

# RESERVE BANK OF FIJI

AUGUST 2021 - JULY 2022 REPORT

PARLIAMENTARY PAPER NO. 12 OF 2022





## Our Vision

Leading Fiji to Economic Success

## Our Mission

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

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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
- Excellence in everything

## The principal purposes of the Reserve Bank shall be

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

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## LETTER TO THE MINISTER

### RESERVE BANK OF FIJI



#### Governor

Our Reference: D22/5489

Your Reference:

23 September 2022

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 2022**

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

- (i) A copy of the RBF Annual Accounts for the year ended 31 July 2022 certified by the Auditors and
- (ii) A report on the RBF's Operations for the 2021-2022 financial year.

Yours faithfully

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

**Ariff Ali**  
**Governor**

# OUR FUNCTIONS

The Reserve Bank of Fiji (RBF)<sup>1</sup> is the central bank of the Republic of Fiji established in 1984 through an Act of Parliament - the RBF Act (1983).

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

## Monetary Stability

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

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

## Financial Stability

Under sub-section 4(c) of the RBF Act (1983), the Bank is mandated to promote a sound financial structure. In undertaking this function, the Bank licenses and supervises banking, insurance, superannuation, and capital markets institutions as well as foreign exchange dealers. The supervised institutions must comply with relevant legislative requirements as well as prudential policies and guidelines issued by the Reserve Bank.

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

The Reserve Bank acts as the banker for Government as well as commercial banks and provides payment and settlement services through FIJICLEAR. This is administered under the National Payment System Act (2021). 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 (MIS), insider trading; offences and investigations; and information gathering.

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

## Currency Management

Under sub-section 22(1) of the RBF Act, the Bank has the sole right to issue currency in Fiji. The Reserve Bank is the sole entity responsible for the printing of notes, the minting of coins, and the destruction and disposal of used and unserviceable notes and coins. The Reserve Bank also determines the denominational structure, design, content, material and composition of Fiji’s currency, subject to the approval of the Minister for Economy.

## Financial System Development

The RBF also undertakes development work for the financial industry, which includes the creation of an enabling legislative environment for development and inclusive growth in the areas of micro, small and medium enterprise (MSME) finance, green and sustainable finance, financial inclusion and development in the capital markets, banking, insurance, and superannuation sectors.

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

## Other

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

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

<sup>2</sup> This position is now referred to as the Minister for Economy.

# GOVERNOR'S FOREWORD



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As I share with you the Reserve Bank of Fiji's activities and achievements for the 2021-22 financial year (FY), I am pleased to say that the second half of the 2021-22 FY fared better for the Bank. The worst of the COVID-19 pandemic passed after Fiji achieved targeted vaccination rates, COVID-19 restrictions got relaxed, and international travel fully resumed from December 2021. While the pandemic and its economic consequences still linger, the Fijian economy is on its path to recovery after suffering two consecutive years of pandemic-induced contractions. The economy is expected to rebound by 15.6 percent in 2022 following a 5.1 percent and 17.0 percent contraction in 2021 and 2020, respectively.

The global economy's overall activity was recovering steadily until the Russia-Ukraine war broke out. Combined with pandemic-related supply-side strains, this has led to an uncommonly persistent surge in inflation, which is currently forcing many central banks to raise policy rates or withdraw their monetary support more aggressively than previously envisioned. For now, there is less certainty as to when inflationary pressures will start abating or how well the global economy is insulated from recessionary pressures with much reduced monetary support, which poses new challenges for us.

In this context of unexpected challenges, the RBF remains committed to delivering its mandate of maintaining an adequate level of foreign reserves and ensuring price and financial system stability.<sup>3</sup> Throughout 2021-22 FY, a

range of tools were utilised to deliver effective monetary policy. The RBF worked with financial institutions and the Government to provide financial support and stimulate demand in the economy.

Monetary policy continued to be accommodative with the OPR maintained at 0.25 percent to keep interest rates low to support Fiji's economic rebound. The RBF also expanded its facilities to provide concessional funding to eligible Fijian businesses to maintain operations and withstand the Covid-crisis. Further enhancements were done to the RBF's Disaster Rehabilitation and Containment Facility (DRCF) from the beginning of the FY, which included an additional allocation of \$200 million. The facility also offered a limited and tiered Government credit guarantee subsidy to assist MSMEs. The allocation for the Import Substitution and Export Finance Facility (ISEFF) was also gradually increased to \$500 million from the previous funding of \$300 million, with guidelines amended to enable the tourism sector and travel related businesses to also access funds under this facility.

Furthermore, the RBF continued to provide concessional funding under the Housing Facility for low-income earners, assisting low income households to purchase or build their first homes. The RBF also expanded its balance sheet by investing in \$300 million worth of government bonds in 2021-22 FY to support fiscal operations and by extension, economic activity.

The Fijian financial system managed to weather the headwinds from the pandemic on the back of satisfactory capital and liquidity positions. The insurance industry also demonstrated resilience with adequate solvency and liquidity levels and remained profitable, while the Fiji National Provident Fund (FNPF) generated exceptional investment income despite the lacklustre economic environment. However, credit risk remained a significant concern facing the banking industry, but the revival of domestic economic activity should complement the industry's efforts in managing this risk moving forward.

Alongside ongoing expectations, the RBF strives to deliver innovative solutions. We are currently on the path to modernising our national payments system with the passing of the National Payment System (NPS) Act, drafting of the accompanying regulation and commencement of training and installation of related

<sup>3</sup> In July 2022, inflation was recorded at 5.2 percent while foreign reserves stood at a historical high of \$3.6 billion, sufficient to cover 7.3 months of retained imports.

software and infrastructure. The NPS is expected to go-live in phases. The Real Time Gross Settlement System (RTGS) and Central Securities Depository (CSD) System is expected to be available for use before the end of this year while the Automated Clearing House (ACH) with Instant Fund Transfer Functionality is expected to be launched in the next calendar year. Additionally, the RBF launched the National Financial Inclusion Strategy 2022-2030 and has administered the \$1.15 million VitiKart Subsidy Scheme to provide a cost-effective e-commerce platform to MSMEs. The Bank also continues to work collaboratively with existing and prospective financial service providers developing digital Financial Technology (FinTech) solutions for the Fijian market under its Regulatory Sandbox Guidelines framework. A parametric micro insurance product that targets the underserved segments of the population has also been approved for the testing stage of our FinTech Regulatory Sandbox (Sandbox). The Bank's financial inclusion programme - *Noda i Lavo* – which is hosted in the *i-Taukei* vernacular, completed its fifth season.

The RBF has been awarded the prestigious Regional Commemorative Banknote of the Year award for its polymer \$50 banknote that marked the 50th anniversary of Fiji's independence. The Reserve Bank also issued a new commemorative \$7 circulation banknote celebrating Fiji's Rugby 7s gold (men) and bronze (women) medal wins at the Tokyo Olympics held in 2021. As a means to support climate preservation efforts, the Bank pledged to offset the carbon emissions from printing Fiji's new \$7 Tokyo Olympics commemorative banknote by contributing \$10,000 to the Ministry of Waterways and Environment to help with ongoing environmental projects earmarked by the Government. The Bank is also ardent in its participation in the Earth Hour event, use of energy-saving products in daily operations and supporting the development of green financial products/services under its financial inclusion initiative.

In line with the strategic theme of "Renewing Ways of Doing Business", the Bank continues to leverage on technology for operational efficiency, automation of business processes and enhancing resilience against risk and cybersecurity threats. The RBF continued to engage virtually with external stakeholders on several activities including, meetings, training programmes, webinars, and working group discussions. Conditional remote

working options are also in effect for staff, and the use and development of eService and virtual platforms continue.

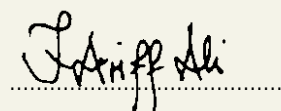
Regarding the financial performance and operations, the Bank reported a stronger financial position in the 2021-22 FY with a net profit of \$42.0 million, which is \$10.3 million higher than the preceding financial year's performance. In accordance with sub-section 34(3) of the RBF Act, a transfer of \$44.4 million was made to Government which accounts for a \$1.0 million transfer to the General Reserve Account and inclusive of \$3.4 million being one-fifth of the Revaluation Reserve Account (RRA).

Stakeholder engagement is essential to the Bank as it serves as a pulse check on the economy. Therefore, we continue to deepen our connections with local industries through regular meetings, economic presentations and participation in technical forums in the region and abroad.

Community engagement and being a responsible corporate body is taken seriously by the Bank. To fulfil our commitments, the RBF contributed through financial donations to various charitable organisations, and helped several communities through its Quality Management through Teamwork (QMT). Bank staff are also avid participants in various organisations and Boards and undertake initiatives such as community level financial literacy programmes, and awareness presentations on the economy.

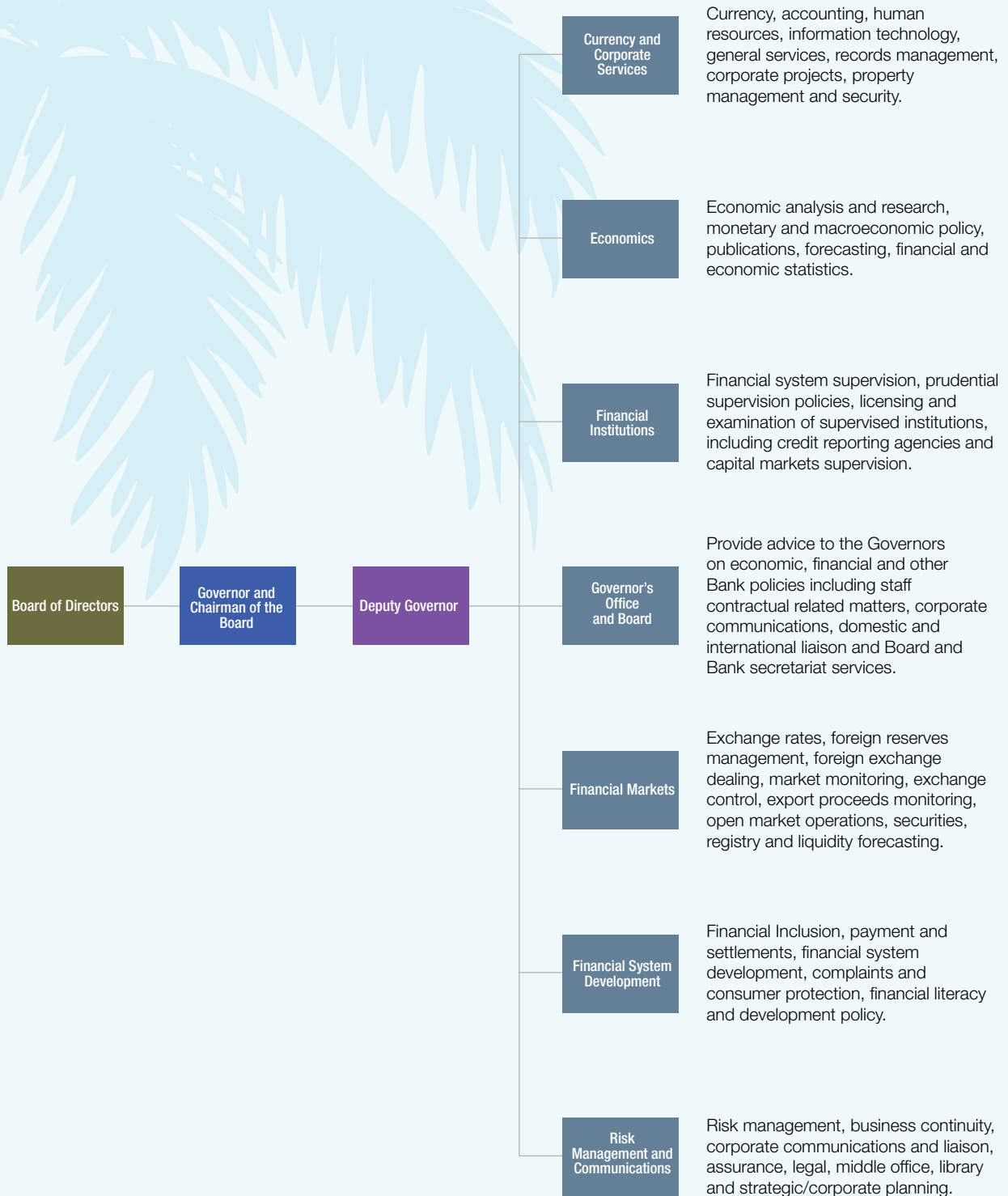
Moving ahead, through our policies and various available facilities, the RBF will continue to assist businesses and in turn, support the employment of Fijians and play an influential role in the development of the economy.

I would like to thank our Board, Management and external stakeholders for their support and guidance. I would also like to extend my deepest gratitude to Team RBF for their continued commitment to uphold the Bank's values and supporting Fiji during the financial year.



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

# ORGANISATIONAL STRUCTURE



An aerial photograph of a floating resort platform in clear turquoise water. The platform is rectangular with a central thatched-roof hut, surrounded by lounge chairs and solar panels. A small boat with a blue canopy is docked to the left. Several people are swimming in the water near the platform.

*"the strong recovery in the tourism industry currently underway has boosted aggregate demand and positively impacted the broader economy"*

**Governor Ariff Ali**

# BOARD OF DIRECTORS



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



**Pradeep Patel**  
Director



**Tevita Kuruvakadua**  
Director



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



**Tony Whitton (O.F)**  
Director



**Nikita Patel**  
Director



**Bobby Naimawi**  
Director

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

Appointed as Governor with effect from 11 September 2017 for five years. He was reappointed for another 5 years with effect from 11 September 2022. Alternate Governor for Fiji at the International Monetary Fund (IMF) and the Asian Development Bank (ADB). Chairman of the Monetary Policy Committee. Chairman of the Macroeconomic Committee (MC). Chairman of the Capital Markets Advisory and Development Taskforce (CMADT). Chairman of the National Financial Inclusion Taskforce (NFIT). Chairman of the Secured Transactions Taskforce. Chairman of the Government Tender Board. Chairman of the Accident Compensation Commission Fiji. Chairman of the Fiji Roads Authority. Member of the Council of the Fiji Institute of Bankers and the National Anti-Money Laundering (AML) Council.

## **Pradeep Patel - Director**

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

## **Tevita Kuruvakadua - Director**

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

## **Shiri Krishna Gounder - Permanent Secretary, Ministry of Economy (Ex-officio)**

Appointed to the Board on 16 March 2021. Board Director of the FNP and Fiji Revenue and Customs Service (FRCS). Board Member of Fiji Airways, Energy Fiji Limited, Unit Trust of Fiji and Fiji Investment Corporation Limited. Member of the Macroeconomic Committee. Alternate Governor for Fiji at the World Bank and the Asian Infrastructure Investment Bank.

## **Tony Whitton (OF) - Director**

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

## **Nikita Patel - Director**

Appointed to the Board on 14 February 2021 for three years. Member of RBF's BGC. Chief Financial Officer for Vinod Patel & Company Pte Limited. Chartered Accountant, member of Chartered Accountants Australia & New Zealand and FICA. Commissioner with Public Service Commission.

## **Bobby Naimawi - Director**

Appointed to the Board on 14 February 2021 for three years. Member of RBF's BARC. Chief Financial Officer and Board Secretary for Energy Fiji Limited. Member of FICA and AICD.

# EXECUTIVE MANAGEMENT



**Esala Masitabua**  
Deputy Governor



**Caroline Waqabaca**  
Chief Manager Financial Markets



**Susan Kumar**  
Chief Manager Currency and  
Corporate Services



**Vilimaina Dakai**  
Chief Manager Financial Institutions



**Petaia Tuimanu**  
Chief Manager Economics



**Poasa Werekoro**  
Chief Manager Financial System  
Development



**Ragni Singh**  
Chief Manager Risk Management and  
Communications



**Subrina Hanif**  
Board Secretary

## **Esala Masitabua - Deputy Governor**

Appointed as Deputy Governor in January 2018. Chief Manager Financial Markets Group (2013-2017). Chief Manager Financial Institutions Group (2010-2012). Chief Manager Currency and Corporate Services Group (2005-2009). Manager Accounting (2001-2004).

## **Caroline Waqabaca - Chief Manager Financial Markets**

Appointed as Chief Manager Financial Markets Group in January 2018. Chief Manager Economics Group (2011-2017). Seconded to the International Monetary Fund as an Advisor in the Southeast Asia Group in Washington, D.C. (2013-2015). Manager Financial Conditions (2009-2010). Manager Corporate Communications (2003-2006).

## **Susan Kumar - Chief Manager Currency and Corporate Services**

Appointed as Chief Manager Currency and Corporate Services Group in May 2011. Chief Manager Risk Management and Communications Group (2019-2020). Acting Chief Manager Currency and Corporate Services Group (2009-2010). Manager Accounting (2006-2008).

## **Vilimaina Dakai - Chief Manager Financial Institutions**

Appointed as Chief Manager Financial Institutions Group in January 2014. Seconded as Chief Manager Risk Management and Communications Group (2018-2019). Manager Financial Institution Supervision (2003-2013).

## **Petaia Tuimanu - Chief Manager Economics**

Appointed as Chief Manager Economics Group in August 2018. Seconded to the International Monetary Fund as an Advisor in the Southeast Asia Group in Washington, D.C. (2015-2017). Manager External Conditions (2013-2014). Manager Financial Conditions (2010-2012).

## **Poasa Werekoro - Chief Manager Financial System Development**

Appointed as Chief Manager Financial System Development Group in January 2020. Acting Chief Manager Financial System Development Group (2018-2019). Manager External Conditions (2016-2017). Manager Domestic Markets (2011-2015).

## **Ragni Singh - Chief Manager Risk Management and Communications**

Appointed as Chief Manager Risk Management and Communications Group in April 2022. Acting Chief Manager Risk Management and Communications Group (April 2021 – March 2022). Manager Financial Institution Supervision (2011-2021).

## **Subrina Hanif - Board Secretary**

Appointed as Board Secretary in April 2010. Acting Board Secretary (December 2009- April 2010). Acting Manager in Economics Group (November 2008 - November 2009).

# 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), Banking Act (1995), Insurance Act (1998), Exchange Control Act (1952), Financial Transactions Reporting Act (2004), Fiji National Provident Fund Act (2011), Companies Act (2015), Fair Reporting of Credit Act (2016), and Personal Property Securities Act (2017), National Payment System Act (2021).

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 objectives, the RBF must perform its functions independently and without fear, favour, or prejudice. However, there must be regular consultation between the RBF and the Minister responsible for Economy.*
- (3) *The powers and functions of the RBF are those customarily exercised and performed by central banks.*
- (4) *The Governor of the Reserve Bank shall be appointed by the President on the advice of the Constitutional Offices Commission, following consultation with the Minister responsible for Economy.*
- (5) *A written law must provide for the composition, powers, functions and operations of the RBF.*

- (6) *The RBF must deliver quarterly and annual reports to Parliament and any other reports when required by law, or requested by resolution.*

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

Under the Insurance Act, the Insurance Annual Report is published annually on a calendar year basis and must be submitted to the Minister for Economy by 30 June of the following year.

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

## The Governor

The Governor serves as the Bank's Chief Executive Officer and is responsible to the Board for the management of the Bank and the execution of its policies. Mr Ariff Ali was initially appointed as the Governor of the Reserve Bank of Fiji with effect from 11 September 2017 for a term of five years. He has been reappointed for another five years,

effective from 11 September 2022. He served as the Deputy Governor since 27 May 2014 and acted as Governor from 28 May 2017 until his appointment as Governor.

## Board of Directors

The Reserve Bank Board comprises the Governor, who serves as the Chairman, the Permanent Secretary for Economy (PSE), as an ex-officio member; and five other non-executive members, for 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.

Mr Shiri Krishna Gounder, PSE, is an ex-officio member while other members of the Board are Mr Pradeep Patel, Mr Tevita Kuruvakadua, Mr Tony Whitton (OF), Ms Nikita Patel and Mr Bobby Naimawi. The Bank had a full complement of 7 members, including the Governor, as at 31 July 2022.

## Board Meetings

Under the RBF Act, the Board is required to meet at least ten times a year. Four Directors form a quorum for a meeting of the Board. In the absence of the Governor, the Deputy Governor participates in the Board meetings and is entitled to exercise a vote. In addition, in the absence

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

Board meetings are usually held on the last Thursday of each month. Subsequent to the COVID-19 pandemic, the Bank resorted to virtual Board meetings up to the time when the restrictions were lifted. The Bank's Corporate Governance Charter allows for entirely virtual Board and internal Committee meetings.

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 upon appointment to the Board.

The Bank has a Conflict of Interest (COI) Policy and maintains a COI Register for its Board Directors. Depending on the nature of matters discussed and the conflict declared, Directors may be excused from the meeting. All conflicts of interests

are minuted and noted in the COI Register.

The Board met 13 times during the review period. This consists of 11 ordinary and two special Board meetings. Attendance by members at meetings of the Board and Board Committees is shown in the table below.

Members of Executive Management are also invited to attend the Board meetings, as required, apart from the Deputy Governor.

### 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 functions of the two Committees are subsequently described. The Deputy Governor attends meetings of both the Committees on a regular basis as the chief representative of the Bank's management. Other senior Bank executives are also

invited to these meetings, as required.

The *Board Audit and Risk Committee* (BARC) monitors the adequacy of the audit function in the Bank and assists the Board in fulfilling the requirements of the RBF Act in relation to the Bank's accounting and reporting practices. In carrying its responsibilities, the Committee reviews and monitors the following functions:

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

With effect from 1 January 2022, Mr Tevita Kuruvakadua was appointed as the Chair of the *BARC* with Mr Pradeep Patel and Mr Bobby Naimawi as members. Prior to this, Mr Pradeep Patel served as the *BARC* Chair from January 2015 to December 2021. Four *BARC* meetings were convened during the financial year.

### Board and Board Committee Meetings August 2021-July 2022 Attendance by Members

Director	Board		Board Audit and Risk Committee		Board Governance Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Ariff Ali	12	13	NM		NM	
Shiri Krishna Gounder*	3	13	0	2	NM	
Pradeep Patel	12	13	4	4	3	4
Tevita Kuruvakadua**	10	13	4	4	2	2
Tony Whitton (OF)	12	13	NM		3	4
Nikita Patel***	11	13	1	2	3	4
Bobby Naimawi****	13	13	3	4	0	2
NM - Not a Member						

\* Member of BARC up to 31 December 2021.

\*\* Member of BGC up to 31 December 2021.

\*\*\* Invited to BARC meetings up to 31 December 2021. Appointed to BGC wef 1 January 2022.

\*\*\*\* Invited to BGC meetings up to 31 December 2021. Appointed to BARC wef 1 January 2022.

Source: Reserve Bank of Fiji



13 RBF Board Meetings during the financial year

The newly appointed Board Members, Ms Nikita Patel and Mr Bobby Naimawi were invited to the BARC meetings as observers up to December 2021 to prepare them to take on the membership after the review.

The role of the Board Governance Committee (BGC) is to strengthen the governance of the Bank and to ensure the accountability of the Office of the Governor to the Board. The main functions of the Committee are to oversee compliance with the Bank's Corporate Governance Charter and undertake the bi-annual performance appraisal of the Governor and Deputy Governor, based on agreed key performance indicators (KPIs). Board members who are not members of the BGC are also invited to assess the performance of the Governors. In addition, all staff-related matters such as the review of the terms and conditions of employment for staff and members of Executive Management, are reviewed and approved by the BGC.

As a good corporate governance practice, the Chair and membership of the two Committees of the Board were reviewed. Subsequently, Mr Tony Whitton (OF) was appointed as the Chair of the BGC, with effect from 1 January 2022. Members of the BGC are Mr Pradeep Patel and Ms Nikita Patel. Mr Tevita Kuruvakadua chaired the BGC meetings from June 2015 to December 2021. During the review period, the BGC met four times. Similar to the BARC meetings, the two newly appointed Board Directors (Ms Patel and Mr Naimawi) were invited as observers to two BGC meetings, prior to the review of the two Committees.

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. Since 2017, members of Executive Management also provide a performance assessment of the Board Directors on an annual basis.

Annual evaluations are conducted for the Bank's internal and external auditors. The results of the assessments are shared with the internal and external auditors during the private meetings of BARC.

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

### Bank Management

The Executive Management of the Reserve Bank comprises the Governor, Deputy Governor and all Heads 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 domestic and foreign investments;
- the *Financial System Development Policy Committee* meets monthly to discuss the financial system and developments in capital markets, payment systems, financial inclusion and consumer issues including complaints management;
- the *Corporate Services Policy Committee* meets quarterly to discuss matters relating to internal services;
- the *Payment Systems Policy Committee* formed in March 2022 meets monthly to discuss matters involving domestic and international payment and settlement issues, and the licensing, regulation and supervision of payment systems in Fiji;
- the *Currency Technical Committee* meets monthly to discuss issues relating to currency management and numismatics;
- the *Human Resources Steering Committee* meets quarterly to discuss matters relating to implementation of the human resources (HR) Strategic Plan and provides oversight to the overall HR functions of the Bank;
- the *Information Technology (IT) Steering Committee* meets quarterly to discuss IT development and operations; and
- the *Risk and Business Continuity Management Committee (RBCMC)* meets quarterly to identify and assess risks and

their impact on the operations of the Bank, formulates effective strategies to address these risks as well as responds, manages and recover from any incident or crisis event.

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

Other special and technical Committees of the Bank are chaired by the Deputy Governor for operational oversight and to create an independent channel for appeals or complaints, such as the Ethics Committee, Tenders Committee, Project Committees for the NPS and Website, amongst others.

### 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. To ensure operations with external counterparties continues smoothly, changes were made to the Delegation of Authority amidst the COVID-19 pandemic during the lockdown period.

The Bank's most significant risks are Strategic, Financial, Operational and

Reputational risks. Governance risk is a sub-set of strategic risk. The Bank has an established framework to ensure risks to corporate governance are regularly evaluated and properly managed by the Board.

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

### Conflict of Interest (COI)

As part of ensuring good governance practices and providing transparency, the Bank has in place policies and procedures to guide staff and Board members regarding actual or perceived COI. These policies require disclosure of any known and potential COI and require all representatives of the Bank to conduct themselves with honesty and integrity in all dealings in the course of their work for the RBF, both within and outside of the Bank. During the year, the annual COI declarations were completed by staff.

### Strategic Plan

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

The focus continues to be on the core role of protecting macroeconomic

and financial stability while managing relations with the Government, private sector and public expectations as the nation embarks on its economic recovery journey. Risk management also continues to be at the forefront, together with the strengthening of the existing HR framework backed by innovation. The lessons learnt from COVID-19 in Year 2 of the plan are also expected to feed into exploring innovative solutions.

Despite the challenging circumstances created by the COVID-19 pandemic, the vision, themes and priorities of the strategic plan were assessed to be still relevant for the remaining term. With the year seeing the lifting of COVID-19 restrictions, work output progressed as planned, albeit delays were encountered in some projects due to issues of supply chain disruptions.

### Planning Cycle and Monitoring

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

The initial formulation of the Bank's Work Plan for the new FY commences in April. The Work Plan is developed and presented in line with the strategic priorities and missions of the Bank. Every output is aligned to the strategic priority and the strategic outcomes, which in turn is expected to contribute to the achievement of the Vision of the Bank.

From April, extensive discussions were held on the new Annual Work Plan. In resourcing the Plan, the Bank uses zero-based budgeting in determining the necessary financial

resources for the coming year, based on the work plans submitted by the Groups.

Given the projections for this year's income, the Bank again carried out cost-cutting exercises at the beginning of the year, especially in revisiting operating expenditure as well as reviewing any large capital expenses. However, noting the positive outcomes on the income side as well as the upcoming tasks and need for resources, the Bank filled vacant positions towards the end of the FY.

The operating expenditure for the 2021-22 FY increased by \$0.22 million compared to the 2020-21 FY and decreased by \$0.04 million

in comparison to the 2019-20 FY. Similarly, capital projects that were delayed or on hold were commenced to ensure continued efforts towards driving the strategic theme of renewing ways of doing business and reinforcing a culture of innovation.










The final Annual Work Plan and Budget for the 2022-23 FY were presented and approved by the Board at 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. A review of the progress in the implementation of the 2019-24 Strategic Plan is undertaken on a quarterly basis.

During the third year of the 2019-24 Strategic Plan, the Bank met the majority of its planned outcomes and targets. Some outputs needed to be reprioritised, however, the Bank continued to meet its mandates as outlined in the plan with the outcomes achieved clearly showing the impact of the work that has been done over the three years.

# 2021-22

## AT A GLANCE

 <p><b>Fiji's Real GDP</b> <b>15.6%</b> Forecast for 2022</p>	 <p><b>Foreign Reserves</b> <b>\$3.6b</b> In July 2022, sufficient to cover 7.3 months of retained imports</p>	 <p><b>Inflation Rate</b> <b>5.2%</b> In July 2022</p>
 <p><b>Gross Assets of the Financial System</b> <b>\$26.7b</b> As at 31 July 2022</p>	 <p><b>Overnight Policy Rate</b> <b>0.25%</b> maintained throughout 2021-22 FY</p>	 <p><b>Liquidity</b> <b>\$2.6b</b> As at 31 July 2022</p>
 <p><b>Currency in Circulation</b> <b>\$973.4m</b> As at 31 July 2022</p>	 <p><b>Disaster Rehabilitation &amp; Containment Facility</b> <b>\$455.4m</b> Against the total allocation of \$550m in 2021-22 FY</p>	 <p><b>Import Substitution &amp; Export Finance Facility (ISEFF)</b> <b>\$440.3m</b> Against the total allocation of \$500m in 2021-22 FY</p>
<p><b>Personal Properties Securities Registry</b></p>  <p><b>More than 93,000</b> filings Registered as at July 2022</p>	 <p><b>Financial Inclusion Gender Gap</b> <b>11.6%</b> A narrowing of the bank account ownership gender gap as at December 2021</p>	 <p><b>No. of RBF Staff</b> <b>196</b> Male - 107 Female - 89 in 2021-22 FY</p>
 <p><b>Reserve Bank's Financial Performance</b> <b>\$42.0m</b> Net profit for 2021-22 FY</p>	 <p><b>Numismatic Sales</b> <b>\$4.7m</b> Numismatic income for 2021-22 FY</p>	 <p><b>Personal Remittances</b> <b>\$951.6m</b> Received in the 2021-22 FY</p>

# ECONOMIC OVERVIEW

The global economy is expected to slow this year as a result of several destabilising shocks, including the ongoing Russia-Ukraine war. However, the Fijian economy is expected to recover due to the easing of COVID-19 related restrictions and the rebound in visitor arrivals.

## International Economic Developments

The global economy's recovery into 2022 has been hampered by a series of destabilising events that have cast substantial uncertainty on the growth outlook. The International Monetary Fund (IMF), in its October World Economic Outlook (WEO), stated that the global economy faces steep challenges as a result of Russia's ongoing war in Ukraine, persistently increasing cost of living and the economic slowdown in China, all of which are weighing heavily on global trade and economic activity.

Inflation at multi-decade highs, particularly in the United States (US) and major European economies, has resulted in rapid monetary policy tightening and a significant appreciation of the US dollar against most other currencies. The cost of

living has also surged in Emerging Markets and Developing Economies (EMDEs), and the appreciating US dollar further adds to domestic price pressures and compounds the likelihood of debt distress. Meanwhile, China has experienced a steeper slowdown than expected, owing mainly to the frequent COVID-19 containment lockdowns and a deepening real estate crisis.

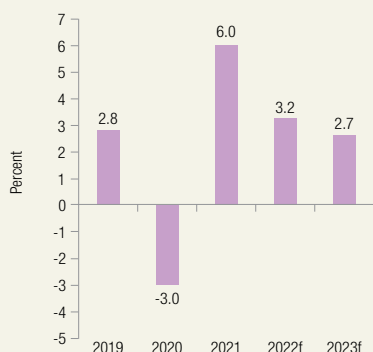
In this context, the IMF anticipates global growth at 3.2 percent<sup>4</sup> in 2022, following a 6.0 percent recovery in 2021. Advanced Economies (AEs) and EMDEs are predicted to grow at a slower pace of 2.4 and 3.7 percent,<sup>5</sup> respectively, in 2022.

Following a rebound in 2021, Fiji's major trading partner economies are to recover further in 2022, albeit at a much slower pace. In many of these

advanced economies, higher-than-expected inflation is resulting in the faster withdrawal of monetary policy stimulus. Labour market conditions, in comparison, remained tight in the first and second quarters of 2022, as job gains remained robust.

The US economy is predicted to grow at a slower 1.6 percent in 2022, following a 5.7 percent expansion in 2021. Slow growth in the first two quarters of 2022 and much lower private consumption momentum will likely impact growth in 2022. This is partly attributable to a decline in household purchasing power and the anticipated effects of more pronounced monetary policy tightening. Annual inflation in the US reached 8.5 percent in July compared to 5.4 percent in the same period of 2021, the highest level since November 1981 and well above the

World Gross Domestic Product (GDP) Growth Rates



Source: IMF WEO October 2022

3.2% ↑

World GDP 2022(f)  
growth rate

3.1% ↑

Eurozone 2022(f) growth  
rate

3.8% ↑

Australia's 2022(f)  
growth rate

1.6% ↑

US 2022(f) growth rate

1.7% ↑

Japan's 2022(f)  
growth rate

2.3% ↑

New Zealand's 2022(f)  
growth rate

<sup>4</sup> 0.4 percentage point (pp) decline from the April WEO estimate.

<sup>5</sup> 0.9pp and 0.1pp lower than the April projection.

Federal Reserve's (Fed) long-term target of 2.0 percent. To subdue the elevated and persistent inflationary pressures, the Fed is determined to pursue a more restrictive monetary policy by accelerating the increase in the Federal funds rate and continuing to shrink its balance sheet. The Fed hiked its target funds rate by another 75 basis points (bp) to 2.25-2.5 percent in July, the fourth consecutive increase since March.

The Eurozone's growth outlook is concerning, with a lower expansion of 3.1 percent anticipated in 2022, following a 5.2 percent rebound in 2021. The growth forecast for 2022 has been revised downward, partly due to the conflict in Ukraine and acute inflation pressures. The Eurozone's annual inflation rate reached an all-time high of 8.9 percent in July, up from 2.2 percent in the same month of 2021, owing primarily to higher energy prices. At its July 2022 meeting, the European Central Bank (ECB) raised its benchmark interest rate to 0.5 percent (a 50 bp increase) from zero percent maintained since March 2016. The ECB expects to raise key policy interest rates in the remaining months of 2022, but the magnitude of the increase will be determined by inflation developments.

The Japanese economy is envisaged to expand by 1.7 percent in 2022, following similar growth in 2021. Progress on vaccinations, increased external demand, and accommodative monetary policy are expected to drive the projected recovery, however, the outlook remains subject to rising inflationary

pressures. In July, Japan's annual inflation rate picked up to 2.6 percent from -0.3 percent registered in the same period in 2021, owing primarily to higher energy prices. Nonetheless, the Bank of Japan continued to signal its commitment to ultra-loose monetary policy and has kept its policy rate unchanged at -0.1 percent and the 10-year government bond yield at zero percent in the review period to stimulate the economy's sluggish growth.

The Australian economy is demonstrating remarkable resilience in the face of elevated inflation and is forecast to expand by 3.8 percent in 2022, following a rebound of 4.9 percent in 2021. This year, economic recovery is expected to be driven by significant fiscal and monetary policy stimulus, strong labour market dynamics, external demand and higher consumer spending. In the June quarter of 2022, the annual inflation rate rose to 6.1 percent, compared to 3.8 percent in the same quarter of the previous year, mainly due to soaring food and fuel prices. The Reserve Bank of Australia (RBA) has raised the cash rate three times in a row, bringing it to a new high of 1.35 percent in July 2022, after raising it to 0.85 percent and 0.35 percent in the preceding two months. Also, in light of the economy's strength and inflationary pressures, the RBA decided to end its AU\$350 billion bond-buying programme in February 2022.

New Zealand's (NZ) economic growth expectations are at a modest 2.3 percent in 2022 compared to the 5.6 percent rebound last year. A faltering

world economy, rising interest rates and soaring inflation are dampening the outlook for the economy. Higher housing and utility prices have pushed the annual inflation rate to a 32-year high of 7.3 percent in the second quarter of 2022, much higher than the 3.3 percent noted in the same quarter of 2021. In response to elevated price levels, the Reserve Bank of New Zealand (RBNZ) has started withdrawing its monetary stimulus. The RBNZ increased its official cash rate (OCR) by 50 bp to 2.5 percent in July, marking the sixth OCR increase since August 2021. The central bank has also signalled its commitment to tightening policy until consumer price inflation returns to within the 1 to 3 percent target range.

### Economic Developments in Fiji

Following two consecutive years of pandemic-induced contractions, the Fijian economy is expected to rebound strongly by 15.6 percent this year amidst easing pandemic curbs and the lifting of international travel restrictions. The tourism-led economic turnaround is expected to be supported by major service-related sectors such as the accommodation and food services; transportation and storage; wholesale and retail trade; and business service sectors (primarily the finance and insurance sector). Concomitantly, the positive flow-on effects on domestic demand are expected to augur well for both the primary and industrial sectors.

In 2023 and 2024, the domestic economy is envisioned to expand by 6.0 percent and 3.8 percent, respectively, largely supported by the continued recovery in the tourism

industry back to pre-COVID levels, with subsequent positive broad-based contributions from other sectors. However, key downside risks to the growth outlook permeate from a possible intensification of geopolitical tensions that could further swell oil and commodity prices, disruptions to the global supply chain, the emergence of new COVID variants, elections-related uncertainty, and natural disasters.

Positively, in the 2021-22 FY, sectoral performances are recovering with support from the tourism industry and the rebound in domestic demand. The easing of restrictions and the reopening of borders in December 2021 saw visitor arrivals increasing significantly to 309,567 from the 10,911 arrivals noted in the previous FY. The majority of the visitors during the FY were from Australia (58.7%), NZ (20.1%), and the US (12.4%).

The rebound in economic output is similarly reflected in electricity production, which increased by 8.8 percent (to 951,115 MWh) in 2021-22 FY, following an 8.3 percent decline the previous FY. However, the share of electricity generated from renewable sources fell to 57.7 percent in the current FY, compared to 65.7

percent in the previous FY. Electricity consumption also increased by 8.5 percent (to 914,962 MWh) due to increased demand from commercial (8.9%), domestic (7.5%), and industrial (9.5%) users.

The timber industry, however, noted mixed results in the review period. Compared to the previous FY, wood supply fell by 34.9 percent (to 443,439.7 tonnes). Likewise, woodchip production declined by 22.4 percent (to 403,632.2 tonnes) during the review period, underpinned by lower output by both the Drasa (-43.8%) and Wairiki (-14.5%) mills. Sawn timber output, on the other hand, increased by 19.8 percent (to 29,387m<sup>3</sup>) due to favourable weather and process improvements. In addition, due to the hiring of new contractors, mahogany production increased by 73.7 percent (to 42,925.6m<sup>3</sup>).

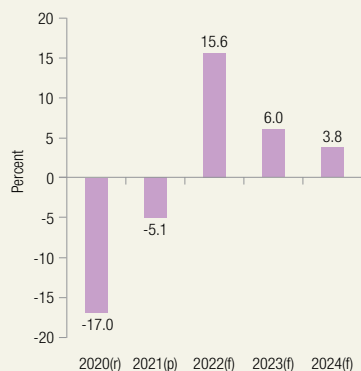
Compared to the previous FY, gold mining performance has been timid as production fell by 24.1 percent (to 28,562 ounces) due to weather-related hindrances. As a result of lower gold output, gold exports also fell by 22.7 percent (to \$110.7m) in the FY.

For the sugar industry, the 2021 crushing season ended with 1,417,185 tonnes of cane, yielding 133,209 tonnes of sugar. Both sugar production and cane harvesting decreased by 18.0 and 12.1 percent, respectively. This was mostly due to natural disasters that occurred in early 2021, which impacted both crop output and quality. Despite the contraction in cane harvesting (-2.5% to 53,621 tonnes), sugar production slightly increased (0.5% to 571,446 tonnes) so far into the 2022 season, owing to improved processing at the Labasa mill.

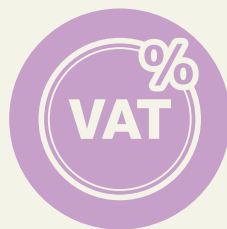
Labour market conditions have improved significantly in the 2021-22 FY. According to the RBF Job Advertisements Survey, job vacancies increased by 135.5 percent (to 10,472 vacancies), with all major sectors benefiting from the tourism industry and broader economy's recovery. Furthermore, formal employment has been increasing in tandem, according to the FNPF.

Key demand indicators also mirrored the recovery in the domestic economy. Consumption activity noted positive outcomes in the review period as net Value Added Tax (VAT) collections increased by

Fiji's GDP Growth Rates




Sources: Fiji Bureau of Statistics and Macroeconomic Committee



**49.1%**   
Net VAT collections in the  
2021-22 FY



**135.5%**   
Number of vacant positions  
advertised in the 2021-22 FY

**309,567**  
Visitors in the  
2021-22 FY

49.1 percent (to \$660.2m), owing to higher customs import VAT (32.6%) and domestic VAT (25.2%). Similarly, vehicle registrations increased by 46.9 percent (to 11,009 vehicles) during the review period. Moreover, commercial banks' new consumption loans rose in the FY by 54.4 percent (to \$1,225.6m), supported by higher lending to private individuals and wholesale, retail, and hotels & restaurants categories.

Investment indicators slightly improved but remained relatively modest when compared to pre-COVID levels. Domestic cement sales - a forward looking indicator for construction activity - increased by 25.1 percent (to 122,138 tonnes) spurred by the easing of restrictions, as projects previously on hold recommenced. Similarly, commercial banks' investment loans rose strongly by 47.2 percent (to \$560.0m) from the 19.7 percent contraction noted in the previous FY. This was supported by higher lending to the real estate (91.8%) sector.

In the 2021-22 FY, the fiscal deficit stood at \$1,223.3 million, equivalent to 12.2 percent of GDP, compared to the \$1,047.3 million or 11.1 percent of GDP noted in the last FY. Higher

expenditures underpinned the net deficit as the Government rolled out supportive policy initiatives during the pandemic. For the 2022-23 FY, the net deficit is estimated to total \$872.2 million or 7.4 percent of GDP, with both government revenue and expenditure anticipated to expand.

At the end of the 2021-22 FY, government debt stood at 91.1 percent of GDP, higher than the 83.6 percent noted at the end of the last FY, with domestic debt accounting for 63.2 percent of the total government debt portfolio.

Headline inflation averaged 3.1 percent in the 2021-22 FY, from the -1.8 percent average recorded in the previous FY. The higher outturn in consumer prices was primarily influenced by imported (9.7%) over domestic (1.5%) inflation, as volatile global developments weighed in on commodity prices. In particular, significant increases in both food and fuel were the major drivers of price movements.

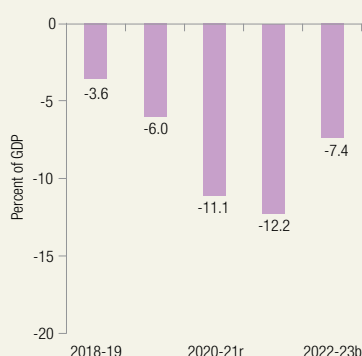
Financial conditions remained conducive to economic activity during the FY. Broad money stood at \$9,994.9 million in July 2022, growing by an annual 6.4 percent, compared

to a 9.9 percent increase in the same period the previous fiscal year. Broad money increased as a result of gains in Net Foreign Assets (NFA) (8.8%) and Net Domestic Assets (NDA) (5.3%). The outturn in NFA was primarily supported by increased foreign reserves, while the significant increase in NDA was attributed to a rise in private sector credit and the RBF's investment in government bonds.

Furthermore, commercial banks' new lending increased by 48.1 percent (+\$983.2m) in the 2021-22 period, mainly driven by increased credit extended to the wholesale, retail, hotels & restaurants; private individuals; transportation & storage; and real estate sectors.

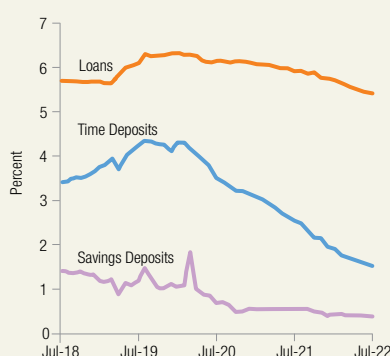
Liquidity in the banking system was high at \$2,585.4 million at the end of July 2022. Consequently, commercial banks' weighted average outstanding lending rate fell to 5.40 percent in July 2022, down by 51 bp from the same period last year. Likewise, existing and new time deposit rates offered by commercial banks fell annually to 1.52 percent (from 2.55%) and 1.08 percent (from 1.84%), respectively. On the contrary, the new lending rate increased by 17 bp in July 2022 to

### Government Balance



Source: Ministry of Economy

### Commercial Banks' Lending and Deposit Rates



Source: Reserve Bank of Fiji

91.1%  
of GDP

Government debt at the  
end of 2021-22 FY

\$2.6b

Liquidity as at 31 July 2022

5.16 percent.

The current account deficit (excluding aircraft) is estimated to widen by 14.1 percent to \$1,489.0 million (14.6% of GDP) in the 2021-22 FY, higher than the \$1,304.5 million (13.9% of GDP) recorded in the 2020-21 FY. This is mainly due to the deterioration in trade and primary income deficit, which offset the turnaround in services balance. The worsening of trade balance was led by a sharp growth in imports resulting from domestic economic recovery, as well as increased import costs (rising commodity prices and high trading partner inflation and freight charges). The widening of the primary income deficit was mainly on account of domestic recovery, which increased re-invested earnings and profit & dividend repatriation. The turnaround in services balance was due to the resumption of travel and tourism-related activities following the reopening of international borders. The secondary income surplus remained at similar levels to the

previous FY, supported by strong personal remittance inflows.

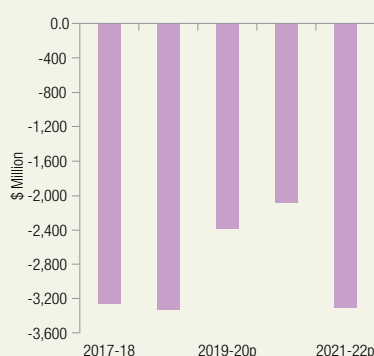
In terms of merchandise trade, in the 2021-22 FY, total exports (excluding aircraft) rose by 11.8 percent to total \$1,977.1 million, while total imports (excluding aircraft) increased by 36.9 percent (to \$5,266.3m). As a result, the trade deficit (excluding aircraft) increased by 58.3 percent to \$3,289.2 million after contracting by 12.7 percent in the previous FY. Higher re-exports of mineral fuels, exports of mineral water, sugar, mahogany and dalo contributed to the export outcome, while larger imports of mineral fuels, machinery & transport equipment, food & live animals, chemicals and manufactured goods drove the rise in import payments.

In terms of trade in services, the reopening of international borders and the resumption of travel to Fiji under COVID-19 safety measures, resulted in \$109.4 million (first quarter, 2022) and \$337.5 million (second quarter,

2022) quarterly tourism earnings. In the July 2021 – June 2022 period, tourism earnings significantly rebounded to \$478.9 million, from \$11.0 million in the corresponding period, supported by receipts from Australia, NZ, the US, Europe and Canada.

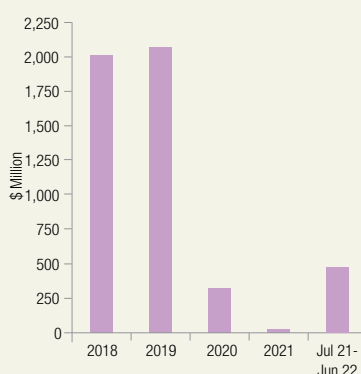
Personal remittances into the country continued to increase with a significant rise in funds received via the mobile money platform. Inward remittances (including international mobile money transfers)<sup>6</sup> rose by 15.9 percent to \$951.6 million in the 2021-22 FY, following a 28.1 percent growth in the previous FY. In terms of the remittances components, inflows under the personal transfers<sup>7</sup> category surged (17.7%), while employee compensation (-2.7%) and migrant transfers (-91.9%) fell during the review period.

Trade Deficit



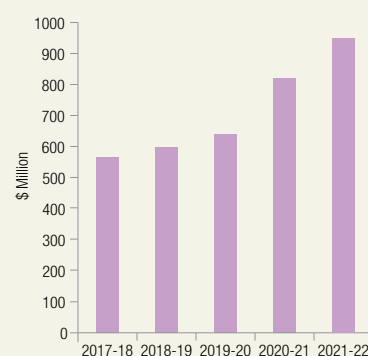
Source: Fiji Bureau of Statistics

Tourism Earnings



Source: Fiji Bureau of Statistics

Personal Remittances



Source: Reserve Bank of Fiji

<sup>6</sup> International remittances via Mobile Network Operators were officially included as part of personal remittances from March 2021 and data series has been backdated to 2015.

<sup>7</sup> International mobile money receipts are recorded under the 'personal transfers' category.

**MISSION**

# CONDUCT MONETARY POLICY TO FOSTER SUSTAINABLE AND INCLUSIVE ECONOMIC GROWTH

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

## Monetary Policy Formulation

### Chronology of Monetary Policy Actions

To mitigate the adverse effects of the COVID-19 pandemic and support economic recovery, the RBF maintained an accommodative monetary policy stance, keeping the OPR at 0.25 percent during the 2021-22 FY. Approximately \$300 million was also injected into the financial system through the various RBF Facilities,<sup>8</sup> including \$93.3 million in loans to 4,185 businesses under the Government Guarantee and Interest Subsidy Scheme, where borrowers do not pay any interest or fees for the first two years.

Furthermore, RBF's move in June 2021 to lower interest rates on its Facilities - from 5.00 percent to 3.99 percent per annum – had its anticipated effect of attracting new borrowers while relieving the financial pressure on existing borrowers. In December 2021, economic pressures started to subside as domestic demand began to rebound on account of the re-opening of

international borders.

The RBF steadfastly maintained its accommodative monetary policy stance amidst the mutating coronavirus, negative impacts of the Russia-Ukraine war, and lockdowns in China, in an effort to combat inflationary pressures and widening trade deficit.

### Monetary Policy Outcomes

Annual headline inflation stood at 5.2 percent in July 2022, up from the -0.4 percent noted in July 2021. The result was driven by the high prices of food and fuel, induced by the pandemic and compounded by the Russian-Ukrainian war, the impact of which is now becoming more apparent through the second-round effects on related goods and services. Headline inflation is predicted to be at 5.0 percent by the end of 2022, as a result of volatile geopolitical situations, supply chain imbalances resulting in fuel, food, and other associated commodity shortages, and high freight prices.

Foreign reserves rose to \$3,596.2 million in July 2022, sufficient to cover 7.3 months of retained imports.

Higher receipts were noted primarily from external government loan drawdowns, tourism-related receipts, inward personal remittances and other large inflows.

### Exchange Rates

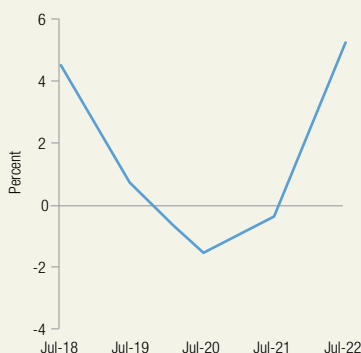
The Fijian dollar (FJD) strengthened annually against the Japanese Yen (JPY) (15.9%), the Euro (EUR) (10.3%), and NZ dollar (NZD) (5.3%) in July 2022, but fell against the US dollar (USD) (-5.5%). In July, the Nominal Effective Exchange Rate (NEER) Index fell 0.2 percent year on year, showing an overall depreciation of the domestic currency. The Real Effective Exchange Rate (REER) Index declined by 0.6 percent during the same period, demonstrating a rise in trade competitiveness due to reduced domestic prices relative to key trading partners.

## Monetary Policy Implementation

### Management of Foreign Reserves

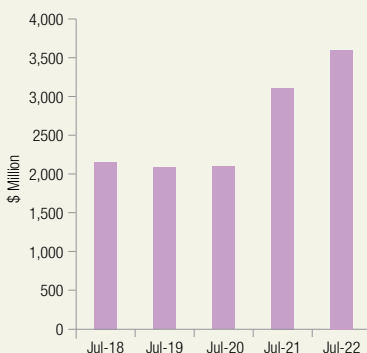
The Bank is responsible for managing the nation's foreign reserves as prescribed by the RBF Act (1983). In

Inflation (Annual Percent Change)



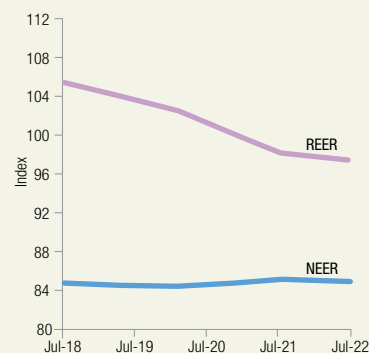
Source: Fiji Bureau of Statistics

Foreign Reserves



Source: Reserve Bank of Fiji

REER/NEER (Monthly Average)



Source: Reserve Bank of Fiji

<sup>8</sup> ISEFF and DRCF.

order to ensure a balance between risk and return, the Bank manages foreign reserves within the parameters of capital safety, convertibility to cash, and investment returns. The Bank's investment guidelines establish the parameters for managing key risks including credit, interest rate, liquidity and foreign exchange risks.

Unprecedented level of stimulus were deployed by most central banks to ease financial conditions and support economic recoveries last year. However, with inflation at multi-decade highs, central banks are rapidly pivoting towards tightening policies by raising interest rates and reducing the size of their balance sheets.

The Fed has already increased rates by a combined 225 basis points within a span of a few months, while the ECB began raising rates, even though the euro area's economic activity was heavily impacted by the ongoing war.

Given the current path of central bank policy normalisation, global bond yields rallied significantly during the year - depressing the market value

of existing portfolios, but providing much better opportunities for newer investments.

There is less certainty as to when inflationary pressures will start abating or how well the global economy is insulated from recessionary pressures with much reduced monetary support, which poses new challenges on the management of foreign reserves in the near term.

Gross foreign reserves (RBF holdings) reached multiple historical highs during the year, peaking in July at \$3,627.4 million before declining slightly to \$3,596.2 million at the end of the FY. Reserves averaged around \$3,186.6 million during the 2021-22 FY, higher than the \$2,521.0 million average of the previous FY.

Investible reserves, which accounted for 84.7 percent of gross foreign reserves, also averaged higher at \$2,700.5 million compared to \$2,320.8 million in the previous fiscal year.

Net foreign investment income for the 2021-22 FY decreased to \$23.7 million from \$25.5 million in

the previous year, largely reflecting the impact of investments executed at low yields after the onset of COVID-19. Nevertheless, the higher level of investible reserves and the significant recovery in the interest rate environment, especially in the latter half of the FY have recouped some of the lost interest income during the year.

The Bank continued to measure its performance against the approved benchmark. Like other central banks, the substantial rise in yields dented the Bank's portfolio returns for the year. The RBF foreign reserves portfolio posted a negative return of 0.28 percent, but outperformed the RBF benchmark portfolio return of negative 1.03 percent. Portfolio investments were deliberately shortened against the benchmark in response to the aggressive monetary policy tightening in trade partner economies.

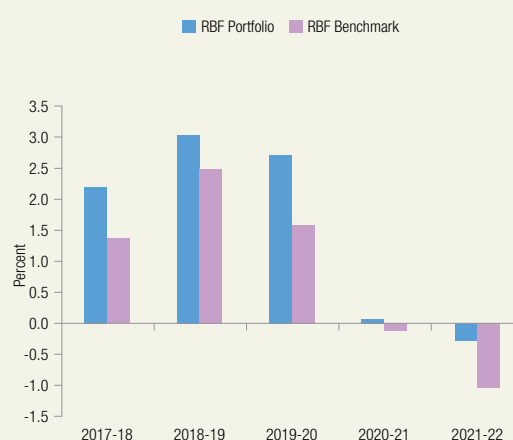
The impact of exchange rate movements on the value of foreign reserves is reflected in the RRA. As a hedge against volatility in exchange rates, the currency composition of foreign reserves is aligned to the

#### Return on External Reserves

	Aug 2019-Jul 2020	Aug 2020-Jul 2021	Aug 2021-Jul 2022
Net Foreign Exchange Income (\$M)	38.9	25.5	23.7
Average Month-End Level of Investible Reserves (\$M)	2,002.5	2,320.8	2,700.5
Return on Investible Reserves (%)	1.94	1.10	0.88

Source: Reserve Bank of Fiji

#### Performance of RBF Portfolio against Benchmark



Source: Reserve Bank of Fiji

weights of the currencies in the FJD basket, namely the USD, EUR, JPY, Australian dollar (AUD) and NZD. The Bank also holds IMF Special Drawing Rights and smaller amounts of gold and British pound sterling.

A fifth of the year-end balance in the RRA is transferred to the Government in accordance with the requirements of the RBF Act, each financial year. At the end of July 2022, the RRA had a balance of \$16.9 million. As a result, \$3.4 million of the RRA will be transferred to the Government in the 2022-23 FY compared to \$2.2 million transferred in the 2021-22 FY.

### Exchange Rates

The FJD is fixed to a basket of currencies of Fiji's five major trading partners - the USD, AUD, NZD, JPY and EUR. On a daily basis, the Reserve Bank sets the mid-rate of the FJD against the USD and uses this rate to calculate the value of the FJD against the other basket currencies. The exchange rates are published

on each business day through the Reuters and Bloomberg platforms as well as on the RBF website. The RBF official exchange rates are used by local commercial banks to establish rates for their daily foreign exchange operations within permissible spread limits.

The weight of each currency in the basket is reviewed annually and is based on the value of Fiji's merchandise trade, services, and debt servicing transactions. During its annual review, the exchange rate weights were kept unchanged from 2020 as follows: USD (39.8%), AUD (29.3%), NZD (21.9%), JPY (4.8%), and EUR (4.2%).

### Foreign Exchange Derivative Markets

Commercial banks can offer forward exchange and swap contracts to customers, while options contracts may be offered upon application to the Bank. The Bank continued its monitoring of transactions in

the derivatives market to ensure compliance with the Foreign Currency Derivatives guidelines. During the year, the Bank also reviewed its FX Swap facility, and, while noting the continued minimal usage, the overall objectives, and compliance on the facility were met.

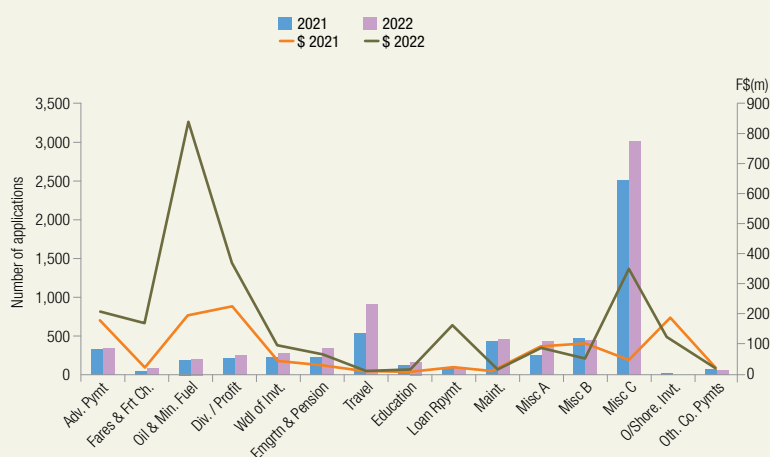
### Foreign Currency Receipts and Payments

The Bank continued to provide banking services to the Fijian Government, statutory bodies as well as other central banks and supranational organisations during the year.<sup>9</sup> Significant amongst these were facilitating government loan drawdowns and grants.

### Exchange Control

During the year, a review of the exchange control documentary requirements was carried out on their relevance in light of the gradual move towards the use of digital platforms by the public and authorised dealers. Relevant discussions were held with

### Cumulative Approvals on eService



Source: Reserve Bank of Fiji

  
**\$23.7m**  
 Net foreign investment income

<sup>9</sup> This includes the ADB, IMF, the International Development Association and the International Bank for Reconstruction and Development.

the FRCS and authorised dealers on the agreed changes to the guidelines.

The eService platform played a critical role in facilitating requests during the COVID restrictions period and the transition back to normal work operations thereafter. The staff endeavoured to process applications requiring exchange control approvals

within set timelines. Compliance continued to be a focus of the Unit and staff provided clarifications and training to authorised dealers on the guidelines and procedures.

The staff were actively involved in collaboration with other government agencies with the aim of improving foreign investment facilitation and the

ease of doing business. Changes in the new Investment Act that was passed during the year meant that the procedures and documentation requirements for the issue and transfer of securities required amendments. Preparatory work on the changes was carried out during the period in readiness for implementation on 1 August 2022.

The background of the page is a photograph of a tropical sunset. The sun is low on the horizon, creating a bright orange and yellow glow that reflects on the water. In the foreground, the silhouettes of palm trees are visible on the right side. A long pier extends into the water, and a small boat is anchored in the lower left corner. The overall mood is serene and peaceful.

## MISSION

# PROMOTE AN INTERNATIONALLY REPUTABLE FINANCIAL SYSTEM

According to Section 4 of the Reserve Bank of Fiji Act, the principal purpose of the Reserve Bank is to promote a sound financial structure by way of regulating and supervising financial institutions such as commercial banks, credit institutions, insurance companies and insurance intermediaries, the FNPF, the Fiji Development Bank (FDB), restricted foreign exchange dealers and money changers, credit reporting participants, the South Pacific Stock Exchange (SPX), unit trusts, stock brokers, and capital markets intermediaries.

## Financial System Regulation and Supervision

The Reserve Bank employs a risk-based approach in identifying and assessing the risks inherent in financial institutions' operations through offsite supervision and scheduled onsite examinations, with the aim of ensuring that supervised entities manage these risks prudently, with the ultimate objective of maintaining a stable and sound financial system.

The adverse economic impact created by the COVID-19 pandemic was at its peak at the beginning of this financial year, and stringent measures were imposed to slow down the COVID-19 transmission rate that had led to business disruptions in the financial sector and the broader economy. However, despite the unprecedented stress, the financial sector remained stable and operationally resilient.

Capital adequacy of the banking sector continued to be assessed as satisfactory, while liquidity has increased significantly during the year, attributed to the high level of foreign reserves and the slow pick up in lending due to post pandemic business recovery adjustments. Asset quality of the banking books albeit negatively impacted, had been cushioned by the repayment holiday packages offered by the banking sector to its borrowers.

There was no major insurable natural catastrophic event during the financial year. Despite the prolonged impact of the COVID-19 pandemic, the insurance industry continued to demonstrate resilience with adequate solvency and liquidity levels, and

remained profitable.

The FPNF generated exceptional investment income given the current economic environment, and paid out six percent interest to its members at the end of the June 2022 financial year, while maintaining its solvency level as per the requirement of section 32 of the FPNF Act.

### Prudential Regulation

Regulation and supervision of financial institutions in Fiji are primarily directed towards ensuring the soundness and stability of the financial system, and the protection of the interests of the public.

In line with the Reserve Bank's mission of promoting an internationally reputable financial system, the Reserve Bank continued to modernise the financial system through the development and review of new and existing prudential supervision policy statements, and relevant laws and regulations.

### Prudential Supervision Policy Development and Review

Industry consultations on the Prudential Supervision Policy Statement No. 2 on *Minimum Requirements for Cybersecurity risk of Supervised Entities* continued during the year. The first round of industry consultations for the draft policy was completed and further revisions were incorporated based on industry comments. The second draft of the policy has been issued for a second round of industry consultation, with the aim of finalising it for implementation in the 2022-23 financial year.

The Reserve Bank continued its internal discussions of the draft revised Banking Supervision Policy Statement No. 3 on *Guidelines for*

*Loan Classification and Provisioning for Impaired Assets*, and anticipates finalising the draft revised policy for industry consultation in the next financial year.

Furthermore, the Reserve Bank completed the first round of industry consultation for the draft revised Banking Supervision Policy Statements No. 9A and 9B on *Liquidity Risk Management Requirements for Banks and Credit Institutions*. The draft revised policy has been further reviewed, taking into account comments received from the industry, and is expected to be issued for a second round of industry consultation in the next financial year.

The review of the capital adequacy policy continued during the year, exploring the practicality of adopting the Basel III capital adequacy framework for Fiji's banking industry. This review will continue in the next financial year.

With regard to the Culture and Conduct Risk Reform Programme, the Reserve Bank continued with Phase 3 of the Programme of drafting the culture and conduct risk policy for internal discussion prior to circulating for industry consultation. The draft policy aims to embed a strong culture of responsibility and ethical behaviour within supervised entities, to ensure that integrity-related risks are prudently managed and mitigated.

The Reserve Bank continued the trial implementation of the draft revised Insurance Supervision Policy Statement (ISPS) 3A & 3B on the *Minimum Solvency Requirements for Licensed Insurance Companies*, which is expected to be finalised following the implementation of the revised insurance legislation.

To enhance the role and responsibilities of appointed actuaries of licensed insurers in Fiji, the ISPS 10 on *Minimum Requirements for the Role of Insurance Actuaries for Licensed Insurers in Fiji* was reviewed, circulated for industry consultation during the year, and has been finalised for implementation, effective September 2022.

For capital markets supervision, the Reserve Bank continued with the first round of industry consultation on the revised policy on *Minimum Requirements for Capital Raising through the Issue of Equity Securities*.

Furthermore, to enhance risk management in the capital markets, a risk management policy has been drafted for the capital markets intermediaries and due for a first round of industry consultation in the upcoming financial year.

### **Legislation Review and Developments**

To ensure that the Reserve Bank's regulatory framework remains conducive to enabling innovations and new business developments, the Reserve Bank continued the review of the Insurance Act 1998. The first revised draft of the proposed legislation is anticipated to be completed in the next financial year, and an extensive consultation with the insurance industry to follow.

During the year, work was carried out on the review of the terms of insurance agent licences, with the Insurance (Budget Amendment) Act 2022 enacted along with the Insurance (Amendment) Regulations 2022, coming into effect on 1 August 2022.

The Reserve Bank continued the credit union legislation reform during the year with a draft credit union bill submitted to the Office of the Solicitor

General for further review and tabling in Cabinet in the next financial year. Proposed plans in the upcoming year include undertaking stakeholder awareness of the legislation prior to preparing a transition plan for the implementation of the legislation upon enactment.

The NPS Act was passed by Parliament on 12 February 2021 and came into effect with the Regulations on 30 September 2022. The Reserve Bank has prepared a transition plan for the purpose of licensing of payment service providers and developing of prudential supervision policies.

In addition, the Reserve Bank held consultations with existing payment service providers to create awareness of the NPS Act and Regulations, and concurrently gather information on the products and services they currently offer. To further understand the business models of existing payment service providers, an online survey was prepared for relevant entities to complete. The survey results will be assessed in the next financial year to determine eligibility for licensing and oversight purposes. Those payment service providers that do not carry out the payment service activities as specified in the NPS Regulations will be exempted from licensing.

### **Licensing**

The Reserve Bank evaluates licence applications and registrations of relevant institutions and individuals as and when submissions are received. Existing commercial banks, credit institutions and insurance companies are subject to payment of annual licence fees for the continuation of their licences while renewal applications are assessed and approved as required for insurance intermediaries, foreign exchange dealers, securities exchange,

managed investment schemes, stockbrokers, and investment advisers.

The Reserve Bank granted conditional approval on Kina Securities (Fiji) Pte Limited's (Kina Fiji) application for a banking licence in July 2021, however, the conditional approval lapsed after Kina Fiji's parent company and its counterparty jointly terminated the Sales and Purchase Agreement due to a regulatory authority's disapproval of the proposed purchase.

On the registration of new and renewed Credit Information Providers and Credit Report Recipients, the Reserve Bank granted registration to seven applicants.

After the implementation of the wholesale corporate bonds market development project in the 2019-20 FY, the Reserve Bank has since been receiving applications for issue of wholesale corporate bonds. A draft application was assessed during the year, with its formalisation anticipated for the next financial year.

Furthermore, the Reserve Bank also completed an assessment of a compliance listing proposal, and approved four applications for unit trust representatives.

A new application for a restricted foreign exchange dealer licence was received during the year, however, the application did not meet the licence requirements and was disapproved. The licensed restricted foreign exchange dealers continued to grow their points of representation by entering into sub agency agreements with money transfer operators.

### **Prudential Supervision**

A total of 252 offsite review reports were prepared during the year, while 10 onsite examinations

were conducted, and a total of 71 prudential consultations/meetings were convened.

Out of the 10 onsite examinations, nine were conducted on the supervised entities, while one was carried out as a request from the Ministry of Housing to review the loan portfolio of the Housing Authority (HA) of Fiji.

Furthermore, with regard to the annual onsite examination of foreign exchange dealers and stockbrokers, due to COVID-19 restrictions, the Reserve Bank conducted virtual prudential consultations instead.

### Macroprudential Surveillance

The Reserve Bank's 2021 Financial Stability Review (FSR) highlighted an improvement in domestic activity that was attributed to the achievement of the targeted vaccination rates, which led to the relaxation of several COVID-19 protocols, ensuring a rebound in mobility, alongside

monetary and fiscal policy support.

However, downside risks remained from external developments, specifically the Ukraine-Russia conflict, elevated inflation across many countries due to commodity price volatility, prolonged supply chain disruptions, fiscal withdrawals, and the tightening of monetary policy in developed economies.

Credit risk remained a significant risk facing the banking industry, noting the level of non-performing loans and the possible descent of exposures under moratoriums to non-performing basis. However the resumption of the tourism sector should complement the industry's efforts in managing this risk.

The COVID-19 loan repayment moratoriums ended in March 2022, followed by a provision write-back based on buoyant economic projections, which subsequently improved profitability ratios. Interest

rates on deposits have continued to be at historically low levels throughout the reporting period, attributed to the prevailing high level of system liquidity and the banking industry maintaining a strong capital position.

While indicators show signs of improvement, the balance of risk remains tilted to the downside. In this regard, the Reserve Bank will continue to closely monitor the performance of key institutions particularly those considered systematically important.

### The Fijian Financial System

The number of financial system players remained unchanged over the review year, with the exception of the withdrawal in services of a foreign exchange dealer. In addition, there were seven more CIPs<sup>10</sup> and CRRs<sup>11</sup> registered, as noted in the points of representation for the financial system players in the table below.

Licensed Financial Entities including Branches/Agencies (Number)

	2018	2019	Dec 2020	Jun 2021	Dec 2021	Jun 2022
Commercial Banks	6	6	6	6	6	6
- Branches	68	65	62	62	62	62
- Agencies and Agent Banking	126	126	133	134	126	126
- ATMs	338	339	337	323	324	324
- EFTPOS	6,137	5,841	6,005	6,371	6,771	7,116
Credit Institutions	4	4	4	4	4	4
- Branches	18	20	19	19	19	19
- Agencies	0	0	0	0	0	0
Life Insurance Companies	2	2	2	2	2	2
General Insurance Companies	7	7	7	7	7	7
Insurance Brokers	5	5	5	5	5	5
Insurance Agents <sup>1</sup>	464	528	581	542	562	645
Foreign Exchange Dealers	9	9	9	9	10	9
Money Changers	1	1	0	0	0	0
Securities Exchange	1	1	1	1	1	1
Managed Investment Schemes (MIS)	2	2	2	2	2	2
Investment Advisers	12	10	10	10	10	9
Stock Brokers	3	3	3	3	3	3
Dealers	3	3	3	3	3	3
MIS Representatives	15	17	15	21	21	18
Stock Broker/Dealer Representatives	13	13	13	12	12	13
Investment Adviser Representatives	22	21	20	20	19	18
Credit Reporting Agency	1	1	1	1	1	1
Credit Information Provider and Credit Information Recipient		6	2	0	4	11

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

Source: Reserve Bank of Fiji

<sup>10</sup> CIP - Credit Information Provider.

<sup>11</sup> CRR - Credit Report Recipient.

252

Offsite review  
reports

71

Prudential  
consultations/meetings

9.5%

Fijian financial system  
growth

## Gross Assets of the Financial System

The Fijian financial system grew by 9.5 percent over the year to \$26.6 billion in June 2022, underpinned by growth registered by commercial banks and the insurance industry. In terms of composition, commercial banks and credit institutions continued to dominate the financial system, encompassing 49.4 percent of system gross assets, followed by the FPNF at 33.4 percent, and the insurance industry at 8.7 percent.

The capital markets noted a continued contraction for stock market capitalisation by 2.4 percent while the MIS funds under management and outstanding bonds reported an increase of 11.6 percent and 9.7 percent, respectively.

## Commercial Banks

The commercial banking industry was able to withstand the impact of the COVID-19 pandemic, having maintained satisfactory levels of capital, earnings, liquidity, and marginal asset quality position, as at 30 June 2022.

Total assets of the commercial banks grew by 13.1 percent to \$13.1 billion during the review period, largely underpinned by the growth in balances with the Reserve Bank by \$846.9 million, loans and advances by \$425.7 million, and balances due from banks by \$164.8 million.

Commercial banks' loans and advances grew by 6.2 percent to \$7.6 billion, a turnaround from the prior two years of consecutive contractions, owed to the impact of the pandemic on the Fijian economy. The sectors that contributed to the lending growth were mainly the private sector business entities and public enterprises.

The concentration of loans remained relatively unchanged from 30 June 2021, as private individuals accounted for 28.6 percent of the commercial banks' lending portfolio, followed by wholesale, retail, hotels and restaurants sector (20.2%) and the real estate sector (18.7%).

Commercial banks' funding in the form of deposits increased over the

year by 9.2 percent to \$10.0 billion. The growth emanated solely from demand deposits as it increased by \$1.1 billion, which offset the decline in time deposits and savings deposits by \$259.9 million and \$39.7 million, respectively.

Commercial banks continued to comply with the minimum capital adequacy requirement of 12.0 percent, reporting a combined capital adequacy ratio of 20.3 percent as at 30 June 2022.

Commercial banks' classified exposures increased by 13.4 percent to \$611.4 million as at 30 June 2022. A slight increase was noted in the classified exposures to gross loans ratio, from 7.5 percent in 2021 to 8.1 percent. The deterioration in asset quality has been attributed to the ongoing inability of borrowers to make repayments, and the discontinuation of the COVID-19 relief moratoriums in March 2022. At the end of June 2022, COVID-19 affected exposures totalled \$10.4 million compared to \$1,344.4 million for the same period last year.

## Gross Assets of the Financial System (\$M)

	2018	2019	Dec 2020	Jun 2021r	Dec 2021	Jun 2022p
<b>Regulated Financial Entities</b>						
Commercial Banks	10,034	10,594	10,669	11,610	12,228	13,132
Credit Institutions	694	785	802	820	760	722
Insurance Companies	1,744	1,875	2,052	2,080	2,280	2,314
FPNF	7,037	7,902	8,127	8,303	8,473	8,887
Insurance Brokers	61	60	64	64	64	64
Capital Markets <sup>1</sup>	368	439	393	405	424	453
Non-Bank Financial Institutions <sup>2</sup>			729	743	808	778
<b>Total</b>	<b>19,938</b>	<b>21,655</b>	<b>22,835</b>	<b>24,025</b>	<b>25,037</b>	<b>26,350</b>
<b>Non-Regulated Financial Entities</b>						
Non-Bank Financial Institutions <sup>3</sup>	801	863	232	234	214	216
<b>Total</b>	<b>801</b>	<b>863</b>	<b>232</b>	<b>234</b>	<b>214</b>	<b>216</b>
<b>Total Financial System<sup>4</sup></b>	<b>20,739</b>	<b>22,518</b>	<b>23,067</b>	<b>24,259</b>	<b>25,250</b>	<b>26,566</b>

<sup>1</sup> Includes MIS, SPX and Stock Brokers.

<sup>2</sup> Includes Fiji Development Bank (FDB).

<sup>3</sup> Included FDB and Housing Authority of Fiji (HA) in 2018 – 2019. 2020 onwards is HA only.

<sup>4</sup> Excludes RBF.

Source: Reserve Bank of Fiji

## Composition of the Capital Markets (\$M)

	2018	2019	Dec 2020	Jun 2021	Dec 2021	Jun 2022
Equities Market <sup>1</sup>	3,070	4,119	3,469	3,273	3,144	3,195
Managed Investment Schemes <sup>2</sup>	353	422	376	386	404	432
Bonds Market <sup>3</sup>	4,014	4,289	5,032	5,155	5,540	5,655

<sup>1</sup> Based on the market capitalisation of the listed companies.

<sup>2</sup> Based on the funds under management.

<sup>3</sup> Based on outstanding bonds.

Source: Reserve Bank of Fiji



# 13.1%

**Total Assets of  
Commercial Banks**

To mitigate against escalating levels of credit risk, commercial banks reported an increase in specific provisions by 7.2 percent to \$175.9 million as at 30 June 2022; covering 28.8 percent of classified exposures (2021: 30.4%). General reserves for credit losses (GRCL) represented 1.2 percent of net loans.

The commercial banks' combined loans in arrears continued to remain concentrated in the one to three months category, however reporting a decline by 14.3 percent to \$532.0 million over the year.

In terms of problem loans, the dominant sectors comprised private individuals (25.7%), wholesale, retail, hotels & restaurants (24.7%), real estate (18.5%), transport & storage (14.2%), building & construction (8.5%) and manufacturing (5.1%).

Commercial banks' combined profit after tax for the first six months of 2022 stood at \$140.1 million compared to \$56.1 million, for the same period last year due to write back of provisions. The annualised

efficiency ratio improved to 47.8 percent from 54.4 percent in 2021, while return on assets increased to 2.9 percent from 1.3 percent.

A slight decline in the commercial banks' interest spread by 0.1 percent to 3.2 percent was reported for the review period, arising from a greater decline in earning assets compared to the cost of funding liabilities.

Commercial banks' liquid assets grew by 32.1 percent to \$4.0 billion as at 30 June 2022, comprising Exchange Settlement Account balance (60.1%), investments (19.0%), deposits with banks and at call (15.2%) and cash (5.2%).

### Credit Institutions

The credit institutions have shown signs of recovery from the pandemic's effects, with earnings improving, however, asset quality continued to be prudentially assessed as poor. The expectation is that asset quality will remain affected by the long term effects of COVID-19, buoyed by aggregated strong capital positions, marginal earnings, and satisfactory

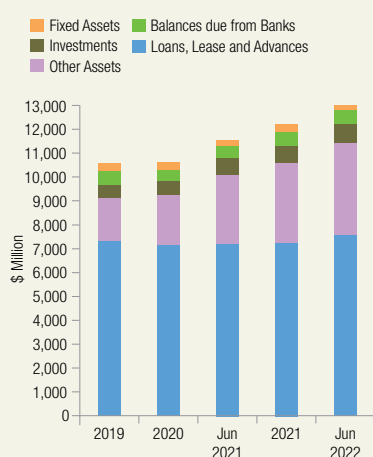
liquidity levels.

Total assets of the credit institutions sector fell for the second consecutive year by 12 percent to \$722.1 million, attributed to loans and advances and balances due from banks. Loans and advances fell by 12.0 percent to \$491 million. The three main sectors contributing to negative growth included the transport and storage, private individuals, and building and construction sectors.

Investments continued to increase, to \$50.6 million representing 7 percent (from 4.1%) of total assets. Investments remained mainly in Government guaranteed bonds.

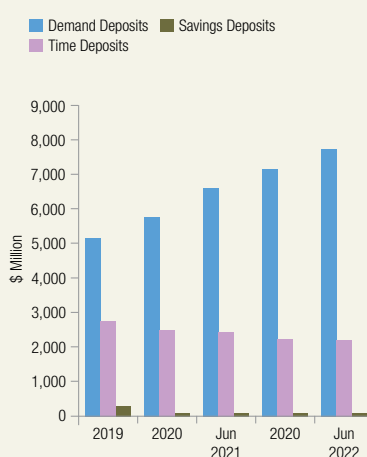
Aggregated deposits with credit institutions decreased by 17.3 percent to \$401.8 million, attributed mainly to private individuals, private sector business entities, NBFIs<sup>12</sup>, and public enterprise sectors. Total deposits were held mainly for private individuals at 40.5 percent followed by private sector business entities at 31.4 percent.

Commercial Banks' Assets



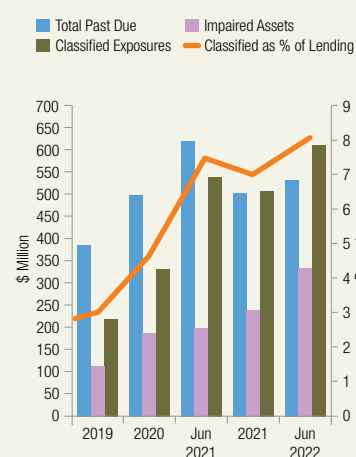
Source: Reserve Bank of Fiji

Components of Deposits



Source: Reserve Bank of Fiji

Commercial Banks' Asset Quality



Source: Reserve Bank of Fiji

<sup>12</sup> NBF - Non Banking Financial Institution.

The capital adequacy ratio stood at 30.7 percent as at 30 June 2022 above the minimum capital adequacy requirement of 15.0 percent and up from 25.7 percent in June 2021.

Classified exposures to gross loans ratio fell to 24.5 percent from 31.4 percent in June 2021. Classified exposures or problem loans stood at \$120.3 million, falling by 31.1 percent. Similarly, past due loans fell by 53.6 percent to \$140.3 million (>1 month arrears).

Provisioning levels also decreased, with individually and collectively assessed provisions recorded at \$43.1 million, covering 35.9 percent (June 2021: 29.3%) of problem loans. GRCL to net loans ratio was recorded at 0.7 percent for the same period.

Credit institutions continue to closely monitor asset quality developments.

Return on assets increased from 1.6 percent to 5.1 percent, compared to June 2021, due mainly to the reduction in bad debts and provisioning expenditure. Efficiency ratio however, deteriorated by 10.2 percentage points to 46.7 percent, with increases recorded in operating expenditure, with a slight reduction in operating income. Annualised difference between the yield on earning assets and cost of funding liabilities (spread) however rose from 8.6 percent to 9.2 percent.

Liquidity of credit institutions measured by aggregated core liquid assets stood at \$127.3 million, down by 25.9 percent from \$171.7 million,

and represented 25.2 percent of total liabilities compared to 28.5 percent in June 2021.

### Insurance Industry

The life and general insurance sectors continued to record solvency positions above the statutory levels, with surpluses of \$484.9 million and \$149.9 million, respectively. The life insurers' solvency surplus however, decreased by 4.3 percent over the year, while an increase of 6.5 percent was registered by general insurers.

The industry's combined total assets expanded by 9.5 percent to \$2.3 billion for the period ending 30 June 2022. Life insurers' assets grew by 9.4 percent to \$1.8 billion, underpinned by increases in government securities, land &

### Summary of Commercial Banks' Profitability (\$M)

	2018 <sup>1</sup>	2019 <sup>1</sup>	2020 <sup>1</sup>	Jun 2021 <sup>2</sup>	2021 <sup>1</sup>	Jun 2022 <sup>2</sup>
Interest Income	413.4	462.9	461.8	215.7	435.9	206.2
Interest Expense	140.1	177.6	149.5	57.5	102.9	35.7
<b>Net Interest Income</b>	<b>273.3</b>	<b>285.3</b>	<b>312.4</b>	<b>158.2</b>	<b>333.0</b>	<b>170.5</b>
Add: Non Interest Income	239.1	248.1	188.4	77.2	161.2	94.9
Income from Overseas Exchange Transactions	92.9	96.4	62.2	25.4	54.3	35.4
Commission	17.2	17.6	16.0	7.0	14.4	6.3
Fee Charges	90.2	85.1	62.0	27.9	56.4	37.3
Other Income	38.8	48.9	48.1	16.9	36.1	15.9
<b>Total Operating Income</b>	<b>512.4</b>	<b>533.4</b>	<b>500.8</b>	<b>235.5</b>	<b>494.3</b>	<b>265.5</b>
Less: Operating Expenses	257.2	253.6	271.4	128.0	267.4	126.9
Less: Bad Debts and Provisions	4.9	23.5	124.3	35.8	54.9	-32.6
<b>Profit Before-Tax and Extraordinary Items</b>	<b>250.3</b>	<b>256.3</b>	<b>105.1</b>	<b>71.6</b>	<b>172.0</b>	<b>171.2</b>
Less: Tax	47.0	51.9	16.0	16.0	36.0	31.1
<b>Net Profit After-Tax</b>	<b>203.3</b>	<b>204.4</b>	<b>89.1</b>	<b>56.1</b>	<b>135.9</b>	<b>140.1</b>
Add/Less: Extraordinary Items	0	0	0	0	0	0
<b>Net Profit After-Tax and Extraordinary items</b>	<b>203.3</b>	<b>204.4</b>	<b>89.1</b>	<b>56.1</b>	<b>135.9</b>	<b>140.1</b>
<b>Average Assets</b>	<b>9,569.0</b>	<b>9,891.9</b>	<b>10,265.1</b>	<b>10,610.9</b>	<b>10,824.7</b>	<b>11,950.6</b>
After-Tax Return on Equity (%)	19.2	16.4	6.6	7.8	9.2	18.3
Efficiency (%)	50.2	47.5	54.2	54.4	54.1	47.8
Yield on Earning Assets (%)	4.9	5.3	5.1	2.3	4.5	1.9
Cost of Funding Liabilities (%)	1.7	2.1	1.7	0.6	1.1	0.3

<sup>1</sup> Calendar year profits for all commercial banks used.

<sup>2</sup> 6 months of profits for all commercial banks used.

Source: Reserve Bank of Fiji

### Commercial Banks' Profitability (% of Average Assets)

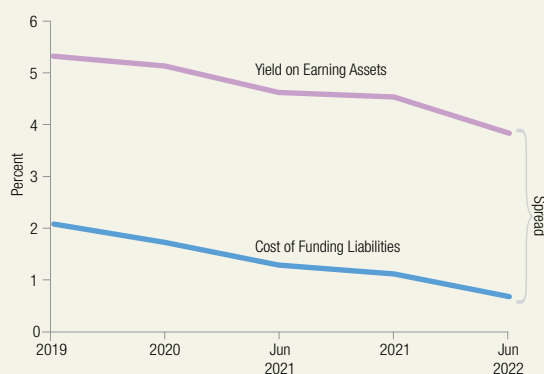
	2018 <sup>1</sup>	2019 <sup>1</sup>	2020 <sup>1</sup>	Jun 2021 <sup>2</sup>	2021 <sup>1</sup>	Jun 2022 <sup>2</sup>
Net Interest Income	2.9	2.9	3.0	3.0	3.1	2.9
Charges for Bad & Doubtful Debts	0.1	0.2	1.2	0.7	0.5	-0.5
Non-interest Income	2.5	2.5	1.8	1.5	1.5	1.6
Operating Expenses	2.7	2.6	2.6	2.4	2.5	2.1
Net Profit Before-Tax	2.6	2.6	1.0	1.3	1.6	2.9
Net Profit After-Tax	2.1	2.1	0.9	1.2	1.3	2.3

<sup>1</sup> Calendar year profits for all commercial banks used.

<sup>2</sup> 6 months profits for all commercial banks used.

Source: Reserve Bank of Fiji

### Commercial Banks' Annual Spread



Source: Reserve Bank of Fiji

buildings and shares in related persons. Similarly, general insurers' assets was up by 10 percent to \$519.9 million, underpinned by the increase in bank deposits, cash on hand and shares in related persons.

The combined net premium income of the insurance industry increased by 6.4 percent to \$350.6 million for the reporting period ending 30 June 2022. Both the life and general insurance sectors recorded increases of 10.7 percent to \$192.5 million and 1.7 percent to \$158.1 million, respectively.

The industry's combined net policy payments and net claims paid amounted to \$207.8 million, decreasing by 2.4 percent over the

year. Net policy payments by life insurers decreased by 0.6 percent to \$123.1 million, with general insurers' net claims paid also noting a decline of 4.9 percent to \$84.7 million.

For the review year ending 30 June 2022, insurance brokers facilitated 828 offshore placements worth \$70.9 million in premiums, in comparison to the previous period's 938 offshore placements worth \$79.2 million in premiums. These were also reflected as the reductions of 11.7 percent and \$8.3 million in the number and premium values, respectively.

### Fiji National Provident Fund

FNPF (Fund) remained the single largest financial institution in Fiji, and improvements have been noted in

its financial condition following the revival of domestic economic activity after the re-opening of international borders from November 2021. The Fund continued to meet its statutory solvency requirement of 110 percent, backed by the 125 percent risk-based capital coverage required under the FNPF Distribution Policy.

Total gross assets of the Fund accounted for 33.4 percent (or \$8.9b) of total financial system assets as at 30 June 2022, increasing by 7 percent on an annual basis, following increases in investments in private sector business entities, equities and government bonds, coupled with loans to the private sector.

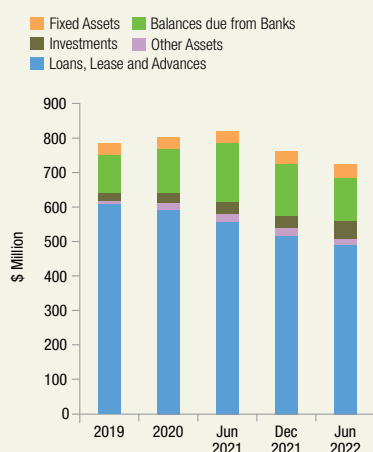
The COVID-19 Unemployment



# \$2.3b

Combined Total Assets of Insurance Industry

### Credit Institutions' Assets



Source: Reserve Bank of Fiji

### Summary of Credit Institutions' Profitability (\$M)

	2018 <sup>1</sup>	2019 <sup>1</sup>	2020 <sup>1</sup>	Jun 2021 <sup>1,2</sup>	2021 <sup>1</sup>	Jun 2022 <sup>2</sup>
Interest Income	82.6	99.1	100.4	45.7	87.2	40.7
Interest Expense	20.6	27.1	28.8	12.7	23.4	8.8
<b>Net Interest Income</b>	<b>62.0</b>	<b>72.0</b>	<b>71.6</b>	<b>33.1</b>	<b>63.8</b>	<b>31.9</b>
Add: Non Interest Income	4.2	4.0	4.7	2.4	4.8	3.0
Commission	0.4	0.1	0.2	0.1	0.2	0.1
Fee Charges	2.5	1.6	3.4	0.9	2.7	2.3
Other Income	1.3	2.3	1.2	1.4	1.8	0.6
<b>Total Operating Income</b>	<b>66.2</b>	<b>76.0</b>	<b>76.3</b>	<b>35.6</b>	<b>68.6</b>	<b>34.9</b>
Less: Operating Expenses	25.4	29.8	28.1	13.0	26.7	16.3
Less: Bad debts and Provisions	6.2	10.2	31.6	16.7	24.2	1.2
<b>Profit Before-Tax</b>	<b>34.6</b>	<b>36.0</b>	<b>16.6</b>	<b>5.9</b>	<b>17.7</b>	<b>17.4</b>
Less: Tax	5.1	6.3	2.5	1.4	3.4	3.1
<b>Net Profit After-Tax</b>	<b>29.5</b>	<b>29.7</b>	<b>14.0</b>	<b>4.5</b>	<b>14.3</b>	<b>14.3</b>
Earning Assets	624.4	699.2	687.9	702.5	642.4	615.0
Cost of Funds	509.6	572.5	550.9	553.6	487.7	455.8
<b>Average Assets</b>	<b>602.9</b>	<b>702.4</b>	<b>765.6</b>	<b>750.9</b>	<b>734.0</b>	<b>680.3</b>
After-Tax Return on Equity (%)	26.5	23.3	10.3	6.4	10.0	19.4
Before Tax Return on Assets (%)	5.8	5.1	2.2	1.6	2.4	5.1
Efficiency (%)	38.3	39.2	36.8	36.5	38.9	46.7
Yield on Earning Assets (%)	14.7	15.1	14.2	6.5	12.8	6.5
Cost of Funding Liabilities (%)	4.5	5.1	5.0	2.3	4.5	1.9

<sup>1</sup> Calendar year profits for all credit institutions used.

<sup>2</sup> 6 months of profits for all credit institutions used.

Source: Reserve Bank of Fiji

Relief, put in place in April 2020 by the Fund ceased in February 2022, with the reactivation of its normal unemployment withdrawals. A total of \$366.3 million was paid for 27 rounds of COVID-19 Relief with \$185.5 million topped up by Government, and \$180.8 million through the Fund.

Following the reduction in the Fund's contribution rate from 18.0 percent to 10.0 percent in April 2020 to cushion the impact of the COVID-19 pandemic, the compulsory FNPF contribution rate has increased to 12.0 percent from 1 January 2022.

Despite the challenging investment environment, the Fund reported a net surplus of \$226.6 million (pre-audit & net of interest declared), declaring interest to members at 6.0 percent, with \$370 million (June 2021: \$297.0m) distributed to 392,175 members (June 2021: 389,986 members).

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The Fund continued to be closely monitored by the Reserve Bank given it is systemically important as part of its ongoing supervision programme.

## Capital Markets Industry

### Securities Exchange

The Key Performance Indicators of the local securities market noted further fluctuations as the market adjusted to price uncertainty during the year ending 30 June 2022. The volume and value of shares traded on the South Pacific Stock Exchange further declined during the review period.

The market capitalisation of listed securities stood at \$3.2 billion as at 30 June 2022, a further decline by 2.4 percent (or \$78.0m), despite the additional quotation of 20.7 million shares that were undertaken following the closure of capital raising through rights issue by one listed entity, and as part of dividend reinvestment plans of three listed entities.

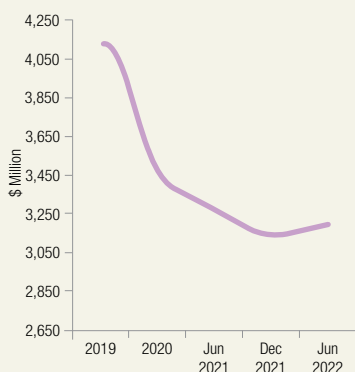
The decline in market capitalisation was largely attributed to the delisting of one listed entity from the official list of the SPX on 6 August 2021, following the successful completion of compulsory acquisition of 100 percent of its ordinary shares. There were also the decreases in share prices of seven listed securities, including four of the top five securities.

However, the top five listed securities representation in terms of market capitalisation increased from 70.4 percent to 73.7 percent of the stock market.

On the other hand, the SPX Total Return Index, a measure of the stock market performance in terms of total returns, increased by 4.7 percent from 7,620.9 to 7,977.4 as at 30 June 2022. This is in line with the increase in the average dividend yield on listed shares to 2.3 percent, from 1.3 percent reported in June 2021. Similarly, capital growth significantly increased to 8.8 percent, compared to 4.8 percent for the same period in 2021.

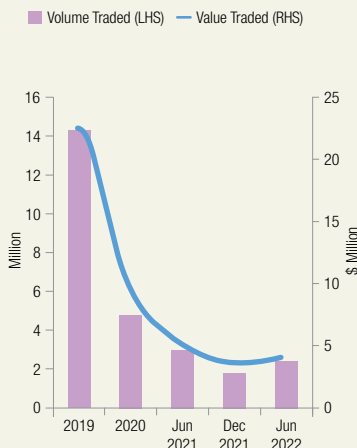
16 special crossing transactions were conducted during the year ending 30 June 2022 for five listed securities, with a total volume of 4.1 million shares valued at \$14.3 million. Excluding these special crossing transactions, a total of 2.4 million shares valued at \$4.1 million were transacted through 2,098 trades over the year to June 2022, compared to 3.0 million shares valued at \$5.3 million through 2,105 trades for the corresponding period in 2021.

Market Capitalisation



Source: South Pacific Stock Exchange

Volume and Value of Shares Traded\*



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

### Total Gross Assets of FNPF

**33.4% (\$8.9b)**

of Total Financial System  
Assets as at 30 June 2022

**-2.4%** ↓

Market capitalisation of  
listed securities

The buy-to-sell order ratio stood at 1:33 as at 30 June 2022 compared to 1:27 as at 30 June 2021, reflecting the continued increased supply of securities on offer/sell relative to demand.

### Managed Investment Schemes (MIS)

Funds under management of the MISs further expanded by 11.6 percent (or by \$45.0m) over the year to \$431.5 million as at 30 June 2022, underpinned by significant increases in unitholders' funds and reserves by \$23.6 million and \$21.4 million, respectively.

Investments noted an increase of 3.8 percent (or \$14.2m) over the year to \$386.9 million as at 30 June 2022 and comprised 86.9 percent of total assets. In terms of composition, listed securities continued to dominate the investment portfolio at 40.1 percent, followed by unlisted securities (31.7%), term deposits held with financial institutions (12.3%), bonds (9.0%), loans and receivables (6.0%) and property investments (0.9%).

The MIS market reported an after tax profit of \$11.4 million for the year ending 30 June 2022, compared to \$7.9 million in the same period last year. The increase in profits was attributed to investment income growing as a result of dividend income, and complemented by the decline in investment expenses over the year.

Liquid assets held by the MIS market increased by 17.7 percent (or \$14.8m) to \$98.1 million as at 30 June 2022, driven by the significant increase in cash on hand. Liquid assets were able to cover 34.7 percent of unitholders' funds and 22.0 percent of total assets as at 30 June 2022.

The number of unitholders grew by 37.4 percent to 63,731 as at 30 June 2022. Private individuals continued to dominate in terms of the number of unitholders at 62.8 percent, followed by tikina trust & companies at 21.8 percent.

### Complaints Management

Complaints management is undertaken by the RBF, under its mandate to promote a sound financial structure. Customers whose complaints are not satisfactorily resolved at the licensed financial institution (LFIs) level can escalate their complaints to the RBF. During the year, the RBF processed a total of 78 complaints, of which 76 were resolved within the period. This was an annual decrease of 20.6 percent when compared to the same period in 2020.

For the total complaints reviewed in the year, 24 were carried forward from the 2020-2021 financial year and 54 were new complaints; 8 of the new complaints were referrals from the Consumer Council of Fiji, the Fijian Competition and Consumer Commission (FCCC) and the Office of


the Attorney-General.

Majority of the new complaints received during the review period were banking and insurance related matters. In the banking sector, the complaints were mostly related to customer service (lack of response or miscommunication with the LFIs), electronic banking, and the extension of COVID-19 repayment holidays. The insurance sector registered a notable decrease in complaints relating to motor vehicle claims. However, a significant increase was recorded in complaints related to life insurance, particularly with regards to calculations for maturity and bonus payments.

In total, the RBF held 37 meetings with complainants, LFIs and other partner organisations as part of its complaints resolution process. The Reserve Bank is in the process of reviewing the existing five complaints management policies to streamline the channels for receiving and addressing complaints by the LFIs.

3.8% 

Investments (\$386.9m) as at 30 June 2022

37.4% 

Number of unitholders

54

New complaints in the 2021-22 FY

# CURRENCY

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

## Currency in Circulation

As at 31 July 2022, total currency in circulation stood at \$973.4 million compared to \$932.7 million a year ago. The value of notes in circulation increased by 4.5 percent to \$903.2 million during the FY with the \$10, \$50 and \$100 denominations being the highest circulated notes.

The value of coins in circulation increased by 2.8 percent to \$70.2 million during the financial year. The

\$1 and \$2 coins registered a growth of 4.0 percent to \$18.0 million and 3.0 percent to \$20.3 million, respectively.

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.

## Cost of Currency

For the financial year ending 31 July 2022, the cost of currency issued by the Bank reduced by 10.0 percent to \$3.6 million.

## Banking Transactions

For the FY ended 31 July 2022, the value of currency issued to commercial banks was \$912.9 million, of which \$909.3 million was in notes and \$3.6 million in coins.

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Notes and Coins in Circulation (\$M)

Notes in Circulation			
Denomination	Jul 2020	Jul 2021	Jul 2022
50c	0.1	0.1	0.1
\$1	1.7	1.8	1.8
\$2	7.8	7.8	7.8
\$5	23.5	24.6	22.7
\$7	6.1	5.9	10.5
\$10	46.5	46.0	48.7
\$20	80.4	79.0	83.3
\$50	243.4	252.1	237.9
\$100	394.2	446.8	490.1
Pre-decimal Currency	0.3	0.3	0.3
<b>Total</b>	<b>804.0</b>	<b>864.4</b>	<b>903.2</b>
Coins in Circulation			
Denomination	Jul 2020	Jul 2021	Jul 2022
1c	1.3	1.3	1.3
2c	1.1	1.1	1.1
5c	5.1	5.2	5.4
10c	5.5	5.6	5.7
20c	7.9	7.9	8.1
50c	9.7	10.0	10.1
\$1	16.9	17.3	18.0
\$2	19.0	19.7	20.3
Pre-decimal Currency	0.2	0.2	0.2
<b>Total</b>	<b>66.7</b>	<b>68.3</b>	<b>70.2</b>
Notes & Coins in Circulation			
	Jul 2020	Jul 2021	Jul 2022
Notes	804.0	864.4	903.2
Coins	66.7	68.3	70.2
<b>Currency in Circulation</b>	<b>870.7</b>	<b>932.7</b>	<b>973.4</b>

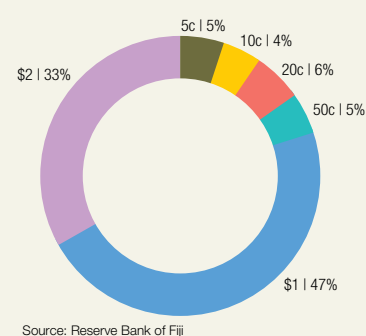
Source: Reserve Bank of Fiji

Cost of Currency Issued (\$M)

	Aug 2019-Jul 2020	Aug 2020-Jul 2021	Aug 2021-Jul 2022
Notes	3.8	3.4	3.0
Coins	0.5	0.6	0.6
<b>Total</b>	<b>4.3</b>	<b>4.0</b>	<b>3.6</b>

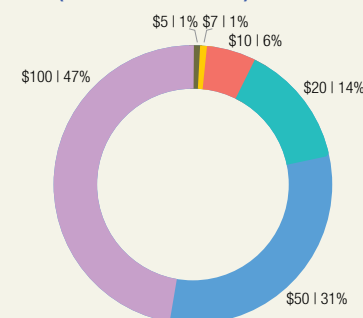
Source: Reserve Bank of Fiji

Coins Issued from August 2021 - July 2022 (Total Value: \$3.6m)




Source: Reserve Bank of Fiji

Notes Issued from August 2021 - July 2022 (Total Value: \$909.3m)



Source: Reserve Bank of Fiji

**-10.0%**   
Cost of currency in the  
2021-22 FY

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

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

### Note Processing

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

For the financial year ending 31 July 2022, 26.4 million returned notes were processed, of which 5.1 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 of the value of total currency in circulation.

In its effort to address counterfeiting, the Bank continued to assist the Fiji Police Force with relevant investigations. The Bank also distributed awareness materials to various organisations, schools and the general public.

### Numismatics

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

realised a notable \$4.7 million in numismatic income.

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 coin programmes.

### Commemorative Currency

In March 2022, the Bank issued a new commemorative \$7 circulation banknote celebrating Fiji's Rugby 7s gold and bronze medal wins at the Tokyo Olympics 2020, held in 2021. The banknote was officially unveiled by the Honourable Prime Minister, Mr Josaia Voreqe Bainimarama. There were 1.9 million pieces of these commemorative banknotes produced for issuance into circulation.

#### Notes Processed

	Aug 2020-Jul 2021		Aug 2021-Jul 2022	
Notes Processed	Value (\$M)	Pieces (Million)	Value (\$M)	Pieces (Million)
Notes Saved for Reissue	287.9	5.8	271.4	5.1
Notes Destroyed	383.4	14.1	721.6	21.3
<b>Total Processed</b>	<b>671.3</b>	<b>19.9</b>	<b>993.0</b>	<b>26.4</b>

Source: Reserve Bank of Fiji

#### Counterfeit Note Summary

Denomination	Aug 2020-Jul 2021		Aug 2021-Jul 2022	
	Value (\$)	Number of Notes	Value (\$)	Number of Notes
\$5	5	1	5	1
\$7	-	-	-	-
\$10	30	3	30	3
\$20	160	8	60	3
\$50	700	14	900	18
\$100	1,900	19	500	5
<b>Total</b>	<b>2,795</b>	<b>45</b>	<b>1,495</b>	<b>30</b>

Source: Reserve Bank of Fiji

26.4m

Returned notes  
processed

\$912.9m

Value of currency issued  
to banks

\$4.7m

Numismatic currency  
income in the 2021-22 FY

# PAYMENT AND SETTLEMENT SYSTEMS

Domestic payment and settlement system activity registered an increase during the course of the financial year on account of the COVID-19 impact on the business environment. The RBF continued operations under its Business Resumption Plans during the extended lockdown and returned to normal operations following the easing of COVID-related movement restrictions. As concerns over the impact of the pandemic abated and economic activity started to recover into 2022, payment activity gained momentum in response to the stimulus initiatives injected by Government borrowing and aid packages received from donors.

Fiji made considerable progress in its journey to modernise its national payment system during the review period with the passing of the National Payment System (NPS) Act (2021), drafting of the accompanying regulation and commencement of training and installation of related software and infrastructure. As the COVID-19 restrictions were lifted in 2022, Montran Corporation, the entity awarded the tender for the supply of software systems that would offer an automated transfer systems as well as the central securities depository, commenced

its work in Fiji. Montran's presence in the country facilitated the process of installation, configuration and the user acceptance training on the new system.

## Payments

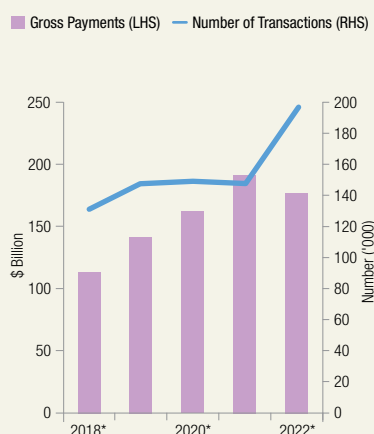
FIJICLEAR is a real-time gross settlement system that is owned and operated by the RBF. All commercial banks in Fiji use the system to settle interbank payments, money market transactions, time-critical customer payments, foreign currency deals and lodgements, and withdrawals of currency notes

and coins. In addition, FIJICLEAR provides commercial banks access to their individual account balances with the RBF and facilitates liquidity management.

FIJICLEAR also plays a critical function in supporting the RBF's role as Registrar of debt securities for the Fijian Government and selected statutory corporations. This responsibility requires the accurate and timely settlement, through FIJICLEAR, of all coupon and redemption payments to investors of domestic bonds held in custody

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## FIJICLEAR Transactions



\* FY ending 31 July  
Source: Reserve Bank of Fiji


## Monthly Average FIJICLEAR Transactions

Monthly Average*	2017	2018	2019	2020	2021	2022
Gross Payments (\$B)	8,793	9,455	11,900	13,450	15,990	14,760
Number of Transactions	10,019	11,015	12,297	12,495	12,332	16,297

\* Monthly average for financial year ending 31 July

Source: Reserve Bank of Fiji



**32.2%**   
FIJICLEAR transactions  
recorded

with the Bank. FIJICLEAR is also the primary system through which advances under the RBF's refinancing facilities are deployed into the financial system.

During the financial year, FIJICLEAR recorded 195,566 transactions valued at \$177.1 billion, representing an annual growth of 32.2 percent in activity while value decreased by 7.7 percent.

Similarly, the monthly averages for FIJICLEAR operations saw a decline in gross volume. The growth in activity over the year highlights the effect of Government's stimulus packages on consumption and therefore payments.

### Settlements

Settlements plays a critical supportive role in reserves management by enabling the accurate and timely settlement of all foreign currency trades. It also accounts for all such foreign currency trades on the Hi-Portfolio Investment System.

The RBF also maintains accounts on behalf of its regional central bank counterparts and supranational organisations that utilise Fiji as the hub of their operations.

### Mobile Money Services

M-PAiSA and MyCash, which are mobile money services provided by Vodafone Fiji and Digicel Fiji respectively, continued to experience record growth during the review period driven by bulk disbursements of cash by Government and other

institutions, inward remittances through the channel and surging customer demand for the service as reflected by cash deposits and payments.

- The total value of electronic money (e-money) in circulation rose by 53.6 percent to \$83.6 million at the end of July 2022. Furthermore, the number of registered and active mobile money accounts (that is, those that have transacted at least once in the 90 days to the reporting period) stood at 632,123 and 482,685 respectively; lower than the last review period (15.7% and 11.1%) when Government's use of mobile money for disbursements of COVID-19 assistance peaked.
- On the other hand, cash deposits grew by 124.8 percent to \$255.5 million from \$113.6 million in July 2021, indicating rising customer demand for the service as a store of value and means of payment. Similarly, the number of customer deposits rose by 61.4 percent to 2.2 million transactions, compared to 1.3 million transactions during the same period in 2021. During the year, the value of person-to-person (P2P) transfers increased by 341.7 percent to \$782.4 million on the back of a notable increase in the number of P2P transfers by 316.5 percent to 12.0 million transactions.
- International remittances via the mobile money channel continued to gain momentum, surpassing

the record set during the preceding period. As at 31 July 2022, a total of 1.1 million inward remittances transactions valued at \$272.8 million were recorded, an increase of 115.0 percent and 100.8 percent respectively. Major source markets for mobile money remittances include Australia, New Zealand, the United Kingdom and the United States who account for 97.4 percent of total remittances received through mobile money during the reporting period.

- Activity on eTransport, Fiji's mandatory electronic card-based payment service for buses that leverages Vodafone Fiji's M-PAiSA platform, rebounded slightly in activity over the review period as the nation gradually moved away from COVID-19-related restrictions. For the 12-month period ending June 2022, over 11.0 million top-up transactions were recorded valued at \$80.2 million. When compared to the same period in 2021, the value of top-up transactions increased by 2.7 percent whereas the number of top-up transactions declined by 7.9 percent.

## MISSION

# PLAY AN INFLUENTIAL ROLE IN THE DEVELOPMENT OF THE ECONOMY

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

## RBF Facilities

### Import Substitution and Export Finance Facility (ISEFF)

Amidst the economic challenges brought about by the second wave of COVID-19, demand for concessional funding by eligible businesses increased over the year, with the Bank gradually increasing the allocation under the facility to \$500 million. The scale of operations under the facility expanded further with the ISEFF Guidelines revised to enable the tourism sector and related businesses to access funds under the facility. A total of \$333.6 million for 63 business loans was disbursed during the financial year.

The uptake by the manufacturing sector had the largest loan value, followed by tourism, wholesale and distribution, agriculture, public transportation, timber, and renewable energy. Total outstanding loans under the facility significantly increased during the year by \$271.6 million to \$440.3 million at the end of July.

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

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

At the end of July 2022, a total of 240 business loans valued at \$9.2 million were covered under the Scheme. From these registered loans, the Reserve Bank has paid out loss claims totaling \$0.37 million for 36 defaulted businesses. Of this payout, \$0.06 million for 11 defaulted businesses was paid out in 2021-22 FY, compared to \$0.08 million for 8 defaulted businesses in the previous year.

### Disaster Rehabilitation and Containment Facility (DRCF)

#### a) Standard Facility

During the year, the Reserve Bank continued to process applications due to the increase in demand for funds from affected businesses. A total of \$234.7 million for 48 loans was

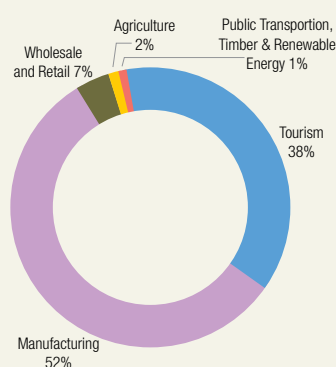
disbursed during the year, compared to 25 loans (\$17.9m) in the previous year. A total of \$3.7 million was pending drawdown of funds as at the end of July. At the end of the financial year, the total outstanding loans under the facility was \$338.2 million against a total allocation of \$350.0 million, an increase from \$109.6 million against an allocation of \$150.0 million in the previous year.

#### b) Enhanced Facility (Government Guaranteed)

The Reserve Bank received an influx of applications when the DRCF-Enhanced was open for applications in August 2021. The new initiative which was introduced in July 2021, had a total allocation of \$200 million, to assist businesses maintain their operations and support income during the COVID-19 pandemic. New businesses also tapped into the scheme for start-up capital.

During the financial year, a total of \$117.2 million for 5,545 business loans was disbursed to eligible

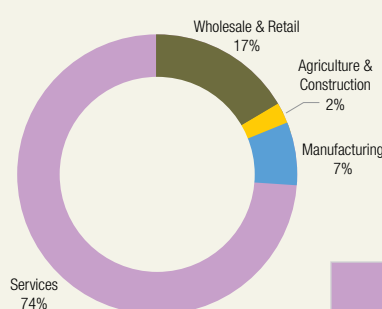
ISEFF Outstanding Loans by Sector as at 31 July 2022



Outstanding Loans: \$440.3 Million  
Approved Loans Pending Drawdown: \$21.5 Million

Source: Reserve Bank of Fiji

DRCF Outstanding Loans by Sector as at 31 July 2022



Outstanding Loans: \$338.2 Million  
Approved Loans Pending Drawdown: \$3.7 Million

Source: Reserve Bank of Fiji

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

Source: Reserve Bank of Fiji

Business Size	Disbursed		Pending Drawdown		Total Approvals	
	No.	Loan Value (\$m)	No.	Loan Value (\$m)	No.	Loan Value (\$m)
Micro	2,589	18.28	1	0.01	2,590	18.29
Small	1,749	24.45	9	0.18	1,758	24.63
Medium	714	30.52	8	0.40	722	30.92
Large	493	43.97	6	0.60	499	44.57
<b>Total</b>	<b>5,545</b>	<b>117.22</b>	<b>24</b>	<b>1.19</b>	<b>5,569</b>	<b>118.41</b>

Source: Reserve Bank of Fiji

businesses, while \$1.2 million worth of loans was pending drawdown as at end of July.

Under the scheme, interest payments for the first two years would be fully subsidised by the Government and to ease collateral requirements, a tiered guarantee structure to support MSMEs was included, as tabulated below.

Government paid out \$3.55 million in interest subsidies to seven lending institutions during the financial year.

### **Housing Facility**

The RBF continued to provide concessional funding under the Housing Facility for low-income earners. During the year, four households were provided funding to purchase or build their first homes with a total value of \$0.5 million. In addition, 30 households were also approved for funding of \$2.9 million for their first home, which is currently pending disbursement. Since its inception, the scheme has assisted 1,015 households to purchase their first homes. Out of the total allocation of \$100.0 million, \$58.9 million was outstanding for 1,007 first homeowners whilst \$27.4 million was pending drawdown for 330 first homeowners, leaving \$13.6 million available for lending.

### **Secondary and Retail Bond Market**

During the year, the \$10.0 million allocation for Viti bonds in the primary market was fully allotted. The outstanding value of Viti bonds at the end of July 2022 stood at \$61.8 million for 440 investors.

In the secondary market, Viti bonds continued to be traded amongst retail investors and the Reserve

Bank, whereby 55 parcels of Viti bonds valued at \$1.5 million were transacted, compared to 60 parcels of Viti bonds valued at \$1.7 million in the previous year.

In addition, two parcels of Fiji Infrastructure Bonds were traded, valued at \$30.0 million.

### **Secured Transactions Reform**

In its third year of operations as Registrar designated under the Personal Property Securities Act 2017, the RBF continued to provide administrative and support services to registered clients under the PPSR. During the extended lockdown and movement restriction periods of the pandemic, lenders and their representatives were still able to securely and safely file notices, conduct searches, and retrieve information remotely.

The PPSR services are provided to registered users fee-free until 31 May 2023. The RBF will undertake a fee-assessment exercise for financial institutions to ensure that the fee-free benefits are being passed on to customers.

Over the review period, the PPSR registered a total of 17,657 filings compared to 14,464 in the same period last year, an increase of 22.1 percent, or 3,193 filings. This was largely attributed to more lending and economic activity in the last quarter of the review period compared to the same period last year which was at the height of the COVID-19 second-wave. As of 31 July 2022, the cumulative filings in the PPSR since inception surpassed 93,000. PPSR filings are currently registered by six commercial banks, four credit institutions, 12 non-bank financial institutions, eight car dealers, five

hire-purchase companies; and 67 law firms.

The online registry recorded over 190,000 searches since 31 May 2019 of which 72,629 were registered during the financial year ending 31 July 2022, an increase of 16.9 percent from 62,102 searches in the same period last year. This is equivalent to an average of around 198 searches per day, compared to 170 in the previous period, indicating that the Registry's usage through searches by clients and the public has significantly increased.

In terms of the gender of the debtors, females accounted for 14.0 percent of notices filed on the PPSR while males accounted for a higher 54.1 percent. Joint accounts of equal male and female debtors stood at 13.6 percent, while the gender of around 18.3 percent of the filings could not be determined by the secured parties during the transition period. In the next financial year, the RBF will continue working with stakeholders on the next phase of the reform involving impact evaluation, in addition to continuing its role in administering and providing support to PPSR clients and users.

### **MSME Development**

Improving MSME access to finance forms one of the four core pillars under the National Financial Inclusion Strategy 2022-2030. Helping MSMEs recover post-pandemic is a key focus of the third financial inclusion strategy which continues and complements ongoing initiatives that the RBF introduced during the 2021-2022 financial year.

The review period witnessed the introduction of two RBF administered MSME-related initiatives: the VitiKart

Subsidy Scheme to encourage e-commerce and a revised portion of the Disaster Rehabilitation and Containment Facility (DRCF) targeted to help MSMEs recover from the impact of the COVID pandemic. The RBF will continue collaborating with the Government and stakeholders on work in these areas in the new financial year together with the activities under the MSME Finance pillar in the new National Financial Inclusion Strategy 2022-2030 (NFIS).

### FinTech Regulatory Sandbox

In its efforts to foster responsible market-led innovation, the RBF continued to work collaboratively with existing and prospective financial service providers in their development of Financial Technology (FinTech) solutions for the Fijian market under the Financial Sector Development Policy No. 2: FinTech Regulatory Sandbox Guidelines (Sandbox)

The Sandbox, which was launched in December 2019, defines a consultative approach for controlled, live tests of eligible, novel solutions under the oversight of the RBF prior to commercial deployment.

At the end of the financial year, the RBF had identified nine distinct solutions, of which, three were being guided through a preliminary assessment against an eligibility criteria that the Sandbox defines for potentially suitable candidates. An additional two solutions were in the preparation stage where entities are engaged in discussions with the RBF on parameters and conditions for live-testing under the experimentation stage.

During the financial year, the RBF admitted three solutions into the experimentation stage wherein

entities engage live consumers under a controlled pilot defined by parameters and conditions that are collaboratively agreed to between entities and the RBF.

These solutions included a parametric micro-insurance product that offered pay-outs based on wind speed and rainfall triggers defined by the occurrence and proximity of a cyclone to a covered beneficiary; a mobile money wallet-linked companion scheme card for making payments on participating Point-Of-Sale (POS) terminals and e-commerce websites; and a prepaid, non-reloadable gift card offered over-the-counter in fixed denominations for use on another international card payment network.

The RBF has also worked with two other entities who were ineligible for the Sandbox through tailored conditional approvals for providing solutions that were directly comparable to existing offerings.

As interest in FinTech is expected to grow, the Sandbox continues to provide a framework for addressing new and emerging risks while generating insights based on the performance of various solutions that will contribute to the development of new regulatory and policy frameworks in the medium-to-long term.

### Financial Inclusion

#### Review of National Financial Inclusion Strategic Plan (NFISP) 2016-2020

The RBF undertook a review of the NFISP 2016-2020 during 2021. The review report highlighted notable developments in Fiji's financial inclusion journey, with the reduction in those financially excluded to 19.0 percent from 27.0 percent in 2014 and the narrowing of the gender gap

in account ownership to 7.0 percent from 16.0 percent in 2014<sup>13</sup>.

The review exercise highlighted positive progress across all the indicators:

- Formal financial inclusion significantly increased from 64.0 percent in 2014 to 81.0 percent in 2020;
- Women's financial inclusion measured by account ownership at formal institutions increased from 52.0 percent to 75.0 percent, resulting in a narrowing of the gender gap to 7.0 percent;
- Savings was the most commonly used financial services at 45.0 percent;
- Increase in mobile money up-take, supported through an increase in inward mobile money remittances and the expansion of the mobile money retails ecosystem; and
- The availability of both the supply and demand side data to boost our target setting for the new NFISP.

### Supply-side Disaggregated Data

The RBF continued to collect annual supply-side data disaggregated by gender, age and location from licensed/supervised financial institutions under RBF's Financial Sector Development Policy Statement on the Minimum Requirements for the Provision of Disaggregated Data. The following key highlights were noted at the end of December 2021:

- Women's access to bank accounts increased in 2021 with a narrowing of the gender gap for account ownership by 2.0 percentage points from 13.6 percent in 2020 to 11.6

<sup>13</sup> Financial Services Demand Side Survey Fiji 2020.

percent. In addition, most adults with bank accounts fall between the ages 36-54 years (33.2%), representing 83.8 percent of the total population in the same age group.

- In terms of access to credit, the gender gap also declined in 2021 by 1.1 percentage points from 6.8 percent in 2020 to 5.7 percent. However, access to credit in general remains low at 12.3 percent for male and 6.6 percent for female as a percentage of male/female adult population. The largest proportion of borrowers fall between the ages 25-54 years (86.8%), representing only 15.2 percent of the total population in the same age group.
- For depositors registered for Internet Banking (IB), male users (41.1%) continue to lead compared to female users (38.0%) as a percentage of male/female depositors. Majority of the IB customers fall between 36-54 years (39.0%), representing 46.0 percent of total depositors in the same age group.
- In the mobile money space, as a proportion of male/female registered customers, there were more active female users (67.8%) than there were males (63.7%).

Women also accounted the majority of recipients of inward remittances through the channel.

### National Financial Inclusion Taskforce (NFIT)

The NFIT met twice during the year to review the previous NFISP 2016-2020 and discuss the way forward for the new NFIS 2022-2030. The NFIS 2022-2030 is the third strategy since 2009 and uses data derived from both the 2020 Demand Side Survey and Supply Side Disaggregated Data. The new strategy is strategically focused on four main pillars: (i) Inclusive Finance, (ii) Digital Financial Services, (iii) MSME Finance and (iv) Consumer Protection and Financial Capability and supported by three key enablers: (a) Stakeholders Partnership and Collaboration, (b) Legal and Regulatory Framework and (c) Financial Infrastructure.

The new NFIS is aligned to the achievement of the UN Sustainable Development Goals (SDGs) by 2030 and each target is linked to a specific SDG. The 9 year strategy focuses on women, youths, person living with disabilities and MSMEs. In line with the new focus areas, new members will be invited to join the NFIT to provide the strategic input and assistance required to reach the

targets outlined in the Strategy. For the next three years, the Governor of the RBF will chair the NFIT and the secretariat role will be undertaken by RBF. Membership on NFIT is voluntary and meetings are scheduled to be held bi-annually.

### Alliance for Financial Inclusion (AFI)

RBF continued to engage virtually with AFI on a number of activities including training programmes, webinars and working group discussions regarding its international commitments to further the financial inclusion agenda.

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

- Complaint Handling in Central Bank Toolkit;
- Financial Consumer Protection During a Crisis;
- Integrating Vulnerable Groups in National Financial Education Programmes and Strategies; and
- Special Report on Measuring the Provision of Inclusive Green Finance Data.



**RESERVE BANK OF FIJI**  
"Leading Fiji to Economic Success"



**NFIT**

# NATIONAL FINANCIAL INCLUSION STRATEGY 2022-2030 **SNAPSHOT**



**Vision: Empowering Fijians To Build Resilient And Sustainable Livelihoods And Businesses Through Financial Inclusion.**



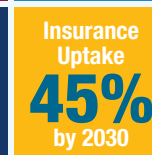
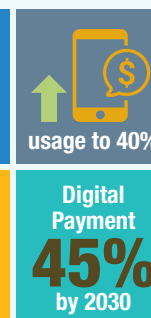
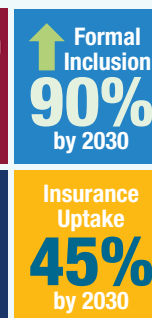
Narrow the  
**GENDER GAP**  
to  
**6%**



**INCREASE THE  
PARTICIPATION  
OF WOMEN,  
YOUTH, PWDs  
AND MSMEs**



**A 9 year Strategy aligned to the Sustainable Development Goals (SDGs)**



## PRIORITY AREAS OF FOCUS

### INCLUSIVE FINANCE

1. Responsive and appropriate policies and guidelines.
2. Address access and usage gaps;
3. Strengthen pathways to formal financial inclusion.
4. Develop affordable and appropriate financial products and services.

### CONSUMER PROTECTION & FINANCIAL CAPABILITY

1. Consumer protection framework.
2. Dispute resolution mechanism.
3. Comprehensive, gender sensitive financial literacy strategy.
4. Robust programme for schools to complement the FinEd Prog.

### HOW DO WE GET THERE?

#### "A CAN-DO ATTITUDE"

Inclusion of women, youths, PWDs – nothing for them without them

Enabling legal & regulatory framework

Affordable, appropriate and inclusive products and services

Strong consumer protection

Market Conduct framework

Better financial infrastructure

Financial capability

More digital access points and interoperability

Stakeholder collaboration

Reliable data & data driven policies

### MSME FINANCE

1. Enabling regulatory framework for MSMEs.
2. Specialised institution for MSME sector.
3. Encourage value-chain financing programmes and initiatives.
4. Financial products and services to support start-ups in key target sectors.

### DIGITAL FINANCIAL SERVICES

1. Technology enabled products and delivery channels.
2. Enabling payments ecosystem.
3. Enabling regulatory environment
4. DFS infrastructure development.
4. Gender sensitive FINTech ecosystem.

# FINTECH REGULATORY SANDBOX SNAPSHOT

The RBF recognises the transformative role of Financial Technology (“FinTech”) in broadening access to essential financial services as well as the need to evolve regulation that enables genuinely beneficial innovation while simultaneously responding to new risks emerging from more sophisticated solutions.

In December 2019, the Reserve Bank launched its FinTech Regulatory Sandbox (“Sandbox”) through the publication of Financial System Development Policy Statement No. 2, FinTech Regulatory Sandbox Guideline. The Sandbox enables FinTech developers to collaborate with the RBF to pilot innovative solutions for the financial industry. It formalises the Reserve Bank’s test-and-learn approach to new solutions which informs the development of appropriate and proportionate evidence-based policies and is recommended for both licensed financial service institutions and FinTech entities.

The Sandbox 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.

The Sandbox 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.

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## SANDBOX PROCESS:



### PRELIMINARY ASSESSMENT

Entities who apply to the Reserve Bank are assessed against an eligibility criteria that determines whether a solution is potentially suitable for the Sandbox.

### PREPARATION

Eligible entities identified in the preliminary assessment stage and the Reserve Bank collaboratively determine the conditions of experimentation.



### EXPERIMENTATION

Eligible entities admitted to this stage are permitted to engage live consumers within agreed conditions and parameters determined in the preparation stage.

### EXIT/TRANSITION

Entities who have completed the experimentation stage are assessed for their performance and advised of outcomes and recommended actions prior to commercial deployment



### FINTECH SOLUTIONS ADMITTED TO EXPERIMENTATION STAGE

Since inception, the Reserve Bank has received interest for nine different solutions. Three solutions have been admitted into the Experimentation Stage comprising:

- An international payment network co-badged companion-card linked to a mobile money service;
- A parametric insurance product with pre-defined pay-outs linked to weather-related triggers; and
- A non-reloadable, off-the-shelf prepaid international payment network card.

# 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 community and policy initiatives or staff involvement in community projects.

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

### Corporate Donations to Organisations

The following charitable organisations received contributions of \$1,000 each from the Bank in December 2021:

- Suva Special Education School
- Frank Hilton Organisation
- 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

The Bank has an active philanthropic culture that is well embedded and promoted in various units and

teams within the organisation.

Over the course of the year, teams had fundraised and donated their time and wealth to disadvantaged individuals, vulnerable sectors of our communities, those needing medical treatment, and assistance to our brothers and sisters in Tonga who suffered following the volcanic eruption. Teams through QMT also assisted with visitations and donations to Twomey Hospital, Safe house for women & children, contributions towards purchasing of in-door games for children at Dilkusha Home and a donation of \$1,000.00 was also made to the Lupus foundation.

### Participation in the community

- Members of Team RBF served on boards and committees set up by the Government, international and regional organisations, school committees, charitable organisations and professional bodies.
- In support of small and medium enterprises (SME), the Reserve Bank sponsors the Services Award for the FDB SME Awards. The Bank remains committed to its partnership with Investment Fiji in supporting the Prime Minister's International Business Awards.

As the sponsor of the Primary Industry Excellence Award, the RBF is privileged to celebrate and recognise excellence and success across Fiji's primary industries. The Bank also sponsors the University of the South Pacific (USP) gold medal for the most outstanding graduate in Economics.

- In its efforts to build relationships across a broad spectrum of the community and gain first-hand insight into developments across the country, the Bank continues to devote resources to industry visits and meetings. The Governor also accompanies Bank officials on the onsite visits. During the year, there was a total of 22 industry forums, of which 15 were visits to various industries in the Western division.

### School Visits

School visits are an excellent conduit to reach out to our future leaders and create awareness on the role of Fiji's central bank. However, during the pandemic, school visits to the Bank premises were cancelled due to social restrictions but recommenced in June 2022 when the Bank hosted the Latter Day Saints school students.

**MISSION**

# PROVIDE PROACTIVE AND SOUND ADVICE TO GOVERNMENT

Policy advice to the Government is provided in many ways. During the 2021-22 FY, the Bank held several meetings, some of which were done virtually with Government agencies to discuss issues pertaining to the economy. Presentations on the economy were made as and when requested.

## Policy Coordination

Policy formulation is critical to the effectiveness of Government's macroeconomic management, therefore, must be appropriately undertaken by relevant economic policymaking agencies. RBF continued to provide relevant advice to Government through its participation in various Committees during the year.

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

The Governor continued to chair the MC, whose membership comprised officials from the Ministry of Economy, Ministry of Commerce, Trade, Tourism and Transport, Fiji Bureau of Statistics, Prime Minister's Office, Ministry of Infrastructure & Transport, FRCS, Investment Fiji and the Reserve Bank. During the 2021-22 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 2022-23 FY National Budget submission.

## Registry and Banking Services

The Reserve Bank is the registrar for debt securities issued by Government and statutory corporations. Registry services include 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 2022, the RBF registry recorded a total nominal value of \$5,624.0 million in total bonds, compared to \$5,186.9 million in the previous financial year. For the review period, government bonds recorded a net issuance of \$516.2 million, which led to an increase in the value of outstanding bonds by 10.4 percent to \$5,483.9 million. In contrast, the outstanding balance for statutory corporation bonds fell by a combined 36.1 percent to \$140.1 million.

Total registry payments increased by 19.6 percent to \$1,252.0 million at the end of July 2022. The higher payments resulted from an increase in bond interest and redemptions payments by \$71.7 million to \$729.5 million. Similar to bonds, Treasury bills redemptions increased by \$133.7 million to \$522.5 million.

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

The Government continued to source funds through the issuance of Treasury bills to support its temporary financing needs. For the 2021-22 FY, government Treasury bills recorded total issues of \$532.5 million and redemptions worth \$522.5 million. The outstanding Treasury bills balance at the end of July stood at \$283.5 million, a slight increase from \$273.5 million in the previous year.

Similar to the government bonds, yields on Treasury bills also fell significantly during the year, largely reflecting the buoyant liquid conditions in the banking system.

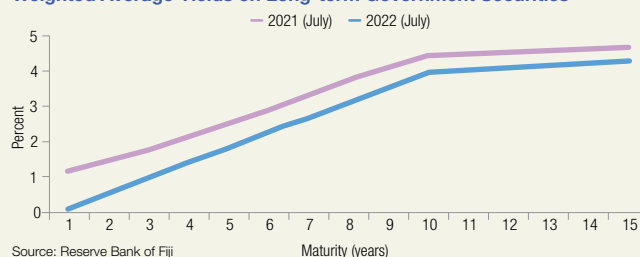
## Outstanding Bonds as at 31 July 2021 (\$M)

	Issued	Redeemed	Outstanding
Total Government	799.0	282.8	5,483.9
o/w Fiji Development Loan Bonds	-	154.0	1,081.7
o/w Fiji Infrastructure Bonds	789.0	126.6	4,150.3
o/w Fiji Green Bonds	-	-	100.0
o/w COVID-19 Response Bonds	-	-	90.0
o/w Viti Bonds	10.0	2.2	61.8
FDB	8.0	66.6	115.1
HA	-	20.5	25.0
<b>Total</b>	<b>807.0</b>	<b>369.9</b>	<b>5,624.0</b>

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 2018 - Jul 2019	Aug 2019 - Jul 2020	Aug 2020 - Jul 2021	Aug 2021 - Jul 2022
Flotations	805.0	545.0	426.8	543.5
Allotments	639.0	401.7	392.6	532.5
Redemptions	519.0	439.5	388.8	522.5
Outstanding	307.5	269.7	273.5	283.5

Source: Reserve Bank of Fiji

**MISSION**

# DISSEMINATE TIMELY AND QUALITY INFORMATION TO STAKEHOLDERS

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

## Financial Performance

### Income

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

For the financial year ended 31 July 2022, total income was \$70.9 million led by the high domestic interest, interest from foreign reserves held by the Bank and numismatic income.

### Expenditure

Total expenditure incurred during the year was \$28.9 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 \$8.5 million.

### Assets and Liabilities

The Bank's total assets stood at \$5.6 billion as at 31 July 2022, representing a 35.0 percent growth due to the increase in domestic

holdings, Financing Facilities and additional Special Drawing Rights' (SDR) allocation. On the liabilities side, the increase is mainly reflected in the build-up of the SRDs and Demand Liabilities.

### Operating Profit and Payment to Government

The operating profit for the year ended 31 July 2022 was \$42.0 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 \$3.4 million as at 31 July 2022. The amount transferred from the RRA was \$2.2 million in the previous financial period.

The Bank transferred \$44.4 million to the Government for the year ended 31 July 2022 compared to the \$32.9 million paid for the year ended 31 July

2021.

### Publications and Press Releases

Disseminating timely and quality information is one of the missions of the RBF. Communication, therefore, is considered an essential aspect of the Bank's operations. Corporate Communications coordinates internal and external communications by the Bank through publications, press releases, media notes, website management, Facebook page as well as responses to external enquiries and media relations.

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

During the year, the Bank released the August 2020 - July 2021

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RBF Foreign and Domestic Income (\$M)

	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jul 2021	Aug 2021-Jul 2022
Foreign Interest Income	46.6	38.6	19.6	19.9
Domestic Interest Income	10.2	17.1	30.1	39.6
Other Income	4.4	4.1	9.1	11.4
<b>Total</b>	<b>61.2</b>	<b>59.8</b>	<b>58.8</b>	<b>70.9</b>

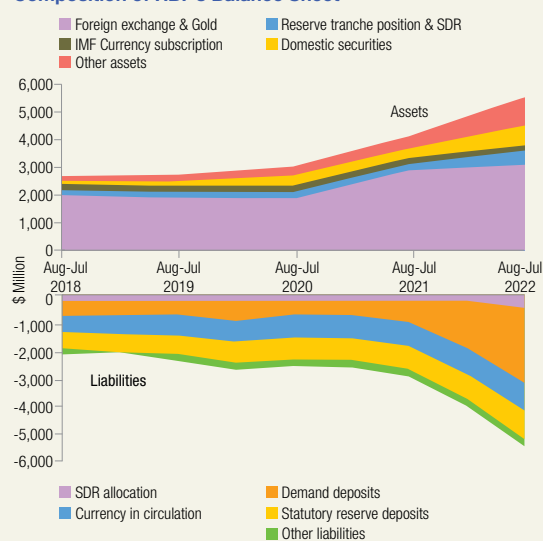
Source: Reserve Bank of Fiji

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

	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jul 2021	Aug 2021-Jul 2022
Operating Profit	28.9	30.1	31.7	42.0
Less				
Transfer to General Reserves	1.0	1.0	1.0	1.0
Balance Paid to Government	27.9	29.1	30.7	41.0
One-fifth of RRA	1.5	2.7	2.2	3.4
<b>Total Paid to Government</b>	<b>29.4</b>	<b>31.8</b>	<b>32.9</b>	<b>44.4</b>

Source: Reserve Bank of Fiji

Composition of RBF's Balance Sheet



RBF Annual Report and the 2021 Insurance Annual Report, after both reports were tabled in Parliament on 2 December 2021. The 2021 FSR was released on 16 December 2021.

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 7 Media Notes during the financial 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.

Following the feedback received in the stakeholder survey, post COVID, the Bank invited media personnel for a media workshop. Feedback from the workshop feeds into the process of reviewing the Bank's communications strategy to ensure that it is effective and meets the stakeholder needs, while also safeguarding the Bank's interest.

The Reserve Bank website remains the first point of contact for stakeholders of the Bank and acts as a vital information hub. The Bank maintains Facebook and LinkedIn accounts to cater for stakeholders who prefer updates through social media platforms.

To efficiently disseminate relevant information to the larger audience in formats that the audience engages in as well as ensure external communications are targeted towards enabling the general public to be more knowledgeable about the economic and financial landscape, the Bank commenced to create visual summaries of information targeting different segments of the public, that is, via info-graphics.

### Records Management

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

The upgrade of the Bank's record system to Content Manager 10 was completed in October 2021. This is an integrated Electronic Document Records Management System, for storing and retrieving indexed and digitised records.

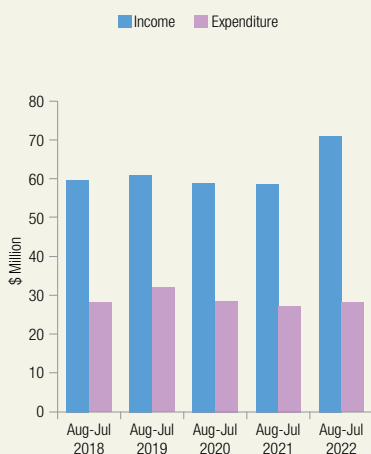
### Property Management and Security

The Bank continued with building infrastructure projects to ensure compliance and safety of the building systems with the modification or replacement of services to enhance the building's operational efficiency.

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

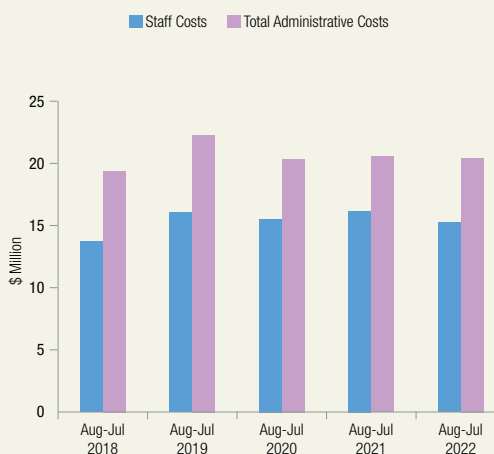
The safety and security of the RBF building, BRS and the Governor's residence were well maintained throughout the year without any security breach.

Total Income and Total Expenses



Source: Reserve Bank of Fiji

Operating Expenses by Type



Source: Reserve Bank of Fiji

## Stakeholder engagement

### Domestic Relations

Over the 2021-22 FY, the Reserve Bank continued to engage and conduct economic presentations in strengthening its relationship with stakeholders. The Governors and senior staff made presentations and submissions to the Parliamentary Standing Committees on a number of occasions. Submissions on the RBF Annual Report and the Insurance Annual Report were respectively made in February and April 2022 to the Standing Committee on Economic Affairs, following their tabling in Parliament on 2 December 2021. The submission on the Audit Report on Compliance Audits Relating to COVID-19 Response was made to the Public Accounts Standing Committee on 19 May 2022.

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 information available on its website and Facebook page, including the NFIT and PPSR websites that users can easily access.

The Reserve Bank continued its regular prudential consultations with supervised institutions in 2021-22 FY. The Bank also met with industry stakeholders such as the Association of Banks in Fiji, the Finance Companies Association, the Insurance Association of Fiji

and the Foreign Exchange Dealers Association.

Bilateral meetings were held with the heads of commercial banks, credit institutions, the FDB and the 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 22 industry meetings to discuss economic issues and provide economic briefs to the business community.

### International Relations

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

Regular correspondences with multinational agencies such as IMF, the World Bank, and the Asian Development Bank (ADB) continued in the year.

The Bank was also represented during the virtual annual meetings of the IMF and the World Bank in October 2021. Representations were also made in November 2021 at the 36th South Pacific Central Bank Governors' virtual meeting and at the Commonwealth Central Bank Governors' Virtual Meeting in October 2021. An IMF Article IV Visit also took place from 27 September – 8 October 2021.

In its continued efforts to enhance the research culture and environment within the institution, the Bank signed an MOU with Asia-Pacific Applied Economics Association (APAEA) to develop capacity for research and policy formulation, with a particular focus on applied econometrics, economic growth & stability, financial market performance and energy markets.

The Bank also continued its collaboration with Griffith University and the Pacific Islands Centre for Development Policy and Research to elevate the region's study group into a research centre for central banking.

Increased liaison was also noted during the year with partner agencies supporting Fiji in various projects including the ADB and the International Financial Corporation on disaster risk financing, the PFIP on the expansion of inclusive insurance in Fiji and the IMF's Pacific Financial Technical Assistance Centre (PFTAC) ongoing review of the Insurance Act, for which the partnership is ongoing.

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

**MISSION**

# ENHANCE OPERATIONAL EFFICIENCY THROUGH INNOVATION AND RISK MANAGEMENT

The Reserve Bank values and supports innovation and aspires for a culture that drives it to constantly explore new ideas and different approaches to meet its mandate while ensuring that risks are considered and mitigated.

## Information Technology (IT)

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

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

The growing demand for information and communications technology services has led to the continued automation of business processes. Some of the key systems that went live during the financial year were Economics Data Management System that centrally stores, searches and audits Economic datasets critical to the Bank's outputs as well as the eService Online portal for submission of returns by Financial Institutions, the Teller Cash module and Bulk Teller Modules within the Vault Management System, Online learning management systems and enhancements to various existing application systems. Additionally, eService projects targeting the online submission of complaints and an online form for offshore insurance applications (Form D) are in progress.

Since the COVID-19 pandemic, the Bank has been focusing on enhancing user experience for online meetings and collaboration through seamless scheduling and participation, eliminating vendor

diagnostic incompatibilities.

Moreover, the Microsoft SharePoint software was explored to promote collaboration and communication within the Bank and is currently being trialed prior to go-live later in the year. Other software & tools being explored include Microsoft Power BI for data analytics and dashboards, online recruitment platforms, and Loans Management Systems to manage the Bank's Loan Facilities.

The Bank will be upgrading the core server and storage platform that will provide an enterprise grade Hyper-converged infrastructure to promote high availability, scalability and business continuity for Bank data and services. This further confirms the Bank's commitment to maintaining a modern and resilient IT infrastructure.

The Bank continues to work towards achieving the NPS reform with the implementation of the ATS, RTGS, ACH and IFT<sup>14</sup> systems. The hardware and software components have been designed to provide a scalable, reliable and resilient foundation for the NPS. All the key stakeholders have been collaborating to rigorously test straight through processing in compliance with ISO<sup>15</sup> message standards. The key deliverables of the implementation phase includes installation of:

- Core system software and network infrastructure;
- Redundant telecommunication links; and
- 3rd Party integration software for the Bank's ERP<sup>16</sup> system.

Furthermore, Security hardening and Vulnerability Assessment and Penetration Testing will also be key phases prior to Go-live.

The Bank has contracted the services of cybersecurity professionals to

enhance protection against common and advanced persistent threats. The Managed Security Service Provider will deliver complete managed detection and response services that include 24 x 7 x 365 proactive threat detection and incident response, Incident Management, Integrated Cyber Threat Intelligence, User Behaviour Analysis and Vulnerability management. Additionally, the Bank will have access to cybersecurity advisory, assessment and capability development services to strengthen cybersecurity policies which remains a priority focus for the Bank. This form of outsourcing model ensures savings from significant investments in additional security software, hardware, security analysts, training, and more.

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

The Bank is enhancing data backup solutions to provide improved security and availability for data recovery. Part of the enhancements include mitigation strategies against advanced threats such as ransomware.

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. Part of the preparedness is expanding the BRS disaster capabilities to

<sup>14</sup> Instant Funds Transfer.

<sup>15</sup> International Organisation for Standardisation.

<sup>16</sup> Enterprise Resource Planning.

include remote access services.

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

### Risk Management

Risk management remains central to all its activities in the Bank. The Bank has in place a risk management framework, which comprises policies and procedures to effectively manage emerging risks.

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

The Bank identifies emerging risks and implements controls within its ambit to mitigate the impact on system stability to safeguard its core mandates. Risk management in relation to foreign reserves management are considered critical to safeguarding the country's reserve. In line with this, there is frequent reviews of the strategy, benchmarks and controls. During the year, the Foreign Reserves Management Operational Manual was also reviewed to ensure that it remains current and relevant as per the changing operating environment. In addition to this, the Bank manages liquidity risk, credit risk and market risk as well as operational risks including information technology risk, cyber risk and people & culture risk.

The senior management is responsible for consistently implementing and maintaining mitigations for risks arising within their ambit and there is a structured process throughout the organisation with relevant policies, processes and systems in place for managing specific risks.

Ongoing quality management initiatives and capacity building continued to be the focus of the Bank's development programme. The HR Steering Committee with a dedicated focus on driving effectiveness in HR strategies and policies is key to strengthening human capital and workplace culture while the IT Steering Committee focuses on IT-related matters.

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

The Bank also continued its review of the Risk Management Framework through the 2021-22 FY to ensure its continued alignment with the latest standards in risk management practices as well as relevance to global and domestic developments. This included review of the Bank's policies on Fraud, Gifts & Entertainment and Service of Legal Documents. In addition, the updating of the Bank's risk registers continued.

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. In addition to this, where required, processes or internal controls are reviewed to ensure that any risks arising are mitigated. This also feeds into the internal assurance process whereby specific process areas are reviewed and findings/recommendations are provided to the relevant group.

The Bank's Business Continuity Plan (BCP) was continually reviewed during the year, specifically on the workforce

and workplace safety arrangements as a result of COVID-19 updates from the relevant local authorities. This has now translated into a living document with general COVID safe behaviours outlined for staff as we transformed into living with COVID.

The Bank's BRS is the backup site for critical operations should the Reserve Bank's main building become inaccessible due to an emergency or a disaster or if the systems in the building become inoperable. Critical operations such as foreign reserves management, finance management, settlements and some domestic market processes, including FIJICLEAR operations are tested at the site.

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

During the year, the Bank updated its procedures and operations, in line with the MCTTT workplace safety protocols and other regulations enacted.

The Risk Management and Communications Group forms the second line of defence in the management of risks in the Bank. In terms of foreign reserves management, the Middle Office is within the Risk Management Unit independent of the front office and back office and is responsible for monitoring and reporting on risks relating to the Bank's reserves management operations.

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

The RMCG<sup>17</sup> also ensures that the Bank's interests are protected against legal risks. These risks are mitigated by the provision of legal advices, litigation, drafting, statutory compliance, legislation and policy reviews and the enhancement of the Anti-Corruption Framework

developed in consultation with the Fiji Independent Commission Against Corruption (FICAC) since 2018. The Bank also participated in the Anti-bribery workshop by FICAC to champion the cause against such unethical practices in the public sector. There were no pending litigation against the Bank during the year.

The internal audit function as a third line of defence continued to provide independent assessments to ensure

the effective oversight of risks in the Bank. The internal audit function is outsourced to an external firm.

Areas for improvement identified by internal and external audits are addressed as appropriate and form part of the RMCG monitoring and reporting to the BARC. The Board, the BARC, the BGC and the RBCMC also contribute to the review and strengthening of the Bank's risk management function.

<sup>17</sup> Risk Management and Communications Group.

## 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 2022, the Reserve Bank staff complement was 196. During the review period, 19 staff left the Bank, of which, six exited the Bank due to non-vaccination, five exited for other employment opportunities, two resigned, two retired, one applied for early retirement, one migrated, one staff opted not to renew employment and one staff passed away. At the end of the FY, the Bank recruited 19 staff and one staff returned upon completion of secondment.

## Management Remuneration as at 31 July 2022

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 BGC. The Executive Management and other management staff are employed on an individual contract basis and are remunerated in line with the market.<sup>18</sup> The last market adjustments were made in August 2019.

## Staff Development

The Training and Development Policy and Staff Training Needs Analysis

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

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

At the end of 2021-22 FY, there were two staff on secondment at the IMF Resident Representative Office for Pacific Islands.

In the 2021-22 FY, one staff was on full-time study leave, whilst 12 staff pursued part-time studies at the USP, CPA Australia and the Fiji National University towards Masters, Postgraduate, CPA programmes and Degree programmes.

In the 2021-22 FY, staff benefitted from various short courses organised

locally such as those organised by the Saint John Association, Ministry of Labour, USP Pacific TAFE, National Fire Authority, FIB, Ministry of Women, Fiji Human Resources Institute (FHRI), Fiji Commerce and Employers Federation and the FIA. There were other courses organised internally some of which were held online due to the COVID-19 pandemic.

Furthermore, due to the pandemic, in person overseas training was halted temporarily, however, staff attended virtual trainings that were organised by the IMF-STI, BIS, Central Banking Training, Climate Bonds Initiative, SEACEN, PFTAC Pure Magic International Business Solutions and Alliance for Financial Inclusion. With the easing of border restrictions, 9 staff attended face to face training for Research Introduction Writing training at Monash University in Australia, Fiji Investment and Trade Mission to Australia and the Pacific Islands FinTech Innovation Challenge Bootcamp in Singapore.

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

### RBF Staff Statistics (as at 31 July 2022)

	Aug18-Jul19	Aug19-Jul20	Aug20-Jul21	Aug21-Jul22
Total Staff	209	199	195	196
Average Years of Service	10.5	11.0	11.9	11.6
Annual Staff Turnover (%)	4.8	9.5	3.6	9.7

Source: Reserve Bank of Fiji

### Management Remuneration as at 31 July 2022

Total Cash Remuneration	Staff Numbers
i. \$335,061	1
ii. \$290,707	1
iii. \$200,865	5
iv. \$63,517 - \$102,890	25
(i) - (iii) Executive Management.	
(iv) Other Management staff.	

Source: Reserve Bank of Fiji



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

<sup>18</sup> As determined by the annual PwC Banking and Finance Sector Market Survey.

### Employment Relations

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

The Bank recommenced with the payment of bonuses to eligible staff in July 2022, subsequent to the completion of the formal appraisal processes.

### 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 Committee as a forum for meaningful consultation, cooperation and exchange of workplace information to promote good faith employment relations and improve productivity.

The Committee was registered with the Ministry of Labour under Regulation 7 in August 2009. The Committee comprises seven management and seven staff representatives and met four times in the 2021-22 FY.

### Quality Management Teams (QMT)

The Bank has been actively encouraging staff to focus on quality management practices in their daily work processes. Through these quality management teams,

Groups are able to make continuous improvement in processes and performance.

### National Employment Centre

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

### Internship

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

### Holiday Worker

A Holiday Worker scheme was introduced in December 2020 with the aim of providing students with an opportunity to engage with the Bank and obtain on-the-job experience during their semester breaks. Under the scheme, the Bank can permit up to 14 holiday workers at any one time during semester breaks.

### Health and Safety in the Workplace

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

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

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

### Service Recognition

The Governor's Service Recognition and Long Service Loyalty Award recognises dedicated, long and meritorious service to the Bank. In the 2021-22 FY, four staff achieved 15 years of service, six staff achieved 20 years of service and two staff achieved 25 years of service while three staff achieved 30 years of service.

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



Alanieta Robson



Ariff Ali



Pauline Wong



Esala Masitabua



Patricia Narain

# SELECTED EVENTS AUGUST 2021-JULY 2022

<b>13 AUG</b> Micro, Small, and Medium Enterprises VitiKart Subsidy Scheme was launched	<b>25 AUG</b> Official Launch of Fiji's First Parametric Micro-insurance Product	<b>8 SEP</b> Alliance for Financial Inclusion – Annual General Meeting (Virtual Meeting)
<b>24 SEP</b> RBF presents its Audited Financial Statements for 2020-2021	<b>27 SEPT – 8 OCT</b> IMF Article IV mission	<b>11 OCT</b> Commonwealth Central Bank Governors' Virtual Meeting
<b>8-10 NOV</b> Governor attended the 36th South Pacific Central Bank Governors Meeting virtually	<b>10 NOV</b> Governor presented to the UNDP-Fiji Parliament Partnership - Sustainable Development Goals (SDGs) Refresher Workshop	<b>12-13 NOV</b> Governor presented at the TOPEX 2021 Conference
<b>10 DEC</b> Governor presented at the 23rd Attorney - General's Conference 2021	<b>28 FEB</b> Submission to the Parliament Standing Committee - RBF Annual Reports	<b>26 MAR</b> Launch of commemorative \$7 Banknote
<b>28-30 MAR</b> West Industry Visit	<b>7-14 APR</b> IMF Staff Visit	<b>19 APR</b> Submission to the Parliament Standing Committee on Economic Affairs Reports - Insurance Annual Report 2019-2020
<b>4 MAY</b> Launch of the Third National Financial Inclusion Strategy 2022-2030	<b>5 MAY</b> ADB Board of Governors 55 Annual Meeting (first stage)	<b>6 MAY</b> Launch of the Pacific Insurance and Climate Adaptation Programme's (PICAP) Gender Equality and Social Inclusion Strategy and other Projects
<b>9 MAY</b> United Nations ESCAP/RBF Virtual Signing of Memorandum of Agreement	<b>19 MAY</b> Presentation to the Parliament Standing Committee on RBF special facilities	<b>24-25 MAY</b> 2022 Pacific Financial Technical Assistance Centre (PFTAC) Steering Committee Meeting
<b>17 JUN</b> ADB Asia-Pacific Financial Inclusion Forum - The Role of Central Bank Digital Currencies in Financial Inclusion	<b>20 JUN</b> South Pacific Central Bank Governor's Meeting	

# THE YEAR AHEAD

The Reserve Bank will continue to deliver on the strategic priorities outlined in the 2019 – 2024 Strategic Plan to pave the way to economic recovery.

## Strategic Direction

The Bank's 2019-24 Strategic Plan continues to be relevant and it will continue to be implemented next year.

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

## Legislation

The Reserve Bank will continue to progress the legislative work it is currently undertaking in the 2022-23 FY on the various financial sector reforms:

- Bringing into effect the National Payment System Act (2021) and Regulations (2022) from 30 September 2022;
- Review of the Insurance Act 1998, through the technical assistance of the IMF PFTAC and drafting of the Insurance Bill;
- Amendment to the Fair Reporting of Credit Act 2016 in line with the ongoing work regarding Fiji's Ease of Doing Business ranking; and
- Finalisation of the proposed Credit Union legislation.

## Monetary Policy

The Reserve Bank of Fiji will continue to ensure the appropriate and effective implementation of monetary policy to protect its dual mandate of

maintaining low inflation and achieving a sufficient level of foreign reserves.

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

## Financial System Regulation and Supervision

The 'new normal' posed by the impact of the COVID-19 pandemic sets the scene for the year ahead. Risks to global financial stability are relevant to the Fijian financial system and monitoring of these risks and their impact on the domestic financial institutions, will remain a priority.

While the Reserve Bank will continue to develop and implement prudential supervision policies aimed at enhancing the risk management culture of supervised financial institutions, new initiatives are planned in the areas of climate risk supervision and regulation, liquidity risk stress testing, payments system supervision, and further work on the supervision of culture and conduct risk, reform of the credit union legislation, and the review of the Insurance Act.

Macro-prudential surveillance will also persist on the monitoring of any post pandemic and emerging risks that the financial system is exposed to,

and ensure that conducive prudential policy measures and advice are issued for the continued maintenance of financial stability.

## Corporate Services Enhancements

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

The Bank will maintain its efforts in providing a flexible working environment which promotes wellness, occupational safety, productivity and an atmosphere conducive for people to be innovative - all of which are critical elements of our ongoing mission and to enhance employee experience.

The Bank will continue to enhance automation and process reengineering of several of its key processes. This includes the evaluation of an online recruitment system, implementation of SharePoint for improved collaboration and the NPS to enhance payment efficiency.

Furthermore, the Bank will be upgrading the core server and storage platform that will provide an enterprise grade Hyper-converged infrastructure that promotes high availability, scalability and business

continuity for the Bank data and its services. Cybersecurity Operations Centre and IT security policy enhancement is also expected to commence through the managed service providers to enhance its overall cybersecurity posture.

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

#### **Implementation of NFIS 2022-2030**

Mobilising the new NFIS will see the re-introduction of NFIT Working

Groups focussed on the four strategic pillars. The membership will comprise representatives from Government, the private sector, civil society and development partners who will provide advice and guidance in monitoring the progress of working group driven annual work plans that will contribute towards the achievement of NFIS targets in the coming year.

#### **MSME Sector Development**

The RBF will continue to work with MSME Fiji at the MCTTT, the MSME Finance Working Group under NFIT and other relevant stakeholders in

order to accelerate development within the sector. This will include the focus on progressing the drafting of legislation, the collection of MSME data and coordinating with financial institutions to enable access to affordable finance.

# Financial Statements

For the year ended 31 July 2022

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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 2022 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)

Shiri Krishna Gounder (Ex-officio member)

Pradeep Patel

Tevita Kuruvakadua

Tony Whitton

Nikita Patel

Bobby Naimawi

#### 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; and
- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Bank as at 31 July 2022 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 2022 was \$42.0m (2021: \$31.7m).

#### 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 (2021: \$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 2022, the value of the External Reserves was 69% (2021: 83%) of the total Demand Liabilities.

#### Payable to the Fiji Government

In accordance with the Reserve Bank of Fiji Act, 1983, the following amounts totalling \$44.4m for the year ended 31 July 2022 (2021: \$32.9m) are payable to the Fiji Government:

- Section 8(3): Net profit after transfer to General Reserves - \$41.0m for the year ended 31 July 2022 (2021: \$30.7m); and
- Section 34(3): One-fifth balance of Revaluation Reserve account - foreign currency - \$3.4m (2021: \$2.2m).

## 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

In relation to allowance for impairment losses, an additional provision of \$0.6m was recorded during the financial year in accordance with the requirements of IFRS 9.

### Significant events during the year

Persistent inflation, supply chain constraints, continuing pandemic and the Russia/Ukraine war affected the global economy. Despite these disruptions, the Bank has managed to meet its core mandate and continued to employ measured responses to secure the monetary and financial stability of the Fijian economy whilst providing proactive and sound advice to the Government.

The Bank has carefully considered the impact of global economic uncertainties in preparing its financial statement for the year ended 31 July 2022.

### Assets

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

### Directors' benefit

Other than directors remuneration and benefits disclosed in the financial statement, no Director of the Bank has, since the end of the previous financial year, received or become entitled to receive any other benefit by reason of contract made by the Bank with the Director or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest.

### Events subsequent to balance date

The Bank has considered whether events subsequent to the reporting date have confirmed conditions existing at reporting date and has not identified any global economic uncertainties related developments which would require adjustments or disclosures contained in the financial statements. Future economic conditions may differ to the assumptions and scenarios used in the financial statements, the impact of which will be reflected in the future reporting periods.

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

## Reserve Bank of Fiji

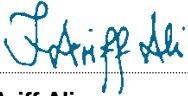
### Directors' report - continued

#### 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 22nd day of September 2022.

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



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



**Tevita Kuruvakadua**  
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 2022;
- (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 2022;
- (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 2022;
- (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 2022;
- (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, foreign exchange gains or 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 incongruent 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 \$50.0m, an increase of \$8.0m being the currency translation gain for the year ended 31 July 2022.



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



**Tevita Kuruvakadua**  
Director



## Independent Auditors' Report

To the Board of Directors of Reserve Bank of Fiji

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Reserve Bank of Fiji ("the Bank"), which comprise the statement of financial position as at 31 July 2022, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 26.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 July 2022, and of its financial performance and its cash flows for the year then ended in accordance with the basis of preparation set out in note 2 (a), being International Financial Reporting Standards (IFRS) as amended for the requirements of the Reserve Bank of Fiji Act, 1983.

#### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with Reserve Bank Act, 1983 and the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

We draw attention to Note 2(a) to the financial statements which refers to the financial reporting framework and the policy on the treatment of foreign exchange gains and losses, and its divergence from IAS 21 "Effect of changes in Foreign Exchange Rates" as specified by the Reserve Bank of Fiji Act, 1983. Our opinion is not qualified in respect of this matter.

#### Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read annual report, if we conclude that there is a material misstatement therein of this other information, we are required to communicate the fact we have nothing to report in relation to the directors' report.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as amended by the financial reporting provisions of the Reserve Bank Act, 1983, and for such internal control as directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



## Independent Auditors' Report

To the Board of Directors of Reserve Bank of Fiji

### Report on the Audit of the Financial Statements

#### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



**Independent Auditors' Report**  
To the Board of Directors of Reserve Bank of Fiji

**Report on the Audit of the Financial Statements**

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

In our opinion:

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

  
KPMG  
Chartered Accountants

Suva, Fiji  
22 September, 2022

**Statement of comprehensive income**  
**For the year ended 31 July 2022**

	Note	31 July 2022 \$000	31 July 2021 \$000
<b>Income</b>			
Interest income	4(a)	59,447	49,681
Other revenue	4(b)	11,432	9,100
<b>Total income</b>		70,879	58,781
<b>Expenses</b>			
Interest expense	4(c)	(1,454)	(153)
Administration expenses	4(d)	(20,362)	(20,583)
Other expenses	4(e)	(6,431)	(6,455)
Expected credit losses (expense)/write-back	4(f)	(625)	101
<b>Total expenses</b>		(28,872)	(27,090)
<b>Net profit for the period</b>		42,007	31,691
<b>Total other comprehensive (loss)/income</b>			
Amortisation of fair value reserve		373	(916)
Change in fair value of financial assets		(32,836)	(14,397)
Asset revaluation reserve movement	19	5,095	(152)
Currency translation gains		8,012	397
<b>Total other comprehensive loss</b>		(19,356)	(15,068)
<b>Total comprehensive income for the period</b>		<b>22,651</b>	<b>16,623</b>

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 77 to 108.

## Reserve Bank of Fiji

### Statement of changes in equity For the year ended 31 July 2022

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

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 77 to 108.

## Reserve Bank of Fiji

### Statement of changes in equity - continued

For the year ended 31 July 2022

	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 2021	2,000	44,050	8,924	4,788	25,299	-	85,061
<b>Total comprehensive income for the year</b>							
Net profit	-	-	-	-	-	42,007	42,007
Transfer to General reserves (Note 19)	-	1,000	-	-	-	(1,000)	-
<u>Other comprehensive income/(losses)</u>							
Amortisation of fair value reserve	-	-	-	373	-	-	373
Change in fair value of financial assets	-	-	-	(32,836)	-	-	(32,836)
Asset revaluation reserve movement (Note 19)	-	-	-	-	5,095	-	5,095
Net gains arising from currency translation differences	-	-	8,012	-	-	-	8,012
Total other comprehensive income/(losses)	-	-	8,012	(32,463)	5,095	-	(19,356)
<b>Total comprehensive income/(losses) for the year</b>	-	1,000	8,012	(32,463)	5,095	41,007	22,651
	2,000	45,050	16,936	(27,675)	30,394	41,007	107,712
<u>Transactions with owners, recorded directly in equity</u>							
Payable to the Fiji Government (Note 13)	-	-	(3,387)	-	-	(41,007)	(44,394)
<b>Balance at 31 July 2022</b>	2,000	45,050	13,549	(27,675)	30,394	-	63,318

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 77 to 108.

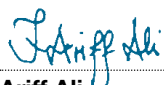
# Reserve Bank of Fiji

## Statement of financial position

As at 31 July 2022

	Note	31 July 2022 \$000	31 July 2021 \$000
<b>Foreign currency assets</b>			
Short-term commercial paper and current accounts	5	880,959	522,276
Marketable securities	5	2,235,304	2,383,344
Gold	5	3,229	3,176
Accrued interest		12,940	14,788
International Monetary Fund			
- Reserve tranche position	5/20	72,114	73,262
- Special drawing rights	5/20	404,606	131,889
- PRGF - HIPC Trust	20	566	578
- Currency subscription	20	215,143	219,759
<b>Total foreign currency assets</b>		<b>3,824,861</b>	<b>3,349,072</b>
<b>Local currency assets</b>			
Cash and cash equivalents	17	2,683	3,025
Domestic securities	6	700,126	366,225
Financing facilities	7	954,203	336,430
Currency inventory	8	15,535	16,906
Other assets	9	16,673	9,716
Intangible assets	10	418	457
Property, plant and equipment	11	41,101	34,294
<b>Total local currency assets</b>		<b>1,730,739</b>	<b>767,053</b>
<b>Total assets</b>		<b>5,555,600</b>	<b>4,116,125</b>
<b>Foreign currency liabilities</b>			
Demand deposits	12	227	271
IMF - PRGF - HIPC Trust	20	566	578
IMF - Special drawing rights allocation	20	471,189	199,797
<b>Total foreign currency liabilities</b>		<b>471,982</b>	<b>200,646</b>
<b>Local currency liabilities</b>			
Demand deposits	12	2,717,014	1,713,450
Payable to the Fiji Government	13	44,394	32,922
Currency in circulation	14	973,424	932,739
Statutory reserve deposits		1,054,753	914,696
IMF - Notes currency subscription	20	214,392	219,007
Employee entitlements	15	3,679	3,772
Other liabilities	16	12,644	13,832
<b>Total local currency liabilities</b>		<b>5,020,300</b>	<b>3,830,418</b>
<b>Total liabilities</b>		<b>5,492,282</b>	<b>4,031,064</b>
<b>Net assets</b>		<b>63,318</b>	<b>85,061</b>
<b>Capital and reserves</b>			
Paid-up capital	18	2,000	2,000
General reserves	19	45,050	44,050
Revaluation reserve account - foreign currency	19	13,549	8,924
Fair value reserve	19	(27,675)	4,788
Asset revaluation reserve	19	30,394	25,299
		<b>63,318</b>	<b>85,061</b>

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



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



**Tevita Kuruvakadua**  
Director

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 77 to 108.

## Statement of cash flows

For the year ended 31 July 2022

	Note	31 July 2022 \$000	31 July 2021 \$000
<b>Operating activities</b>			
Rental lease income		486	466
Numismatic sales		1,410	7,402
Interest received		54,220	47,508
Other income		5,540	5,539
Interest paid		(14)	(7)
New currency payments		(3,419)	(856)
Administration and other expenses		(19,092)	(19,035)
Net movement of short-term commercial paper		(354,360)	(223,022)
Net movement in fixed term deposits		(260,619)	(337,022)
Net movement in International Monetary Fund accounts		(239)	(349)
Net movement of domestic securities		(334,001)	(648)
Net movement in other assets		-	134
<b>Cash flows used in operating activities</b>		(910,088)	(519,890)
<b>Investing activities</b>			
Payment for property, plant and equipment and intangibles		(3,933)	(1,925)
Proceeds from disposal of fixed assets		50	-
Net movement of bonds		497,665	(434,729)
Net movement in financing facilities		(617,848)	(51,745)
<b>Cash flows used in investing activities</b>		(124,066)	(488,399)
<b>Financing activities</b>			
Net movement in demand deposits		1,003,564	934,231
Payment to the Fiji Government		(32,922)	(31,812)
Net movement in currency in circulation		40,685	62,085
Net movement in statutory reserve deposits		140,057	70,897
<b>Cash flows from financing activities</b>		1,151,384	1,035,401
<b>Net effect of currency translation</b>		8,012	397
<b>Net Increase in cash and cash equivalents</b>		125,242	27,509
<b>Cash and cash equivalents at the beginning of the period</b>		211,768	184,259
<b>Cash and cash equivalents at the end of the period</b>	17	337,010	211,768

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 77 to 108.

## 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 \$50.0m for the year ended 31 July 2022 (2021: \$32.1m), an increase of \$8.0m (2021: an increase of \$0.4m), being the net gain arising from currency translation differences.

**2. Statement of significant accounting policies and statutory requirements - continued****(b) Basis of preparation**

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

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

- those financial assets (including gold) that are measured at fair value through other comprehensive income (FVOCI);
- financial assets are measured at amortised cost; and
- land and buildings are 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 global economic uncertainties. Where, in the judgement of the Bank, an investment has been temporarily impacted by this, the assessed value of the impact is adjusted when deriving the fair value.

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

**New Standards:***New and amended standards and interpretations*

The Bank has adopted the following interpretations and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 August 2021. The adoption of the new amended standards and interpretations did not have a material effect on the Bank:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).

*Standards, amendments and interpretations issued but not yet effective*

A number of new standards, amendments to standards and interpretations have been issued, however not yet effective, hence have not been applied in preparing these financial statements.

New interpretations, standards or amendments	Effective date
• Amendments to IAS 1: Classification of liabilities as Current or Non-Current	1 August 2023
• Annual improvements to IFRS Standards 2018-2020	1 August 2023
• Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1 August 2023
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 August 2023
• Definition of Accounting Estimates – Amendments to IAS 8	1 August 2023
• Disclosure of Accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 August 2023
• Reference to the Conceptual Framework (Amendments to IFRS 3)	1 August 2023

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

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

**(c) Foreign currency transaction**

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

**(d) Functional currency**

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

**(e) Financial instruments**

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

*Valuation of financial instruments*

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

*(i) Financial instruments measured at amortised cost*

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

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

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

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

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

**2. Statement of significant accounting policies and statutory requirements - continued****(e) Financial instruments - continued***Non-trading reverse repurchase, repurchase and similar agreements - continued*

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

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

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

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

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

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

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

*(iv) Financial assets: Business model assessment*

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

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

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

### (e) Financial instruments - continued

#### (iv) Financial assets: Business model assessment - continued

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

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

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

#### (v) Impairment of amortised cost and FVOCI financial assets

Expected credit losses ('ECL') are recognised for staff housing loans, non-trading reverse repurchase agreements, other financial assets held at amortised cost and financial assets measured at FVOCI. At initial recognition, allowance (or provision in the case of loan commitments) is required for when there has not been a significant increase in credit risk since initial recognition. The ECL impairment provision is calculated from default events possible within the next 12 months. In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument.

#### Measurement of ECL

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

In general, the Bank calculates ECL using three main components: a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD'). The ECL is calculated by multiplying the PD, LGD and the EAD. The PD represents the probability of default occurring within the next 12 months over the lifetime of the instrument. The EAD represents the expected balance at default, taking into account repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money. The table below sets out how the value of the key drivers of the Bank's ECL model have been determined to meet the differing IFRS 9 requirements.

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

Model	RBF	IFRS 9 Requirement
PD	<ul style="list-style-type: none"> <li>Weighted average of global corporate bond annual default rates (35 year period) leveraged on the Bank's foreign investment portfolio.</li> <li>Sovereign ratings leveraged on the financial assets in the Bank's domestic portfolio.</li> <li>IMF financial assets categorised as extremely low risk foreign holdings.</li> <li>Staff loans and advance categorised as the riskiest of all the Bank's domestic holdings.</li> <li>Credit rating of the financial institution and the probability of defaults (PDs) associated with those credit rating is obtained from Standard &amp; Poor's (S&amp;P). The Bank identifies and calibrates the relationships between changes in default rates and changes in key macro-economic indicators. The key macro-economic indicators used are GDP growth rate, tourism earnings, Government debt and Government tax revenues published by the Bank, Fiji Bureau of Statistics and Government of Fiji.</li> <li>The Bank formulates three economic scenarios: a base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. The scenario probabilities weightings applied to the PDs are as follows: <ul style="list-style-type: none"> <li>Base – 60%</li> <li>Upside – 10%</li> <li>Downside – 30%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Point in time (based on current conditions, adjusted to take into account future estimates that will impact PD).</li> </ul>
EAD	<ul style="list-style-type: none"> <li>Not lower than the carrying amount balance.</li> </ul>	<ul style="list-style-type: none"> <li>Amortisation captured for financial instruments.</li> </ul>
LGD	<ul style="list-style-type: none"> <li>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.</li> <li>LGDs for senior and subordinate exposures are extrapolated from the landed floor rates.</li> </ul>	<ul style="list-style-type: none"> <li>Expected LGD (based on the estimate loss given default including the expected impact of future economic conditions such as changes in value of collateral).</li> <li>Discounted using the effective interest rate.</li> </ul>

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

**(e) Financial instruments - continued**

*(v) Impairment of amortised cost and FVOCI financial assets-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.

*Derecognition of Financial Assets*

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

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

*Financial liabilities*

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

**(f) Gold**

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

**(g) Numismatic items**

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

**(h) Cash and cash equivalents**

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

**2. Statement of significant accounting policies and statutory requirements - continued****(i) Currency inventory**

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

**(j) Demand deposits**

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

**(k) Currency in circulation**

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

**(l) Property, plant and equipment***Recognition and measurement*

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

*Depreciation*

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

Buildings	50-60 years
Building improvements	5-15 years
Motor vehicles	6 years
Computers and equipment	4-5 years
Plant & machinery, equipment & furniture & fittings	5-10 years

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

*Subsequent expenditure*

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

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

**(m) Statutory reserve deposit**

Under Section 40 of the Reserve Bank of Fiji Act, 1983, the Reserve Bank may specify the reserves required, by each financial institution, to be maintained against their deposits and other similar liabilities. The statutory reserve deposit is a direct monetary policy tool that is used from time to time to complement the RBF's market based policy instrument. The last time the RBF changed the statutory reserve deposit was in 2010 when it was raised from 8.5% to 10%. These deposits are not at call.

**(n) Intangible assets**

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

**(o) Impairment**

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

**(p) Employee entitlements**

*Short-term benefits*

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

*Defined contribution pension plan*

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

*Other long-term employee benefits*

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

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

**(q) Income tax**

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

**(r) Revenue and expense recognition**

*Interest income and interest expense*

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

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

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

*Revenue from contracts with customer*

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

*Income from financial instruments*

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

*Other income*

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

All other income sources are generally brought to account as the performance obligations are satisfied at a point in time.

**(s) Comparative figures**

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

**(t) Rounding**

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

### 3. Critical accounting estimates and judgements

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

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

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

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

#### **Global economic uncertainties**

##### *Background*

With the global economy weakened by the pandemic and still coping with extreme weather patterns, further shocks from the higher-than-expected inflation have sparked tighter financial conditions. Pandemic related disruptions in China have renewed supply chain bottlenecks and the additional negative spillovers from the Ukraine war have placed the world's economic outlook in a bleak and uncertain position. Despite these disruptions, the Bank has managed to meet its core mandate and continued to employ measured responses to maintain the monetary and financial stability of the Fijian economy whilst providing proactive and sound support and advice to the Government of Fiji.

##### *Consideration of the financial statements and further disclosures*

The Bank has carefully considered the impact of global economic uncertainties in preparing its financial statements for the year ended 31 July 2022. 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 economic uncertainties globally as well as domestically derived from the instrument ratings. In assessing this, the Bank has recorded an ECL provision of \$0.6m in accordance with the requirement of IFRS 9. The increase in the ECL is largely driven by the exposure of domestic financial instruments. Given the effects of COVID-19 on Fiji's economy, and on the credit growth and credit risk in the financial system, the Bank allowed more draw down by financial institutions under its rehabilitation loan facilities to enable the monetary and the financial stability of the economy.

#### **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 global economic uncertainties. 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.

4. Revenue and expenses	Note	31 July 2022 \$000	31 July 2021 \$000
<b>(a) Interest income</b>			
Overseas investments		18,460	18,645
International Monetary Fund		1,421	938
Domestic securities		37,672	26,728
Financing facilities		1,856	3,326
Staff loans		38	44
		<u>59,447</u>	<u>49,681</u>
<b>(b) Other revenue</b>			
Rent received		476	476
Numismatic sales		4,714	2,002
License and application fees		739	402
Foreign currency trading gains		4,580	4,973
Net gain on realisation of securities		652	1,083
Other miscellaneous income		271	164
		<u>11,432</u>	<u>9,100</u>
<b>(c) Interest expense</b>			
International Monetary Fund		1,440	146
Other		14	7
		<u>1,454</u>	<u>153</u>
<b>(d) Administration expenses</b>			
Staff costs		15,287	16,175
Other costs		5,075	4,408
		<u>20,362</u>	<u>20,583</u>
Total number of employees at period end		<u>196</u>	<u>195</u>
<b>(e) Other expenses</b>			
Depreciation	11	2,162	2,162
Amortisation of intangible assets	10	182	160
Auditor's remuneration			
- Audit fees		61	53
Board remuneration		38	32
Currency issue	8	3,641	3,979
Numismatic		347	69
		<u>6,431</u>	<u>6,455</u>
<b>(f) Allowance for impairment losses</b>			
Movement of the ECL provision during the year is as follows:			
<i>Foreign currency assets</i>			
Short term commercial paper and Current accounts		65	25
Marketable securities		7	(56)
Other assets		1	1
<i>Local currency assets</i>			
Domestic securities		473	(56)
Financing facilities		75	(10)
Other assets		4	(5)
		<u>625</u>	<u>(101)</u>

5. External reserves	31 July 2022 \$000	31 July 2021 \$000
Short-term commercial paper	680,406	336,692
Current accounts	200,655	185,621
	881,061	522,313
Less: Allowance for impairment losses	(102)	(37)
	880,959	522,276
Marketable securities		
- Fixed term deposits	797,592	415,776
- Bonds	1,437,810	1,967,660
	2,235,402	2,383,436
Less: Allowance for impairment losses	(98)	(92)
	2,235,304	2,383,344
Gold	3,229	3,176
International Monetary Fund		
- Reserve tranche position	72,114	73,262
- Special drawing rights	404,606	131,889
	476,720	205,151
Total External reserves	3,596,212	3,113,947

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 2022, the value of the External reserves was 69% (2021: 83%) 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 global economic uncertainties.

## 6. Domestic Securities

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

During the year, \$0.3m (2021: \$1.1m expensed) was written back in respect of securities held in the Domestic Bond Portfolio.

	31 July 2022 \$000	31 July 2021 \$000
<i>Movement of Hold-to-collect financial assets</i>		
Opening balance	366,790	367,243
Acquisitions	351,088	950
Redemptions	(17,017)	(302)
Amortisation	303	(1,101)
	701,164	366,790
Less: Allowance for impairment losses	(1,038)	(565)
Closing balance	700,126	366,225

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 global economic uncertainties.

7. Financing facilities	31 July 2022 \$000	31 July 2021 \$000
Import Substitution and Export Finance Facility (ISEFF)	440,270	168,660
Natural Disaster Rehabilitation Facility (NDRF)	455,432	109,562
Housing Facility	58,929	58,561
	954,631	336,783
Less: Allowance for impairment losses	(428)	(353)
	954,203	336,430

The RBF has three financing facilities that have been approved by the Board with a total approved limit of \$1.2 billion as at 31 July 2022 (2021: \$0.6 billion) 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 on all financing facilities except for Government guaranteed portion of NDRF. 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 global economic uncertainties.

8. Currency inventory	31 July 2022 \$000	31 July 2021 \$000
<i>Movement of currency inventory</i>		
Opening balance	16,906	20,028
Consignments received	2,270	857
Currency issued	(3,641)	(3,979)
Closing balance	15,535	16,906

9. Other assets	31 July 2022 \$000	31 July 2021 \$000
Accrued interest	13,715	7,963
Prepayments and other receivables	2,196	888
Staff loans and advances	792	890
	16,703	9,741
Less: Allowance for impairment losses	(30)	(25)
	16,673	9,716

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 global economic uncertainties.

10. Intangible assets	31 July 2022 \$000	31 July 2021 \$000
<i>Cost</i>		
Opening balance	4,665	4,600
Acquisitions	143	65
Disposals	(30)	-
Closing balance	4,778	4,665
<i>Accumulated amortisation</i>		
Opening balance	4,208	4,048
Amortisation charge for the period	182	160
Disposal	(30)	-
Closing balance	4,360	4,208
<i>Carrying amount</i>		
Opening balance	457	552
Closing balance	418	457

**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.

<b>11. Property, plant and equipment</b>	<b>Freehold land and buildings</b>	<b>Building Improvements</b>	<b>Motor vehicles</b>	<b>Computers and equipment</b>	<b>Plant &amp; machinery, equipment &amp; furniture &amp; fittings</b>	<b>Work in progress</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Cost/Valuation</b>							
Balance at 1 August 2020	34,322	1,385	532	3,624	2,250	513	42,626
Additions	-	-	-	-	-	1,862	1,862
Transfer from work in progress	58	21	-	339	11	(429)	-
Revaluations	-	-	-	-	-	-	-
Disposals	(1)	(8)	-	(143)	(1)	-	(153)
Balance at 31 July 2021	34,379	1,398	532	3,820	2,260	1,946	44,335
Balance at 1 August 2021	34,379	1,398	532	3,820	2,260	1,946	44,335
Additions	-	-	-	-	-	3,790	3,790
Transfers from work in progress	-	24	149	333	296	(802)	-
Revaluations	5,181	-	-	-	-	-	5,181
Write-down on revaluation	(4,424)	(96)	-	-	(85)	-	(4,605)
Disposals	-	-	(124)	(8)	(1)	-	(133)
Balance at 31 July 2022	35,136	1,326	557	4,145	2,470	4,934	48,568
<b>Accumulated depreciation</b>							
Balance at 1 August 2020	1,726	1,126	387	2,981	1,810	-	8,030
Depreciation for the period	1,660	88	38	307	69	-	2,162
Depreciation on disposals	-	(8)	-	(143)	-	-	(151)
Balance at 31 July 2021	3,386	1,206	425	3,145	1,879	-	10,041
Balance at 1 August 2021	3,386	1,206	425	3,145	1,879	-	10,041
Depreciation for the period	1,656	61	45	316	84	-	2,162
Depreciation reversal-revaluation	(4,424)	(96)	-	-	(85)	-	(4,605)
Depreciation on disposals	-	-	(124)	(7)	-	-	(131)
Balance at 31 July 2022	618	1,171	346	3,454	1,878	-	7,467
<b>Carrying amount</b>							
Balance at 1 August 2020	32,596	259	145	643	440	513	34,596
Balance at 31 July 2021	30,993	192	107	675	381	1,946	34,294
Balance at 31 July 2022	34,518	155	211	691	592	4,934	41,101

A valuation of the Bank's land and buildings was undertaken in 2022 by external, independent registered valuers Lomara Associates, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Based on the independent valuations, a revaluation increment of \$5.2m was recognised in the financial statements as at 31 July 2022. These level 3 valuations were done on a capitalisation of income approach for commercial properties, and a market valuation approach for residential property. The significant unobservable inputs for the income approach include expected market rental growth, occupancy rate, and risk-adjusted discount rate. The estimated fair value would increase (decrease) if expected market rental growth were higher (lower), the occupancy rate were higher (lower) and the risk-adjusted discount rate were lower (higher). The significant unobservable inputs for the sales approach were time, size and location adjustments. The estimated fair value would increase if the rates were higher and vice-versa. Had the valuation not been done, the carrying amount of freehold land and buildings would be \$29.3m.

## Reserve Bank of Fiji

### Notes to and forming part of the financial statements

#### For the year ended 31 July 2022

12. Demand deposits	31 July 2022 \$000	31 July 2021 \$000
Foreign		
International Monetary Fund	227	271
Local		
Banks' exchange settlement balances	2,585,358	1,548,351
Fiji Government	98,581	134,165
State NBF Trust account	1,180	1,380
International Monetary Fund	751	752
Other depositors	31,144	28,802
	2,717,014	1,713,450

#### *State NBF Trust Account*

In accordance with an agreement dated 12 September 1996 between the Fiji Government, the Reserve Bank of Fiji and National Bank of Fiji (NBF) Asset Management Bank (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 2022 \$000	31 July 2021 \$000
Net profit for the year	42,007	31,691
Transfer to General reserve	(1,000)	(1,000)
One-fifth balance of 'Revaluation reserve account - foreign currency'	3,387	2,231
	44,394	32,922

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 2021 was paid in full to the Fiji Government during the year.

14. Currency in circulation	31 July 2022 \$000	31 July 2021 \$000
Notes	903,180	864,392
Coins	70,244	68,347
	973,424	932,739

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

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

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

*Long Service Leave and Retirement Benefit*

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

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

	31 July 2022 \$000	31 July 2021 \$000
Opening balance	3,772	2,024
Net movement during the period	(93)	1,748
Closing balances	3,679	3,772

**16. Other liabilities**

	31 July 2022 \$000	31 July 2021 \$000
MSME Credit Guarantee Scheme	5,635	5,696
Contract Liability	2,729	5,686
Accruals	2,374	799
Others	1,906	1,651
	12,644	13,832

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 also guarantees 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 scheme was established in 2012 and is administered and managed by the Bank on behalf of the Government with the total allocation of \$9.0m to cover lending to all sectors except for loans to sugar cane farmers and government-subsidised businesses. The Bank earns no income nor incurs expenses in relation to MSME scheme. The Bank only facilitates payments on behalf of the Government under this scheme.

The contractual liabilities relate to the advance consideration received from customers for production and delivery of numismatic or commemorative currency units, for which revenue is recognised at point-in-time. The amount of \$3.6m included in contract liabilities of 31 July 2021 has been recognised as revenue in 2022.

17. Cash and cash equivalents	31 July 2022 \$000	31 July 2021 \$000
Cash and cash equivalents included in the statement of cash flows comprise of the following:		
Cash on hand - local currency	975	919
Cash at bank - local currency	1,708	2,106
	2,683	3,025
Cash - foreign currency	334,327	208,743
	337,010	211,768

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

18. Share capital	31 July 2022 \$000	31 July 2021 \$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 to the Fiji Government as paid-up capital stock. Any subsequent amount of paid capital stock shall be proposed by the Board of Directors and approved by the Minister for Economy.

## 19. Reserves

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

### *General reserves*

The General reserves provide for events which are contingent and which are non-foreseeable. Transfers to this account is 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 (2021: \$1.0m) into the General reserve from the profits that is payable to the Fiji Government.

For detailed movement refer to Statement of changes in equity.

### *Fair Value reserve*

This reserve records unrealised 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 and subsequently measured at amortised cost. The fair value gains for these securities that were previously recorded in this reserve is being amortised from the reserve to interest income over the life of these securities. During the year \$0.4m (2021: \$0.9m revenue) has been written-back to domestic interest income.

For detailed movement refer to Statement of changes in equity.

### *Revaluation reserve account - foreign currency*

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

### *Asset revaluation reserve*

This reserve records movements between the carrying value and the fair values of the Bank's property and gold holdings. The Bank's freehold land and buildings were revalued in 2022 (refer to Note 11). As at 31 July 2022, the valuation movements of the Bank's gold holdings were captured in the Asset revaluation reserve.

**19. Reserves - continued***Asset revaluation reserve - continued*

The Asset revaluation reserve comprises the following:

	31 July 2022 \$000	31 July 2021 \$000
<b>Asset revaluation reserve</b>		
<i>Property</i>		
Opening balance	23,686	23,686
Revaluation	5,180	-
Closing balance	28,866	23,686
<i>Gold</i>		
Opening balance	1,613	1,765
Revaluation	(85)	(152)
Closing balance	1,528	1,613
<b>Total Asset revaluation reserve</b>		
Opening balance	25,299	25,451
Net movement	5,095	(152)
Closing balance	30,394	25,299

*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.

**20. International Monetary Fund**

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

As at 31 July 2022, the Republic of Fiji's membership subscription to the International Monetary Fund was \$287.3m (2021: \$293.0m). The asset subscription comprises the following:

	31 July 2022 \$000	31 July 2021 \$000
Reserve Tranche Position	72,114	73,262
Currency subscription	215,143	219,759
	<u>287,257</u>	<u>293,021</u>

The Currency subscription portion (asset) is held mainly in the form of non-interest bearing notes payable on demand, which is subject to an expected credit losses provision of \$0.01m (2021: \$0.01m). The Bank also records a Currency subscription liability which has a balance of \$214.4m (2021: \$219.0m)

Special drawing rights holdings ("SDR") is an interest bearing international reserve asset created by the IMF and is allocated to members on the basis of their quotas in the IMF. The IMF approved a general allocation of Special drawing rights equivalent to SDR \$456 billion on 2 August 2021, to boost global liquidity. From this approved allocation, Fiji received \$283.7m (SDR 94.3m) on 25 August 2021. The SDR comprises the following:

	31 July 2022 \$000	31 July 2021 \$000
Foreign Currency Asset	404,606	131,889
Foreign Currency Liability	471,189	199,797

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 (2021: \$0.6m).

## 21. Financial risk management policies

### a) Introduction and overview

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

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

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

#### *Risk management framework*

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

Bank management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposures. The Board of Directors, the Governor 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 quarterly and reports to the Board of Directors on its activities.

### b) Liquidity risk

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

#### *Management of liquidity risk*

To limit the liquidity risk, the Bank maintains an adequate level of reserves and taking into consideration the transaction demand on foreign exchange, ensures that at least USD \$50m 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 2022, the value of External reserves was 69% (2021: 83%) of the total Demand liabilities.

**21. Financial risk management policies - continued****b) Liquidity risk - continued****Maturity analysis as at 31 July 2022**

The maturity analysis noted below includes all financial and non-financial assets and liabilities as at 31 July 2022.

	Contractual cash flows						
	Balance sheet total	Total	0-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Specific Maturity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Foreign currency assets</b>							
Short-term commercial paper and Current accounts	880,959	909,596	326,096	583,500	-	-	-
Marketable securities <sup>19</sup>	2,248,244	2,311,528	511,700	1,065,603	734,225	-	-
Gold	3,229	3,229	3,229	-	-	-	-
IMF - Reserve tranche position	72,114	72,114	72,114	-	-	-	-
- Special drawing rights	404,606	404,606	404,606	-	-	-	-
- PRGF - HIPC Trust	566	566	-	-	566	-	-
- Currency subscription	215,143	215,143	215,143	-	-	-	-
	<b>3,824,861</b>	<b>3,916,782</b>	<b>1,532,888</b>	<b>1,649,103</b>	<b>734,791</b>	<b>-</b>	<b>-</b>
<b>Local currency assets</b>							
Cash on hand	2,683	2,683	2,683	-	-	-	-
Domestic securities	700,126	1,314,486	12,773	29,734	177,149	1,094,830	-
Financing facilities	954,203	964,027	28,597	8,592	904,216	22,622	-
Currency inventory	15,535	15,534	15,534	-	-	-	-
Other assets	16,673	2,988	32	-	-	792	2,164
Intangibles	418	418	-	-	-	-	418
Property, plant and equipment	41,101	41,101	-	-	-	-	41,101
	<b>1,730,739</b>	<b>2,341,237</b>	<b>59,619</b>	<b>38,326</b>	<b>1,081,365</b>	<b>1,118,244</b>	<b>43,683</b>
<b>Total assets</b>	<b>5,555,600</b>	<b>6,258,019</b>	<b>1,592,507</b>	<b>1,687,429</b>	<b>1,816,156</b>	<b>1,118,244</b>	<b>43,683</b>
<b>Foreign currency liabilities</b>							
Demand deposits	227	227	227	-	-	-	-
IMF - PRGF - HIPC Trust	566	566	-	-	566	-	-
IMF - Special drawing rights Allocation	471,189	471,189	-	-	-	-	471,189
	<b>471,982</b>	<b>471,982</b>	<b>227</b>	<b>-</b>	<b>566</b>	<b>-</b>	<b>471,189</b>
<b>Local currency liabilities</b>							
Demand deposits	2,717,014	2,717,014	2,717,014	-	-	-	-
Payable to the Fiji Government	44,394	44,394	44,394	-	-	-	-
Currency in circulation	973,424	973,424	-	-	-	-	973,424
Statutory reserve deposit	1,054,753	1,054,753	-	-	-	-	1,054,753
IMF - Notes currency subscription	214,392	214,392	-	-	-	-	214,392
Other liabilities	16,323	16,323	10,688	-	5,635	-	-
	<b>5,020,300</b>	<b>5,020,300</b>	<b>2,772,096</b>	<b>-</b>	<b>5,635</b>	<b>-</b>	<b>2,242,569</b>
<b>Total liabilities</b>	<b>5,492,282</b>	<b>5,492,282</b>	<b>2,772,323</b>	<b>-</b>	<b>6,201</b>	<b>-</b>	<b>2,713,758</b>
<b>Net assets</b>	<b>63,318</b>	<b>765,737</b>	<b>(1,179,816)</b>	<b>1,687,429</b>	<b>1,809,955</b>	<b>1,118,244</b>	<b>(2,670,075)</b>

<sup>19</sup> Includes accrued interest

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

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

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

<sup>20</sup> Includes accrued interest

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

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

The Bank uses Standard and Poor's, Moody's and Fitch credit ratings for assessing the credit risk of foreign counterparties. The credit ratings of counterparties, which are used in the calculation of the expected credit losses allowances, are closely monitored and are updated as new market information such as external credit ratings become available. When external credit ratings are not published or available, the Bank monitors changes in credit risk by available press and regulatory information. Foreign exchange limits per bank are imposed for all currency dealings.

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

	31 July 2022 \$000	31 July 2021 \$000
<b>Foreign currency assets</b>		
Short-term commercial paper and Current accounts	881,061	522,313
Marketable securities	2,235,402	2,383,436
International Monetary Fund	692,430	425,488
Gold	3,229	3,176
Accrued Interest	12,942	14,790
	3,825,064	3,349,203
Less: Allowance for impairment losses	(203)	(131)
	3,824,861	3,349,072
<b>Local currency assets</b>		
Domestic securities	701,164	366,790
Financing facilities	954,631	336,783
Other assets	14,507	8,852
	1,670,302	712,425
Less: Allowance for impairment losses	(1,496)	(943)
	1,668,806	711,482
	5,493,667	4,060,554

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

	31 July 2022		31 July 2021	
<b>Concentration by currency</b>	\$000	%	\$000	%
USD	1,248,879	23	1,155,345	28
YEN	91,721	2	95,495	2
GBP	204	-	123	-
EURO	58,079	1	89,795	2
AUD	970,420	18	898,746	22
NZD	762,335	14	684,186	17
SDR	693,426	12	425,513	11
FJD	1,670,302	30	712,425	18
	5,495,366		4,061,628	
Less: Allowance for impairment losses	(1,699)	-	(1,074)	-
<b>Total financial assets</b>	<b>5,493,667</b>	<b>100</b>	<b>4,060,554</b>	<b>100</b>

**Notes to and forming part of the financial statements**  
**For the year ended 31 July 2022**

**21. Financial risk management policies - continued**

**c) Credit risk - continued**

	31 July 2022		31 July 2021	
	\$000	%	\$000	%
<b>Concentration by sector</b>				
<b>Foreign currency assets</b>				
Central banks	325,774	9	164,406	5
Commercial banks	1,455,337	38	1,040,125	31
Government	700,048	18	897,747	27
Semi Government	14,630	-	89,095	3
Supranational	635,825	17	714,321	21
International Monetary Fund	692,430	18	425,488	12
Others	1,020	-	18,021	1
Less: Allowance for impairment losses	(203)	-	(131)	-
	3,824,861	100	3,349,072	100
<b>Local currency assets</b>				
Government and statutory bodies	1,003,088	60	603,421	84
Commercial banks	665,552	40	108,114	15
Others	1,662	-	890	1
Less: Allowance for impairment losses	(1,496)	-	(943)	-
	1,668,806	100	711,482	100
<b>Total financial assets</b>	<b>5,493,667</b>		<b>4,060,554</b>	

**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 2022		31 July 2021	
	\$000	%	\$000	%
<b>Summary by major credit category</b>				
<i>Foreign currency financial asset by major credit category:</i>				
Aaa	1,142,209	30	1,366,771	41
Aa1	88,429	2	103,652	3
Aa2	56,126	1	146,700	4
Aa3	661,810	17	511,844	15
A1	836,387	22	624,546	19
A2	79,163	2	42,212	1
A3	-	-	-	-
International Monetary Fund	692,430	18	425,488	13
Central Banks	252,339	7	110,024	3
Others and Not rated	16,171	1	17,966	1
Less: Allowance for impairment losses	(203)	-	(131)	-
	3,824,861	100	3,349,072	100
<i>Local currency financial asset by major credit category:</i>				
Others and Not rated	1,670,302	100	712,425	100
Less: Allowance for impairment losses	(1,496)	-	(943)	-
	1,668,806	100	711,482	100
<b>Total financial assets</b>	<b>5,493,667</b>	<b>100</b>	<b>4,060,554</b>	<b>100</b>

**21. Financial risk management policies - continued****c) Credit risks - continued****Credit exposure by credit rating - continued**

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

**d) Market risks**

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

*Interest rate risk management*

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

*Sensitivity to interest rate risk*

The Bank has invested in \$4.8 billion reserves with fixed interest rate. Given the fixed nature of these investments, the Bank uses modified duration target to manage the interest rate risk.

*Foreign exchange risk management*

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

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

**Notional carrying amounts as at 31 July 2022**

	USD \$000	YEN 000	GBP 000	EURO 000	AUD \$000	NZD \$000	SDR 000
<b>Foreign currency assets</b>							
Short-term commercial paper and Current account	31,560	5,583,057	76	749	186,289	310,295	-
Marketable securities	530,781	-	-	24,959	440,469	237,480	-
Gold	1,464	-	-	-	-	-	-
Accrued interest	2,438	-	-	131	2,767	1,446	343
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	24,703
- Special drawing rights	-	-	-	-	-	-	138,598
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	73,697
<b>Total foreign currency assets</b>	<b>566,243</b>	<b>5,583,057</b>	<b>76</b>	<b>25,839</b>	<b>629,525</b>	<b>549,221</b>	<b>237,535</b>
<b>Foreign currency liabilities</b>							
Demand deposits	-	-	-	-	-	-	(78)
IMF - PRGF - HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights allocation	-	-	-	-	-	-	(161,406)
<b>Total foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(161,678)</b>
<b>Carrying amount</b>	<b>566,243</b>	<b>5,583,057</b>	<b>76</b>	<b>25,839</b>	<b>629,525</b>	<b>549,221</b>	<b>75,857</b>

**21. Financial risk management policies - continued****d) Market risks - continued****Notional carrying amounts as at 31 July 2021**

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

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 2022	31 July 2021
USD	0.4534	0.4798
YEN	60.87	52.51
GBP	0.3723	0.3436
EURO	0.4449	0.4035
AUD	0.6487	0.6486
NZD	0.7204	0.6844
SDR	0.3426	0.3358

**21. Financial risk management policies - continued****d) Market risks - continued***Sensitivity analysis for exchange rate*

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

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

Period end	Strengthening by 10%		Weakening by 10%	
	31 July 2022	31 July 2021	31 July 2022	31 July 2021
	\$000	\$000	\$000	\$000
USD	(113,535)	(105,054)	138,765	128,399
YEN	(8,338)	(8,681)	10,191	10,611
GBP	(19)	(11)	23	14
EURO	(5,280)	(8,160)	6,453	9,973
AUD	(88,206)	(81,748)	107,808	99,914
NZD	(69,303)	(62,257)	84,704	76,091
SDR	(20,132)	(38,682)	24,605	47,278
FJD impact	(304,813)	(304,593)	372,549	372,280

**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 may arise from all of the Bank's operations.

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

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

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

## 22. Fair values of financial assets and liabilities

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, and willing parties in an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organised and liquid market that is able to absorb a significant transaction without moving the price against the trader.

The valuation of the Bank's financial assets and liabilities are outlined below:

### *External reserves*

The reported value of External reserves is considered to be its fair value due to the short-term nature of the financial assets except bonds. Bonds are however subsequently measured at fair value.

### *Domestic securities*

The fair value of the Bank's Domestic securities is \$791.2m (2021: \$438.3m), based on quoted market prices.

### *Statutory reserve deposits*

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

### *Demand deposits*

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

### *Currency in circulation*

The carrying value of Currency in circulation is reported at its fair value in the financial statements.

### *Other financial assets and liabilities*

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

### *Valuation of financial instruments*

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

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

**22. Fair values of financial assets and liabilities - continued****Valuation of financial instruments - continued**

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

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>31 July 2022</b>				
<i>Local currency assets</i>				
Domestic Securities	791,235	-	-	791,235
Less: Allowance for impairment losses	(1,038)	-	-	(1,038)
	<u>790,197</u>	<u>-</u>	<u>-</u>	<u>790,197</u>
<i>Foreign currency assets</i>				
FVOCI financial assets at quoted market price	1,437,810	-	-	1,437,810
Gold	3,229	-	-	3,229
	<u>1,441,039</u>	<u>-</u>	<u>-</u>	<u>1,441,039</u>
Less: Allowance for impairment losses	(40)	-	-	(40)
	<u>1,440,999</u>	<u>-</u>	<u>-</u>	<u>1,440,999</u>
<b>31 July 2021</b>				
<i>Local currency assets</i>				
Domestic Securities	438,290	-	-	438,290
Less: Allowance for impairment losses	(565)	-	-	(565)
	<u>437,725</u>	<u>-</u>	<u>-</u>	<u>437,725</u>
<i>Foreign currency assets</i>				
FVOCI financial assets at quoted market price	1,967,660	-	-	1,967,660
Gold	3,176	-	-	3,176
	<u>1,970,836</u>	<u>-</u>	<u>-</u>	<u>1,970,836</u>
Less: Allowance for impairment losses	(54)	-	-	(54)
	<u>1,970,782</u>	<u>-</u>	<u>-</u>	<u>1,970,782</u>

During the period ended 31 July 2022, there were no transfers in and out of the fair value hierarchy levels mentioned above.

*Sensitivity analysis*

A 10% strengthening of the quoted market prices against the above foreign FVOCI financial assets at 31 July would have increased equity by the amounts shown below. A 10% weakening of market prices at 31 July would have had the equal but opposite effect.

**Effect on equity**

	31 July 2022 \$000	31 July 2021 \$000
<b>Period end</b>		
USD	48,791	68,057
EURO	5,610	7,640
AUD	56,739	77,611
NZD	32,963	43,775
FJD impact	<u>144,103</u>	<u>197,083</u>

**23. Related parties***Identity of related parties*

The Bank has related party relationships with the Board of Directors, the Executive Management and the Fiji Government and NBF AMB. The members of the Board of Directors during the year were:

Ariff Ali (Chairman and Governor)  
 Shiri Krishna Gounder (Ex-officio member from 16 March 2021)  
 Pradeep Patel  
 Tevita Kuruvakadua  
 Tony Whitton  
 Nikita Patel  
 Bobby Naimawi

In April 2007, the Bank assumed controllership of the NBF AMB to oversee and execute its winding.

During the period the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for planning and controlling the activities of the Bank:

Ariff Ali	Governor
Esala Masitabua	Deputy Governor
Caroline Waqabaca	Chief Manager Financial Markets
Vilimaina Dakai	Chief Manager Financial Institutions
Susan Kumar	Chief Manager Currency and Corporate Services
Petaia Tuimanu	Chief Manager Economics
Poasa Werekoro	Chief Manager Financial System Development
Ragni Singh	Chief Manager Risk Management and Communications from 1 April 2022 and Acting Chief Manager Risk Management and Communications up to 31 March 2022
Subrina Hanif	Board Secretary

*Transactions with related parties*

In the normal course of its operations, the Bank enters into transactions with related parties identified above. The transactions with the Board of Directors and Executive Management include the payment of board remuneration and salaries, respectively, and certain benefits, including medical and insurance benefits.

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

	31 July 2022 \$000	31 July 2021 \$000
Interest and other income earned from Government securities	40,467	34,860
Interest income receivable from Government securities	13,554	7,708
Payable to Fiji Government	44,394	32,920
Bank's investment in Government securities	700,126	366,230
	<u>798,541</u>	<u>441,718</u>

The Bank also provides an overnight standby facility to the Fiji Government. At the end of the period, the approved facility of \$20m (2021: \$20m) was not utilised.

**Notes to and forming part of the financial statements**  
**For the year ended 31 July 2022**

**23. Related parties - continued**

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

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

	31 July 2022 \$000	31 July 2021 \$000
Board remuneration expenses and other benefits	51	45
Key management personnel:		
- Short-term employee benefits	2,131	2,084
- Long-term employee benefits	180	16
	<u>2,362</u>	<u>2,145</u>

**24. Commitments**

Commitments not otherwise provided for in the financial statements and which existed at 31 July 2022 comprise:

	31 July 2022 \$000	31 July 2021 \$000
Foreign exchange transactions:		
- Sales	11,374	11,457
- Purchases	11,276	17,145
Capital commitments		
- Other assets	3,748	7,235
Commitments to the Fiji Government		
- Overnight Standby Facility	20,000	20,000

**25. Lease receivable**

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

	31 July 2022 \$000	31 July 2021 \$000
Receivable not later than one year	519	286
Receivable later than one year but not later than five years	1,793	293
	<u>2,312</u>	<u>579</u>

**26. Events subsequent to balance date**

The bank has considered whether events subsequent to the reporting date have confirmed conditions existing at reporting date and has not identified any global economic uncertainties related developments which would require adjustments or disclosures contained in the financial statements. Future economic conditions may differ to the assumptions and scenarios used in the financial statements, the impact of which will be reflected in the future reporting periods.

Other than this, 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 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21	Audited 2021-22
	\$000	\$000	\$000	\$000	\$000
<b>Five Year Financial Position</b>					
<b>Assets</b>					
Foreign Currency	2,400,136	2,326,074	2,342,067	3,349,072	3,824,861
Local Currency	270,902	390,966	718,217	767,053	1,730,739
<b>Total Assets</b>	<b>2,671,038</b>	<b>2,717,040</b>	<b>3,060,284</b>	<b>4,116,125</b>	<b>5,555,600</b>
<b>Liabilities &amp; Equity</b>					
Foreign Currency	198,696	200,502	201,827	200,646	471,982
Local Currency	2,394,493	2,425,229	2,757,097	3,830,418	5,020,300
Net Assets/Equity	77,849	91,309	101,360	85,061	63,318
<b>Total Liabilities &amp; Equity</b>	<b>2,671,038</b>	<b>2,717,040</b>	<b>3,060,284</b>	<b>4,116,125</b>	<b>5,555,600</b>
<b>Five Year Financial Performance</b>					
<b>Income</b>					
Interest Income	53,192	55,610	53,822	49,681	59,447
Other Income	5,260	4,435	5,070	9,100	11,432
<b>Total Income</b>	<b>58,452</b>	<b>60,045</b>	<b>58,892</b>	<b>58,781</b>	<b>70,879</b>
<b>Expenses</b>					
Interest Expense	1,584	2,150	1,060	153	1,454
Administration Expenses	19,430	22,286	20,401	20,583	20,362
Other Expense	5,937	6,715	7,308	6,354	7,056
<b>Total Expenses</b>	<b>26,951</b>	<b>31,151</b>	<b>28,769</b>	<b>27,090</b>	<b>28,872</b>
<b>Net Profit for the year</b>	<b>31,501</b>	<b>28,894</b>	<b>30,123</b>	<b>31,691</b>	<b>42,007</b>
<b>Five-year Profit and One-fifth balance of Revaluation Reserve Paid to the Fijian Government (\$M)</b>					
<b>Net Profit after transfer to general reserves</b>	30.5	27.9	29.1	30.7	41.0
One-fifth balance of RRA	2	1.5	2.7	2.2	3.4
<b>Total Payment to Fijian Government</b>	<b>32.5</b>	<b>29.4</b>	<b>31.8</b>	<b>32.9</b>	<b>44.4</b>

Notes:

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

- 2017-18: 1 Aug 2017 to 31 Jul 2018
- 2018-19: 1 Aug 2018 to 31 Jul 2019
- 2019-20: 1 Aug 2019 to 31 July 2020
- 2020-21: 1 Aug 2020 to 31 July 2021
- 2021-22: 1 Aug 2021 to 31 July 2022

# FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

## FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

	2017	2018	2019	2020	2021	2022
<b>I. GDP<sup>1</sup></b>						
GDP at Market Price (\$ Million)	11,065.0	11,650.6	11,842.6	9,709.8r	8,895.9p	10,836.3f
GDP per Capita at Market Price (\$)	12,504.4	13,087.6	13,224.0	10,777.8r	9,815.5p	11,885.1f
Constant Price GDP Growth Rate (%)	5.4	3.8	-0.6	-17.0r	-5.1p	15.6f
<b>II. LABOUR MARKET<sup>2</sup></b>						
Labour Force	356,789e	n.a	n.a	n.a	n.a	n.a
Wage and Salary Earners (mid-year)	174,833e	176,781	n.a	n.a	n.a	n.a
<b>III. INFLATION (year-on-year % change)<sup>3</sup></b>						
All Items	2.8	4.8	-0.9	-2.8	3.0	5.2
<b>IV. EXTERNAL TRADE<sup>4</sup></b>						
Current Account Balance (\$ Million)	-737.6	-986.0	-1,509.1	-1,318.1	-1,419.4	-1,569.4f
Capital Account Balance (\$ Million)	9.1	10.4	6.9	7.7	6.6	4.4f
Financial Account Balance (\$ Million) <sup>5</sup>	-703.0	-1,666.3	-1,199.8	-790.6	-618.5	-1,550.3f
Current Account Balance (% of GDP)	-6.7	-8.5	-12.7	-13.6	-16.0	-14.5f
<b>V. FOREIGN EXCHANGE RESERVES (\$ Million)<sup>6</sup></b>						
Foreign Reserves	2,272.3	2,012.0	2,219.8	2,192.5	3,201.4	3,596.0
<b>VI. MONEY AND CREDIT (year-on-year % change)<sup>8</sup></b>						
Broad Money	8.1	2.5	2.7	1.2	11.1	6.4
Narrow Money	13.5	0.5	-0.1	10.5	22.9	15.1
Currency in Circulation	7.1	1.1	2.9	4.9	8.7	6.1
Domestic Credit <sup>6</sup>	5.9	9.7	4.9	2.3	3.9	6.3
<b>VII. INTEREST RATES (% p.a.)<sup>8</sup></b>						
RBF OPR <sup>7</sup>	0.50	0.50	0.50	0.25	0.25	0.25
Lending Rate	5.65	5.69	6.30	6.12	5.77	5.40
Savings Deposit Rate	1.34	1.32	1.10	0.54	0.42	0.39
Time Deposit Rate	3.21	3.61	4.10	3.16	1.99	1.52
Minimum Lending Rate	1.00	1.00	1.00	0.50	0.50	0.50
<b>VIII. EXCHANGE RATES (mid rates, F\$1 equals: end of period)<sup>8</sup></b>						
US dollar	0.4874	0.4669	0.4663	0.4904	0.4722	0.4534
REER (January 1999 = 100)	102.02	106.23	102.43	99.33	97.20	97.34
<b>IX. Government Finance (\$ Million)<sup>9</sup></b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23b</b>
Total Revenue and Grants*	3,206.9	3,142.7	2,685.1	2,115.0	2,161.4	2,889.2
Total Expenditure*	3,704.6	3,562.0	3,322.1	3,162.3	3,384.7	3,761.3

\*excludes government VAT

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

### Notes:

<sup>1</sup> GDP Figures from 2017 to 2021 are based on the 2014 GDP base.

<sup>2</sup> For 2015, both the Labour Force and Wage & Salary Earners (mid-year) are sourced from the 2015/16 Employment & Unemployment Survey.

<sup>3</sup> 2022 – July inflation rate (2014 base).

<sup>4</sup> Balance of Payments values include aircraft imports and financing.

<sup>5</sup> "-" Indicates Net Borrowing i.e. the economy receives funds from the rest of the world.

<sup>6</sup> Credit to the private sector is adjusted for AMB's non-performing loans and advances.

<sup>7</sup> The RBF OPR came into effect in 2010.

<sup>8</sup> Data for 2022 is July end.

<sup>9</sup> Source from the National Budget Supplement.

### Key:

e - estimate

p - provisional

b - budgeted

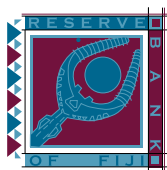
r - revised

p.a. - per annum

n.a - not available

# ABBREVIATIONS

ACH	Automated Clearing House	MCTTT	Ministry of Commerce, Trade, Tourism and Transport
ADB	Asian Development Bank	MIS	Managed Investment Schemes
AE	Advanced Economies	MSME	Micro, Small and Medium Enterprises
AFI	Alliance for Financial Inclusion	MSMECGS	Micro, Small and Medium Enterprises Credit Guarantee Scheme
ATS	Automated Transfer System	MWh	Megawatt hour
AUD	Australian dollar	NDA	Net Domestic Assets
BARC	Board Audit and Risk Committee	NEC	National Employment Centre
BCP	Business Continuity Plan	NEER	Nominal Effective Exchange Rate
BGC	Board Governance Committee	NFA	Net Foreign Assets
BIS	Bank for International Settlements	NFIS	National Financial Inclusion Strategy
bp	basis points	NFISP	Financial Inclusion Strategic Plan
BRS	Business Resumption Site	NFIT	National Financial Inclusion Taskforce
COI	Conflict of interest	NPS	National Payment System
COVID-19	Coronavirus disease of 2019	NZ	New Zealand
CPA	Certified Public Accountant	NZD	New Zealand dollar
CSD	Central Securities Depository	OCR	Official Cash Rate
CSP	Customer Security Program	OF	Order of Fiji
DRCF	Disaster Rehabilitation and Containment Facility	OHS	Occupational Health and Safety
ECB	European Central Bank	OPR	Overnight Policy Rate
EFTPOS	Electronic Funds Transfer at Point of Sale	P2P	Person-to-Person
EUR	Euro	PFIP	Pacific Financial Inclusion Programme
FBC	Fiji Broadcasting Corporation	PFTAC	Pacific Financial Technical Assistance Centre
FDB	Fiji Development Bank	PPSR	Personal Property Securities Registry
FHRI	Fiji Human Resources Institute	PSE	Permanent Secretary for Economy
FIA	Fiji Institute of Accountants	QMT	Quality Management through Teamwork
FIB	Fiji Institute of Bankers	RBA	Reserve Bank of Australia
FICA	Fiji Institute of Chartered Accountants	RBCMC	Risk and Business Continuity Management Committee
FICAC	Fiji Independent Commission Against Corruption	RBF	Reserve Bank of Fiji
FinTech	Financial Technology	RBNZ	Reserve Bank of New Zealand
FJD	Fijian dollar	REER	Real Effective Exchange Rate
FNPF	Fiji National Provident Fund	RRA	Revaluation Reserve Account
FRCS	Fiji Revenue & Customs Service	RTGS	Real Time Gross Settlement System
FSR	Financial Stability Review	SDG	Sustainable Development Goals
FTR	Financial Transactions Reporting	SDR	Special Drawing Rights
FY	Financial Year	SME	Small and Medium Enterprises
GDP	Gross Domestic Product	SPX	South Pacific Stock Exchange
GRCL	General Reserves for Credit Losses	SRD	Statutory Reserve Deposits
HA	Housing Authority	SWIFT	Society for Worldwide Interbank Financial Telecommunication
HR	Human Resources	TNA	Training Needs Analysis
IIA	Institute of Internal Auditors	UK	United Kingdom
IMF	International Monetary Fund	UNCDF	United Nations Capital Development Fund
ISEFF	Import Substitution and Export Finance Facility	US	United States
ISPS	Insurance Supervision Policy Statement	USD	US Dollar
IOS	International Organisation for Standardisation	USP	University of the South Pacific
IT	Information Technology	VAT	Value Added Tax
JPY	Japanese Yen	WEF	With effect from
KPIs	Key Performance Indicators	WEO	World Economic Outlook
LFIs	Licensed Financial Institutions		
MC	Macroeconomic Committee		



## 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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