	Occupational Health and Safety
FDB	Fiji Development Bank	OJK	Otoritas Jasa Keuangan
FHRI	Fiji Human Resources Institute	OMO	Open Market Operations
FIA	Fiji Institute of Accountants	OPR	Overnight Policy Rate
FIB	Fiji Institute of Bankers	P2P	Person-to-Person
FJICLEAR	A type of payment system	PFIP	Pacific Financial Inclusion Programme
FinEd	Financial Education	PFTAC	Pacific Financial Technical Assistance Centre
FNPF	Fiji National Provident Fund	PIRI	Pacific Islands Regional Initiative
FNU	Fiji National University	RBA	Reserve Bank of Australia
FPPSR	Fiji Personal Properties Securities Registry	RBF	Reserve Bank of Fiji
FRCS	Fiji Revenue & Customs Service	RBNZ	Reserve Bank of New Zealand
FSC	Fiji Sugar Corporation	RBV	Reserve Bank of Vanuatu
FSP	Financial Service Provider	REER	Real Effective Exchange Rate
FSR	Financial Stability Report	RHS	Right-hand side
FSSR	Financial Sector Stability Review	ROA	Return on Assets
FTR	Financial Transactions Reporting	ROE	Return on Equity
FY	Financial Year	RRA	Revaluation Reserve Account
GDP	Gross Domestic Product	SME	Small to medium enterprise
GRCL	General Reserves for Credit Losses	SPX	South Pacific Stock Exchange
HA	Housing Authority	SRD	Statutory Reserve Deposits
ICF	Investor Compensation Fund	SWIFT	Society for Worldwide Interbank Financial Telecommunication
IFC	International Finance Corporation	TA	Technical Assistance
IIA	Institute of Internal Auditors	TNA	Training Needs Analysis
IMF	International Monetary Fund	TWG	Technical Working Group
ISEFF	Import Substitution and Export Finance Facility	US	United States
IT	Information Technology	USD	US Dollar
JPY	Japanese Yen	USP	University of the South Pacific
KFL	Kontiki Finance Limited	VAT	Value Added Tax
KPI	Key Performance Indicator	WEO	World Economic Outlook
KPMG	Klynveld Peat Marwick Goerdeler		
KYC	Know Your Customer		



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.



RESERVE BANK OF FIJI

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