

# RESERVE BANK OF FIJI

AUGUST 2022 - JULY 2023 REPORT

PARLIAMENTARY PAPER NO. 22 OF 2023



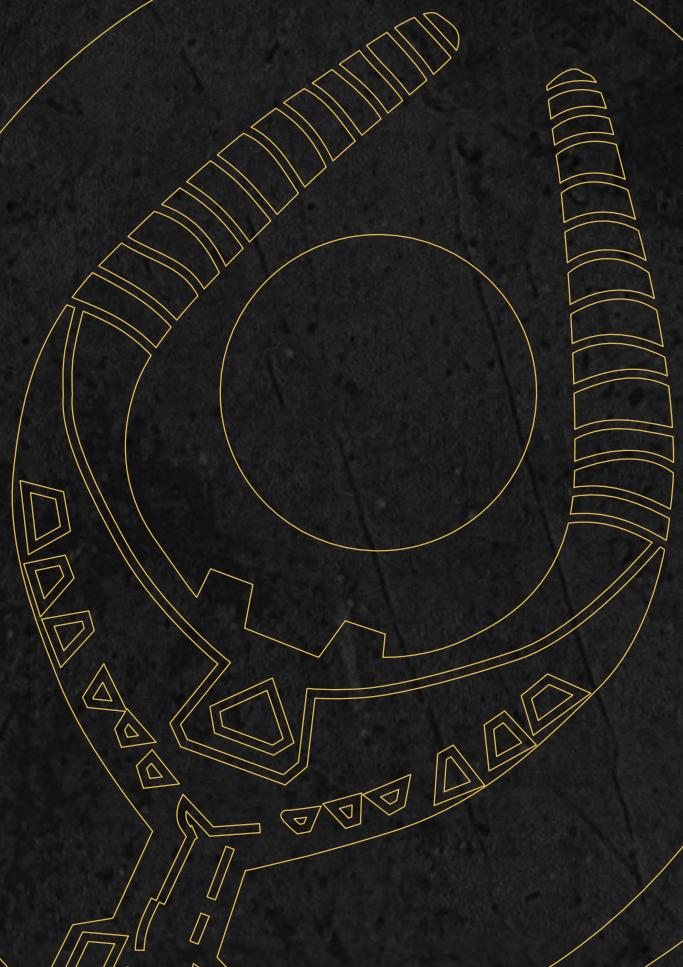




# About our logo



The Reserve Bank of Fiji's anniversary logo symbolises the central bank's journey over the past 50 years. The swirls in the two-fold design represent the recurrent challenges and success shared as an institution in achieving our mandate, while the Tagaga, a central symbol to the RBF, steers our work in "Leading Fiji to Economic Success"







## Our Vision

Leading Fiji to Economic Success

## Our Mission

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

## Our Values

- Professionalism in the execution of our duties
- Respect for each other
- Integrity in our dealings
- Dynamism in our operations and
- Excellence in everything

## The principal purposes of the Reserve Bank shall be

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



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# LETTER TO THE MINISTER



**RESERVE BANK OF FIJI**



## Governor

Our Reference:

Your Reference:

25 September 2023

The Honourable Professor Biman Chand Prasad  
Deputy Prime Minister and Minister for Finance  
Ministry of Finance  
Level 10 Ro Lalabalavu House  
Victoria Parade  
Suva

Dear Honourable Minister

**Re: Reserve Bank of Fiji Annual Report and Accounts for the financial year ended 31 July 2023**

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 2023 certified by the Auditors and
- (ii) A report on the RBF's Operations for the 2022-2023 financial year.

Yours faithfully

Handwritten signature of Ariff Ali in black ink.

**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 Ministry 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 (1950).

## 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 the Government as well as commercial banks and provides payment and settlement services through FIJICLEAR. This is administered under the National Payment System (NPS) Act (2021) and the NPS Regulations (2022). The NPS Act establishes the legal framework for RBF to regulate and supervise the financial

system, foster development and licence the industry players. The authority for the Bank to supervise the capital markets industry is provided under sub-section 13(1) of 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), outlines specific responsibilities to 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 (1983), 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 Finance.

## Financial System Development

The RBF 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 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 the 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 Ministry is now referred to as the Ministry of Finance, Strategic Planning, National Development and Statistics.



# GOVERNOR'S FOREWORD



It is with great pleasure and a sense of profound responsibility that I present the Reserve Bank of Fiji's Annual Report for the 2022-2023 Fiscal Year (FY). This report encapsulates a year that has been marked by both challenges and opportunities, and it reflects the unwavering commitment of the Reserve Bank to uphold its mandate and contribute to the sustainable growth and stability of the Fijian economy.

The global landscape in which Fiji operates, has remained dynamic and uncertain. Central banking has become increasingly complex with policymakers having to aggressively tighten policies to ease price pressures while being mindful of its implications on economic growth and financial stability. Furthermore, shocks from geopolitical tensions and deep economic scars from the COVID-19 pandemic continues to pose significant challenges in economies around the world. Fiji, like many other nations, has navigated through these turbulent waters with resilience and determination and our policies guided by a holistic understanding of the complex dynamics at play, both within Fiji and on the international front.

Our approach has been centred on safeguarding the RBF's core mandates, ensuring financial stability in the country and creating an environment conducive to economic

growth. With the rebound of the tourism sector from its near-halt and resumption of overall domestic economic activity, an expansion of 8.0 percent is projected for 2023 following a 20.0 percent growth in 2022. In terms of our objectives, the 2022-23 FY annual average headline inflation moderated to 2.7 percent from 3.1 percent noted 2021-22 FY, as price pressures from global supply chain issues, elevated freight costs and commodity price shocks moderated. Foreign reserves remained at adequate levels of \$3.6 billion, equivalent to 6.3 months of retained imports cover at the end of the FY.

The Reserve Bank of Fiji has contributed immensely towards post-pandemic recovery efforts of the Fijian economy through both conventional and unconventional measures. Our monetary policy stance was accommodative throughout the FY to ease any liquidity constraints and facilitate the necessary credit support required by individuals, households and businesses to recover, regain their footing and expand.

We continued to provide concessional lending to eligible businesses under the Import Substitution and Export Finance Facility (ISEFF), disbursing \$90.8 million to 32 businesses. The Reserve Bank administered the ongoing Micro, Small and Medium Enterprises Credit Guarantee Scheme (MSMECGS) on behalf of the Government with a total of 257 business loans valued at \$9.6 million covered under the Scheme by the end of July 2023. The RBF also provided concessional funding under the Housing Facility, assisting low-income households to purchase or build their first home. Lending under the standard Disaster Rehabilitation and Containment Facility (DRCF) declined to \$28.8 million for 19 loans as a strengthening economy post pandemic reduced the need to access the facility. Similarly, applications received and processed for the enhanced DRCF also fell during the financial year.

The Bank's accommodative monetary policy stance also paved the way for the relaxation of capital controls imposed in April 2020 at the onset of the COVID-19 pandemic. In June 2023, most capital controls and limits that were tightened in 2020 were reinstated to pre-pandemic delegations, with the exception of offshore investment by

Fiji residents, loan repayments, sale of assets by external account holders, emigration and profit repatriation.

There was an increase in returns from investments of our foreign reserves that earned sizeable benefits, enabling a record-high profit for the Bank. The RBF foreign reserves portfolio earned a higher return of 2.93 percent compared to the benchmark portfolio return of 2.21 percent, recording a net foreign reserves income of \$86.1 million. Boosted by earnings from domestic securities and other income sources, the Bank's net profit in the 2022-23 FY amounted to \$102.2 million, which is \$60.2 million higher than the preceding financial year's performance. In accordance with sub-section 34(3) of the RBF Act, a transfer of \$103.4 million was made to the Government which accounts for a \$1.0 million net transfer to the General Reserve Account and inclusive of \$2.1 million being one-fifth of the Revaluation Reserve Account (RRA).

This year, the RBF also celebrates its five decades of existence. Since officially opening in July 1973, the RBF as a monetary authority has been at the forefront of Fiji's economic trajectory, safeguarding the financial system and the nation to foster macroeconomic stability.

Throughout the FY, the Reserve Bank of Fiji has been vigilant in its efforts to safeguard the stability of our financial system, ensuring that the banking sector was well capitalised and maintained sufficient liquidity and earnings position. The insurance industry remained resilient, aided by the absence of natural disasters, and maintained appropriate solvency positions as well as satisfactory earnings and liquidity levels. Additionally, the Fiji National Provident Fund (FNPF) maintained its solvency levels above the minimum requirements. The recovery in the domestic economy should further the industry's efforts to manage risks going forward.

Embracing new technologies and approaches, we have sought to enhance the efficiency and accessibility of financial services in the country. The RBF in collaboration with multiple stakeholders continues to work on the reform of the National Payment System in order to provide a seamless payment experience to the people of Fiji, as well

as to promote investment and innovation opportunities across several economic sectors. The 2021 NPS Act and the 2022 NPS Regulations was brought into effect in September 2022. Following this, the RBF commenced work on the first phase of the reform project which included the transition to an upgraded Real Time Gross Settlement System (RTGS), which was initially put in place in 2007, and also launched the Central Securities Depository (CSD) for the country. The second phase of the project is expected to Go Live in stages in which an Automated Clearing House (ACH) will be implemented to cater for Bulk Payments and Instant Fund Transfer functionalities. Our efforts also continued in the FinTech Regulatory Sandbox space with the RBF facilitating the testing, transition and exit of four financial products from the Sandbox during the financial year.

In the face of various climate and weather-related adversities, we have witnessed the resilience of Fijian businesses and communities. Therefore, the Bank cannot ignore the impact of climate change as Fiji recurrently grapples with its effects. The introduction of climate related financing facilities and affordable products like the parametric insurance for low-income earners, farmers and fishers illustrate our commitment to ensuring that we enhance the resilience of Fijians to climate change impacts and provide them with financial protection from shocks and adverse weather events. The RBF also supports businesses engaged in the renewable energy sector through its ISEFF.

In acknowledging the impacts of climate change on the stability of the financial system, the Reserve Bank of Fiji facilitated two awareness sessions for its supervised entities on the requirements of the Climate Change Act 2021 in collaboration with the Government's Climate Change Division, to ensure that there is a better understanding and appreciation of Fiji's legislative framework on climate change. The awareness sessions are preliminary steps towards developing a regulatory guidance on the management of climate-related financial risks by supervised institutions. The Bank played a very central role in the issuance of Fiji's Sovereign Green Bond in 2017 and will facilitate the issuance of Fiji's Blue Bond in



the later part of 2023.

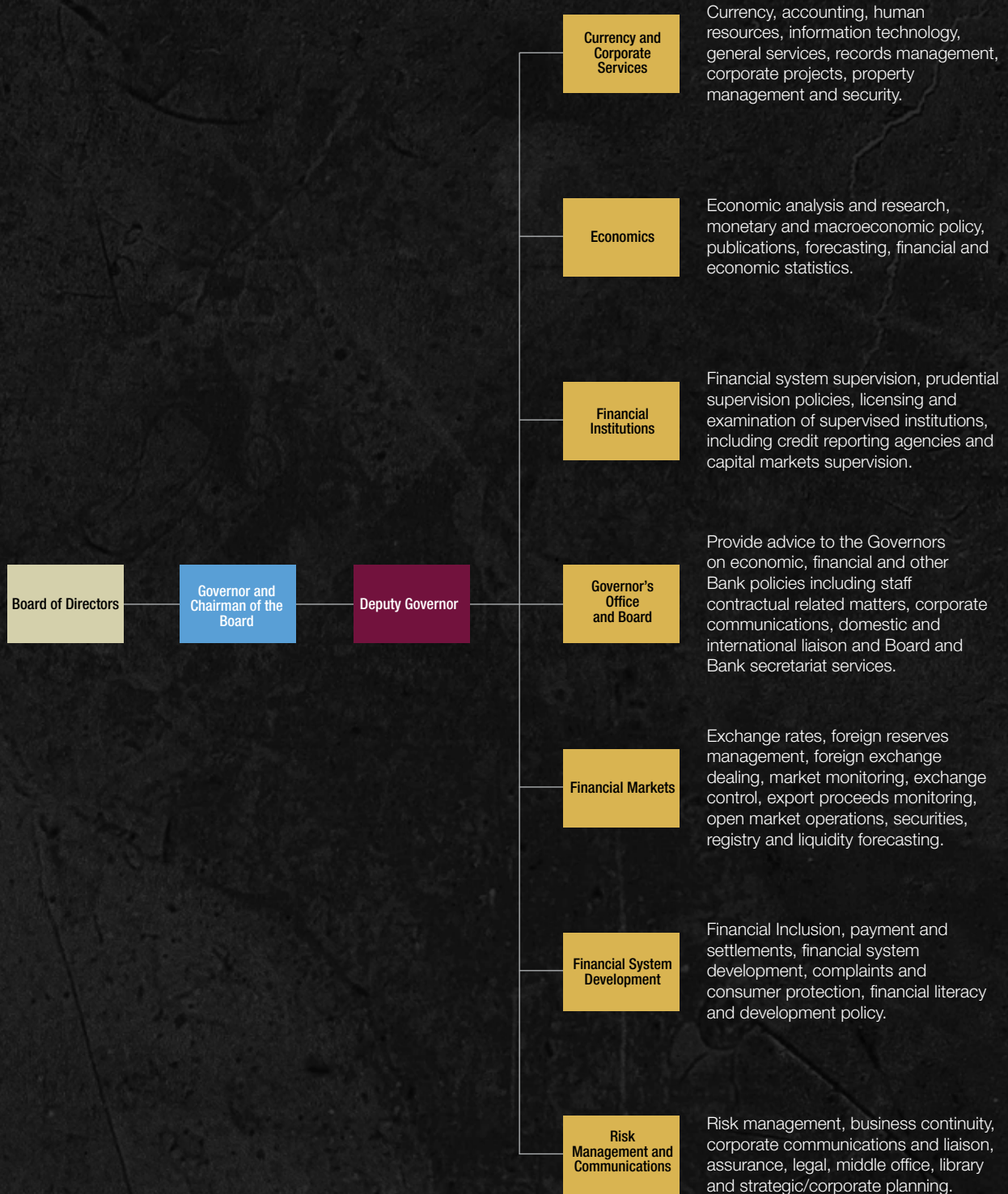
This Annual Report provides a comprehensive overview of our activities, initiatives, and outcomes which is testament to the collective dedication, resilience, and strategic vision of our institution, our staff, and our valued partners – government agencies, financial institutions, and international organisations – as we navigated through a year of challenges and opportunities. Therefore, I would like to express my sincere gratitude to the Board of Directors, the dedicated staff of the Reserve Bank of Fiji, and our valued partners for their unwavering support and contributions. The achievements of this FY would not have been possible without their dedication and collaboration.

As we reflect on the past year and look ahead to the future, we remain committed to building a resilient and inclusive economy that can withstand challenges and seize opportunities. The Reserve Bank of Fiji will continue to play its part in shaping a prosperous and stable future for our country.



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

# ORGANISATIONAL STRUCTURE





# BOARD OF DIRECTORS



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*Sitting (Left to Right)*

## Nikita Patel Director

Appointed to the Board on 14 February 2021 for three years. Member of RBF's Board Governance Committee (BGC) and Board Audit and Risk Committee (BARC). Chief Financial Officer for Vinod Patel & Company Pte Limited. Chartered Accountant, member of Chartered Accountants Australia & New Zealand and Fiji Institute of Chartered Accountants (FICA).

## Ariff Ali Governor and Chairman of the Board

Appointed as Governor on 11 September 2017 and was reappointed in 2022 for five years. Alternate Governor for Fiji at the International Monetary Fund (IMF). Board Director of the Alliance for Financial Inclusion (AFI). Chairman of the Monetary Policy Committee. Chairman of the Macroeconomic Committee (MC). Chairman of the National Financial Inclusion Taskforce. Chairman of the Government Tender Board. Chairman of the Accident Compensation Commission Fiji.

*Standing (Left to Right)*

## Tony Whitton (OF) Director

Appointed to the Board on 3 March 2015 and 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. Member of the Australian Institute of Company Directors (AICD). Chairman and Trustee of Cure Kids Fiji and the International School Nadi. Trustee of the Koroipta Model Towns Charitable Trust. In July 2019, Mr. Whitton was awarded the Officer of the Order of Fiji (OF) by his Excellency the President of Fiji for his distinguished service of a high degree to Fiji and humanity.

## Pradeep Patel Director

Appointed to the Board on 9 June 2014. Reappointed on 9 June 2021 for three years. Chair of RBF's BARC and Member of the RBF's BGC. Senior Partner of BDO, Chartered Accountants. Member of the FICA, CPA Australia and AICD. Former President of the FICA and has served on committees of the FICA, including Standards Committee and Business & Government Committee.

## Bobby Naimawi Director

Appointed to the Board on 14 February 2021 for three years. Member of RBF's BARC. Chief Operating Officer for Energy Fiji Limited (EFL). Former Chief Financial Officer for EFL. Member of FICA and 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 Services (FRCS). Board Member of Fiji Airways and EFL. Member of the Macroeconomic Committee. Alternate Governor for Fiji at the World Bank and the Asian Infrastructure Investment Bank.

## Tevita Kuruvakadua Director (not in photograph)

Board Director from 9 June 2014 to 16 March 2023.



# EXECUTIVE MANAGEMENT



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*Sitting (Left to Right)*

## **Caroline Waqabaca** Chief Manager Financial System Development

Appointed as Chief Manager Financial System Development Group in January 2023. Chief Manager Financial Markets Group (2018-2022). Chief Manager Economics Group (2011-2017). Seconded to the International Monetary Fund (IMF) as an Advisor in the Southeast Asia Group in Washington, D.C. (2013-2015). Manager Financial Conditions (2009-2010). Manager Corporate Communications (2003-2006).

## **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).

*Standing (Left to Right)*

## **Jacinta Hesaie** Acting Chief Manager Economics

Appointed as Acting Chief Manager Economics Group in January 2023. Manager External Conditions (2021-2022). Manager Research (2020-2021). Seconded to the IMF Resident Representative's Office (2017-2020). Senior Economist Prices and Wages Unit (2015-2017). Senior Economist Domestic Activity and Forecasting (2013-2015).

## **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 Institutions Supervision (2011-2021).

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

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

## **Petaia Tuimanu** Chief Manager Financial Markets

Appointed as Chief Manager Financial Markets Group in January 2023. Chief Manager Economics Group (2018-2022). Seconded to the IMF as an Advisor in the Southeast Asia Group in Washington, D.C. (2015-2017). Manager External Conditions (2013-2014). Manager Financial Conditions (2010-2012).

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

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

## **Subrina Hanif** Board Secretary

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



# CORPORATE GOVERNANCE

The RBF is established as an independent institution under the Reserve Bank of Fiji 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), Personal Property Securities Act (2017) and 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 Finance.*

(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 Finance.*

(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 Finance 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 Finance 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 of Directors 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 on 11 September 2017 for a term of five years. He has been reappointed for another 5 years with effect from

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

## Board of Directors

The Reserve Bank Board comprises the Governor, who serves as the Chairman, the Permanent Secretary for Finance (PSF), as an ex-officio member and five other non-executive members, a total of seven. Appointments to the Board are made by the Minister for Finance, 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, PSF, is an ex-officio member while other Members of the Board as at 31 July 2023 were Mr Pradeep Patel, Mr Tony Whitton (OF), Ms Nikita Patel and Mr Bobby Naimawi. Mr Tevita Kuruvakadua served on the Board up to 16 March 2023.

## Board Meetings

Under the RBF Act, the Board is required to meet at least ten times in a year. Four Directors form a quorum for a meeting of the Board. In the absence of the Governor, the Deputy Governor 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. During the 2022/2023 financial year, all meetings were held face-to-face after the COVID-19 pandemic restrictions were lifted. The Bank's Corporate Governance Charter allows for entirely virtual Board and internal Committee meetings to be held, if warranted.

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 Policy and maintains a Conflict of Interest Register for its Board Directors. Depending on the nature of matters discussed and the conflict declared, Directors may be excused from the meeting. All conflict of interests are minuted and noted in the Conflict of Interest Register.

The Board met 12 times during the review period on the following dates:

25.08.22	24.11.22	23.02.23	25.05.23
22.09.22	12.12.22	30.03.23	12.07.23
27.10.22	26.01.23	27.04.23	27.07.23

Attendance by members at meetings of the Board is detailed in Table 1.

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. 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.

Mr Tevita Kuruvakadua served as the Chair of the *BARC* from 1 January 2022 to 16 March 2023. Subsequently, with effect from 17 March 2023, Mr Pradeep Patel was appointed as the Chair of the *BARC* with Mr Bobby Naimawi and Ms Nikita Patel as members. Four *BARC* meetings were convened during the financial year on the following dates:

15.09.22	12.12.22	28.03.23	14.06.23
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The role of the Board Governance Committee (BGC) is to strengthen the governance of the Bank and to ensure the accountability of the Office

**Table 1: Board Meetings August 2022-July 2023 Attendance by Members**

Director	Attended	Eligible to Attend
Ariff Ali	12	12
Shiri Krishna Gounder	6	12
Pradeep Patel	10	12
Tony Whitton ( <i>OF</i> )	12	12
Nikita Patel	11	12
Bobby Naimawi	11	12
Tevita Kuruvakadua*	4	7
* Up to 16 March 2023		

Source: Reserve Bank of Fiji



12 RBF Board Meetings during the financial year



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

Mr Tony Whitton (OF) serves as the Chair of the BGC with Mr Pradeep Patel and Ms Nikita Patel as Members. During the review period, BGC met four times on the following dates:

21.09.22	12.12.22	29.03.23	26.07.23
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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 performance assessment of the Board Directors on an annual basis.

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

On a quarterly basis, a report on all COI (conflict of interest) declared is provided to the BGC. Directors are also required to complete a Declaration of Compliance and Conflict of Interest at the end of the year. The Declaration of Conflict of Interest 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 Head of Groups. The Governor is advised by a number of internal committees within the Bank:

- the *Executive Management Committee* meets fortnightly to consider the management and day-to-day operations of the

Bank;

- the *Monetary Policy Committee* meets monthly, or more often as necessary, to discuss economic and monetary developments;
- the *Market Operations Policy Committee* meets monthly to discuss the Bank's domestic markets operations;
- the *Financial System Policy Committee* meets monthly to review financial system soundness and stability;
- the *Investment Committee* meets monthly to provide strategic direction and oversight of the Bank's 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* meets monthly to discuss matters involving domestic and international

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**Table 2: Attendance by members at meetings of the BARC**

Director	Board Audit and Risk Committee Meetings	
	Attended	Eligible to Attend
Pradeep Patel	4	4
Bobby Naimawi	4	4
Nikita Patel*	1	2
Tevita Kuruvakadua**	2	2

\* With effect from 17 March 2023.

\*\* Up to 16 March 2023.

Source: Reserve Bank of Fiji

**Table 3: Attendance by members at meetings of the BGC**

Director	Board Governance Committee Meetings	
	Attended	Eligible to Attend
Tony Whitton (OF)	4	4
Pradeep Patel	4	4
Nikita Patel	4	4

Source: Reserve Bank of Fiji



4 meetings  
each for BARC and BGC

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 HR Strategic Plan and provide oversight to the overall HR functions of the Bank;
- the *Information Technology Steering Committee* meets quarterly to discuss IT development and operations; and
- the *Risk and Business Continuity Management Committee* meets quarterly to identify and assess risks and their impact on the operations of the Bank, 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 and Project Committees for the NPS, 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.

The Bank's most significant risks are Strategic, Financial, Operational and Reputational risks. Macroeconomic Stability risk, Financial Stability risk, and Governance risk are a sub-set of strategic risk. The Bank has an established framework to ensure these risks 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

To uphold good governance practices and promote transparency, the Bank has established comprehensive policies and procedures to guide both staff and Board members concerning actual or perceived conflicts of interest (COI). These policies mandate the disclosure of any known or potential COI, ensuring that all representatives of the Bank conduct themselves with unwavering honesty and integrity in all their dealings, whether within or outside the institution. As part of the annual review process, staff members

diligently completed COI declarations, reinforcing the Bank's commitment to maintaining the highest ethical standards in its operations.

### Planning Cycle and Monitoring

The progress of the outputs during the initial six months of the FY (August-January) was meticulously assessed, and a comprehensive report was submitted to the Board. The formulation of the Bank's Work Plan for the upcoming FY commences in April with comprehensive discussions conducted regarding the development of the new Annual Work Plan. The Work Plan is thoughtfully developed to align with the strategic priorities and missions of the Bank. Each output is carefully mapped to the corresponding strategic priority and outcome, to outline the alignment with the Bank's Vision. This well-structured approach ensures that the Bank remains focused on its strategic goals and mission throughout the planning and implementation process.

The Bank adopts a zero-based budgeting approach to allocate financial resources for the upcoming year, carefully evaluating the work plans submitted by the Groups. This meticulous process ensures that financial resources are allocated based on the specific needs and priorities identified in the Work Plan, fostering optimal resource utilisation and strategic alignment.

With the Bank projecting an improved return on income, significant investments have been made to ensure the Bank has the best qualified staff and technology to carry out the Bank's mandate. For the 2022-23 financial year the Bank successfully filled 28 vacant positions. These filled positions will contribute to the achievement of organisational goals,



bring fresh perspective, skills & ideas that add value to the Bank and foster innovation, leading to potential growth opportunities.

Administrative and other expenditure for the 2022-23 FY increased by \$4.12 million compared to the 2021-22 FY and by \$3.87 million in comparison to the 2020-21 FY. Similarly, capital projects that were delayed or on hold were recommenced 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 2023-24 Financial Year were presented and approved by the Board at its July meeting.

The Heads of Groups are responsible for ensuring the successful attainment of the desired outcomes within both the Strategic and Work Plans. To maintain a proactive approach, the progress in implementing the 2019-24 Strategic Plan is done on a quarterly basis. This regular assessment enables the Bank to stay on track, identify any potential deviations, and take timely corrective actions if required to achieve its strategic objectives effectively.

As per the analysis in fourth year of the 2019-24 Strategic Plan, the Bank is on track to meet its planned outcomes and targets, as a significant portion of targeted deliverables have been completed. Although some outputs required reprioritisation, the Bank remained committed to fulfilling

its mandates as outlined in the plan. The outcomes are assessed based on the agreed measures whereby some of these are quantitative measures and are validated by data obtained from various external sources other than the Reserve Bank. The achieved outcomes vividly demonstrate the substantial impact of the collective efforts made over the four-year period. Despite facing adjustments, the Bank's unwavering dedication to its strategic goals has been instrumental in driving positive and tangible results.

# 2022-23

## AT A GLANCE



Overnight Policy Rate

**0.25%**

Maintained throughout 2022-23 FY



Foreign Reserves

**\$3.6b**

In July 2023, sufficient to cover 6.3 months of retained imports



Inflation Rate

**0.3%**

In July 2023



Fiji's Real GDP

**8.0%**

Forecast for 2023



Personal Remittances

**\$1,172.2m**

Received in the 2022-23 FY



Visitor Arrivals

**863,480**

In 2022-23 FY



Gross Assets of the Financial System

**\$28.7b**

Fijian financial system grew by 8.6% on an annual basis in June 2023



Reserve Bank's Financial Performance

**\$102.2m**

Net profit for 2022-23 FY



Currency in Circulation

**\$1.0b**

As at 31 July 2023



DRCF

**\$464.7m**

Against the total allocation of \$550m in 2022-23 FY



ISEFF

**\$480.2m**

Against the total allocation of \$500m in 2022-23 FY

Upgraded RTGS and CSD

**LIVE since November 2022**

Bond certificates have been dematerialised



No. of RBF Staff

**207**

Male - 109  
Female - 98

As at 31 July 2023



Financial Inclusion Gender Gap

**10.2%**

As at December 2022

Percentage of Adult population making or receiving digital payments other than mobile money

**38.5%**

In December 2022



# ECONOMIC OVERVIEW

The global economy is envisioned to soften this year as central banks tightened monetary policy to combat persistently high inflation, weighing on economic activity. Despite this, the Fijian economy remains firm on its recovery path, led by a strong tourism sector.

## International Economic Developments

Global growth remains slow and uneven as persistent monetary policy tightening to combat inflationary pressures, long-term scarring from the pandemic, Russia's invasion of Ukraine and growing geo-economic fragmentation weighs on economic prospects. The International Monetary Fund (IMF), in its October World Economic Outlook (WEO), estimates that the global economy will grow by 3.0 percent in 2023 and 2.9 percent in 2024, following an expansion of 3.5 percent in 2022 (Figure 1). While some extreme risks associated with the growth outlook, such as severe banking instability, have moderated since April, the balance remains skewed to the downside. Additionally, global headline inflation is expected to gradually decelerate from its peak of 8.7 percent (annual average) in

2022 to 6.9 percent in 2023 and 5.8 percent in 2024, and is not likely to return to target for most countries until 2025.

Similarly, overall growth in Fiji's major trading partners is expected to be sluggish in 2023 as central banks tighten monetary conditions in order to bring consumer price inflation to target range.

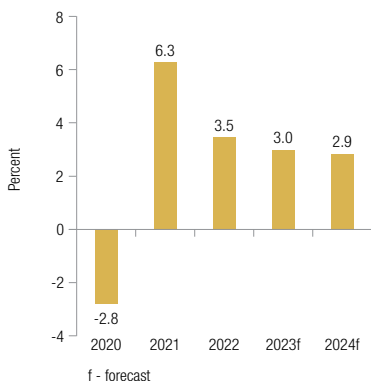
The US economy is anticipated to expand by 2.1 percent in 2023 following a similar expansion in 2022. Increased business investment in the second quarter and strong consumption activity bolstered the economy's resilience, while a tight labour market spurred wage growth. Annual inflation softened to 3.2 percent in July (lower than the 8.5% recorded in July 2022) due to falling energy prices. In July, the federal funds rate was raised by an additional

25 basis points (bps) to 5.25-5.50 percent, leading borrowing costs to ascend to its highest level since January 2001.

In the Eurozone, growth is projected to be muted at 0.7 percent in 2023 following the 3.3 percent expansion in 2022. Tourism and other services growth in major economies like Italy and Spain supported the growth in the absence of strong manufacturing and consumption demand across the Eurozone. Annual inflation in July moderated to 5.3 percent (lower than the 8.9% recorded in July 2022), as energy and food prices fell substantially from their 2022 peak. However, with inflation still significantly above the European Central Bank's target of 2.0 percent, the main refinancing operations rate was raised by 25 basis points to 4.25 percent in July, a ninth consecutive increase, in an effort to bring about price stability.

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Figure 1: World Gross Domestic Product (GDP) Growth Rates

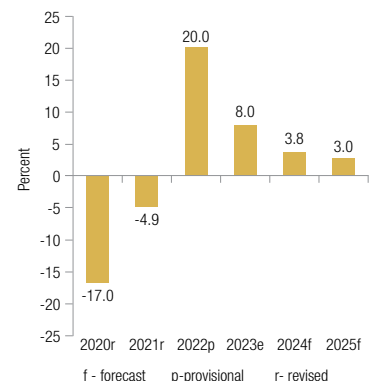


Source: IMF WEO October 2023



**6.9%**  
Global headline inflation in 2023(f)

Figure 2: Fiji's GDP Growth Rates



Sources: Fiji Bureau of Statistics and Macroeconomic Committee

The Japanese economy is projected to expand by 2.0 percent in 2023 following a 1.0 percent growth achieved in 2022, underpinned by pent-up demand, a surge in inbound tourism, rebound in auto exports as well as supportive policies. The annual inflation rate rose to 3.3 percent in the review period (higher than the 2.6% recorded in July 2022), owing to increasing cost of food, medical care and other major categories. The Bank of Japan continued with monetary easing as it kept its benchmark short-term interest rate at -0.1 percent and the 10-year bond yield at zero percent under its Quantitative and Qualitative Yield Curve Control policy program.

Growth in the Australian economy is estimated to slow down to 1.8 percent in 2023 from 3.7 percent in 2022, as elevated consumer prices, higher interest rates, and slower global growth weaken domestic demand and net exports. The annual headline inflation rate fell to 6.0 percent in the June quarter of 2023 (slightly below 6.1% recorded in the same quarter of 2022) as prices for food, furniture, and appliances cooled. After gradually raising interest rates throughout the year, the Reserve Bank of Australia kept its cash rate at 4.10 percent in July to assess the impact of previous tightening on the outlook for inflation, the economy and associated risks.

The New Zealand (NZ) economy is anticipated to expand modestly at 1.1 percent this year from a growth of 2.7 percent in 2022 due to a weaker global economy, high inflation and tight financial conditions. Consistent

with dampening domestic demand, the annual headline inflation rate fell further in the June quarter to 6.0 percent (down from 7.3% in the same quarter in the previous year), but remained well above the central bank's target range of 1.0-3.0 percent. After twelve consecutive rate increases, the Reserve Bank of NZ kept its cash rate constant at 5.50 percent in July and is expected to maintain this policy setting to ensure annual inflation returns to the target range.

### **Economic Developments in Fiji**

The Fijian economy continues to recover to pre-pandemic levels, with a growth projection of 8.0 percent for 2023, following a strong rebound of 20.0 percent in 2022 (Figure 2). The expansion is boosted by the better-than-anticipated tourism demand and its positive spillover onto other sectors of the economy. Growth this year will be driven particularly by the accommodation & food services; transport & storage; agriculture; manufacturing; wholesale & retail sales; finance & insurance administrative services; construction sector; and net indirect taxes.

Going forward, the economy is expected to grow further to 3.8 percent in 2024 and 3.0 percent in 2025. However, risks to the outlook are tilted to the downside, arising from continuing global fragmentation and its impact on commodity prices, weaker growth in tourist-source countries and skilled labour shortages.

Sectoral performances were generally positive in the 2022-23 FY, with

tourism continuing to be the major driver of economic activity. Tourism demand remained resilient, nearly reaching pre-pandemic levels,<sup>3</sup> with 863,480 tourist arrivals in the review FY, from the 309,567 arrivals noted in the 2021-22 FY. The outcome was largely driven by higher arrivals from Australia (132.6% to 422,576 visitors), NZ (236.4% to 209,148 visitors) and North America (160.0% to 110,569 visitors).

The rebound in economic output is mirrored in electricity generation, which rose by 9.4 percent (to 1,040,101 Mwh) in the FY 2022-23, following an 8.8 percent gain the previous FY. However, the share of electricity generated from renewable sources fell to 53.5 percent in the FY 2022-23, compared to 57.7 percent in the previous FY. Electricity usage rose by 10.4 percent (to 1,010,525 Mwh) driven by increased demand from commercial (16.0%), industrial (10.3%), and domestic (2.5%) consumers.

On the other hand, the timber industry's performance, was weak in the review period. Compared to the FY 2021-22, wood supply fell by 34.6 percent (to 289,722 tonnes). Likewise, woodchip production declined by 41.2 percent (to 237,268 tonnes) during the review period, underpinned by lower output by both the Wairiki (-44.8%) and Drasa (-26.3%) mills. Sawn timber output also decreased by 1.9 percent (to 28,826m<sup>3</sup>) mainly due to an insufficient supply of sawn logs, while mahogany production declined by 27.7 percent (to 31,020m<sup>3</sup>), largely owing to unfavourable weather

<sup>3</sup> A total of 895,137 visitors in the 2018-19 FY.



conditions limiting access to forests.

Over the FY 2022-23, gold production was weak and fell by 21.4 percent (to 22,459 ounces), mostly underpinned by technical issues and lower ore quality. As a result, gold exports also fell by 14.8 percent (to \$94.3m) in the FY.

In the sugar industry, the 2022 crushing season finished with 1,638,954 tonnes of cane, yielding 155,812 tonnes of sugar. Both cane output and sugar production increased by 15.6 percent and 17.0 percent, respectively. The positive outcome was due to the absence of natural disasters and improved milling efficiency, which propped both crop output and quality. So far into the 2023 season,<sup>4</sup> cane harvesting (-14.9% to 503,330 tonnes), and sugar production declined (-25.7% to 41,242 tonnes), mainly attributed to adverse weather conditions.

Labour market conditions in the 2022-23 FY were influenced by rising demand for labour as economic activity expanded coupled with higher migration. As revealed in the RBF's Job Advertisements Survey, the number of advertised vacant positions increased by 46.7 percent

(to 15,363 vacancies) supported by improved hiring intentions in most sectors (except mining & quarrying sector), especially the community, social & personal services; wholesale & retail trade & restaurants & hotels; manufacturing; and finance, insurance, real estates & business services sectors. Concurrently, the registration of employees, employers and their contribution to the Fiji National Provident Fund has rebounded significantly, indicating the strengthening of formal employment and income levels in the country.

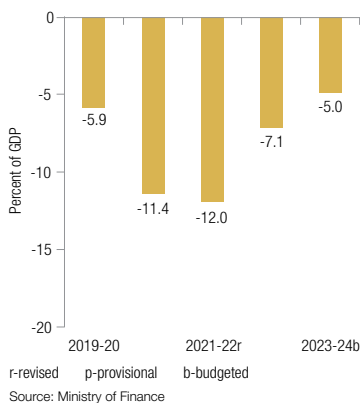
Consumption spending was robust in the review period as reflected by the growth of net Value Added Tax (VAT) collections (52.7% to \$1,008.1m), owing to higher domestic VAT (59.0%), customs import VAT (34.2%) and other government department VAT (7.7%). Moreover, commercial banks' new lending for consumption purposes rose in the FY by 6.9 percent (to \$1,309.7m), supported by higher lending to private individuals and wholesale, retail, and hotels & restaurants categories. On the other hand, vehicle registrations fell by 9.8 percent (to 9,932 vehicles) during the review period. Notably, the decrease in second-hand car registrations (-25.0%) outweighed the increase in

new vehicle registrations (22.5%).

Investment indicators signalled a gradual recovery during the FY. New loans for investment purposes rose by 25.7 percent (to \$778.8m) in the 2022-23 FY following the 48.9 percent expansion noted in the previous FY. This was underpinned by higher lending to the real estate (25.0%) and building & construction (17.9%) sectors. Furthermore, new loans to private individuals for purchasing of a second home (as investment properties) expanded by 52.5 percent (to \$90.9m) in the same review period. However, domestic cement sales, a forward indicator for construction activity, weakened albeit slightly in the current FY, by 0.9 percent (to 123,225 tonnes), due to mechanical issues at the mills.

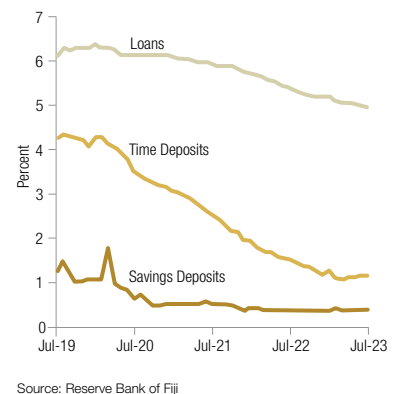
For the fiscal sector, in the 2022-23 FY, the fiscal deficit narrowed to \$839.4 million, equivalent to 7.1 percent<sup>5</sup> of GDP, compared to the \$1,223.3 million or 12.0 percent<sup>6</sup> of GDP noted in the previous FY underpinned by higher revenue, particularly from increases in both direct and indirect taxes. For the 2023-24 FY, the net deficit is estimated to total \$639.1 million or 5.0 percent<sup>8</sup> of GDP, with both

**Figure 3: Government Balance (Net Deficit)**



**863,480**  
Visitors in the 2022-23 FY

**Figure 4: Commercial Banks' Lending and Deposit Rates**



<sup>4</sup> From 19 June to 31 July, 2023.

<sup>5</sup> Based on the revised FY 2022-23 Nominal GDP.

<sup>6</sup> Based on the revised FY 2021-22 Nominal GDP.

government revenue and expenditure forecast to expand (Figure 3).

Government debt stood at 82.3 percent<sup>9</sup> of GDP at the end of the 2022-23 FY, slightly lower than the 89.9 percent noted at the end of the last FY, with domestic debt accounting for 52.1 percent of the total government debt portfolio.

Inflationary pressures in the economy eased as annual headline inflation averaged 2.7 percent in the 2022-23 FY compared to 3.1 percent recorded in the previous FY. The slowdown was primarily due to lower kava and fuel prices, while food prices remained high.

In the review period, financial conditions remained supportive of economic activity. Broad money grew (6.7% to \$10,664.1m) in July 2023, comparably higher than a year ago (6.4%). The expansion was mostly driven by the growth in Net Domestic Assets (NDA) (9.3%) compared to Net Foreign Assets (NFA) (1.4%). In particular, NDA grew on the back of a persistent expansion in private sector credit (PSC) (5.4%) while the growth in NFA, though marginal, was influenced by the expansion in other foreign assets (OFA) (25.0%) reflecting

higher other advances (\$153.7m from \$25.5m) and demand deposits (\$66.3m from \$17.0m) of commercial banks' at their head offices abroad. Additionally, new lending by commercial banks rose by 14.6 percent (\$442.8m) in the FY, owing mostly to increased credit to the wholesale, retail, hotels & restaurants, private individuals, manufacturing and real estate sectors.

Liquidity in the financial system was adequate at \$2,508.7 million at the end of July 2023. As a result, commercial banks' weighted average outstanding loan rate fell to 4.96 percent in July 2023, down 45 bps from the same period last year. Similarly, the new lending rate fell by 6 bps to 5.10 percent in July 2023. The existing time deposit rates by commercial banks also declined annually to 1.17 percent (from 1.52%), while the new time deposit increased to 1.40 percent (from 1.08%). Additionally, the savings deposit rates declined to 0.38 percent from 0.39 percent in the last FY (Figure 4).

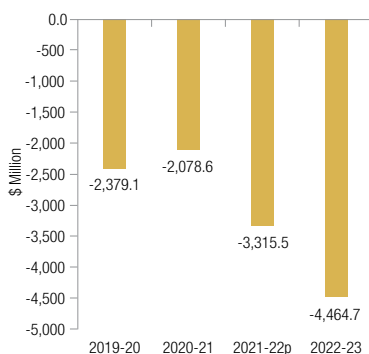
For the external sector, the merchandise trade deficit widened by 34.7 percent to \$4,464.7 million (37.7% of GDP) in the 2022-23 FY,

higher than the \$3,315.5 million (32.6% of GDP) noted in the previous FY as import payments outpaced receipts from exports (Figure 5). Imports surged in the review period (32.3% to \$6,966.5m; 58.8% of GDP) led by increased outflows for machinery & transport, mineral fuels, miscellaneous manufactured goods, beverages & tobacco, food & animal products, and other commodities. Total exports rose in the same period (28.3% to \$2,501.7m; 21.1% of GDP), led by higher re-exports of mineral fuels, lubricants & related material and domestic exports of mineral water, sugar and other food products.

In terms of services trade, tourism earnings in 2022 amounted to \$1,499.3 million. Furthermore, \$1,005.4 million was received in the first two quarters of 2023, led by travel-related earnings from Australia, NZ, the US, Pacific Island countries, Europe and Canada (Figure 6).

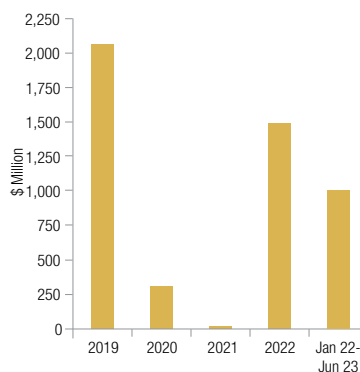
Personal remittances increased by 23.2 percent to \$1,172.3 million in the 2022-23 FY, following a 15.9 percent increase the previous FY (Figure 7). In terms of remittance components, personal transfers<sup>9</sup> (22.3%) and employee compensation (38.7%) both rose in the FY.

Figure 5: Trade Deficit



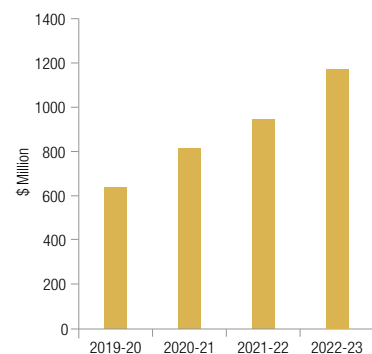
Source: Fiji Bureau of Statistics

Figure 6: Tourism Earnings



Source: Fiji Bureau of Statistics

Figure 7: Personal Remittances



Source: Reserve Bank of Fiji

<sup>7</sup> Based on the revised FY 2023-24 Nominal GDP.

<sup>8</sup> Based on the revised FY-2022-23 Nominal GDP.

<sup>9</sup> International mobile money receipts are recorded under the 'personal transfers' category.



## The Reserve Bank of Fiji's Efforts around Climate Change

The RBF recognises that Fiji, as a small island developing state, is vulnerable to climate change and its large macroeconomic implications. Therefore, the RBF has increased efforts towards research, understanding and creating awareness on how it affects its functions, responsibilities and monetary and financial stability objectives over recent years.

Studies show that fiscal, financial system and monetary policy can help climate change mitigation, adaptation and resilience efforts. Significant efforts have been made on the fiscal front with the setup of a climate finance division within the Ministry of Finance. Central banks however, are at the moment, limited by their mandates and are not equipped (in terms of their monetary policy toolkits) to deal with climate change directly.

As a central bank, the RBF recognises that climate change affects not only our twin objectives but that it raises financial stability concerns. Our efforts as a central bank are mostly in the nascent stages although ongoing efforts and interest on the topic continues to make steady progress. Our initiatives so far are outlined below:

### Financial Policies

*Supporting the development of green financial securities and renewable energy projects:* In 2017, RBF issued the Fiji Sovereign Green Bond (FSGB) as one of the first in emerging markets. The FSGB worth FJ \$100 million was issued to finance environmentally sustainable and climate change-related projects that were administered by the Fijian Government. Additionally, the approval of the Sustainable Bonds Framework will enable the Fiji Government to issue blue bonds in the FY 2023-2024 to support projects in four priority sectors such as the blue shipping, sustainable fisheries, blue investment fund and sustainable waste management. The RBF also allows licensed financial institutions to roll-out certain products, such as parametric insurance.

*Redressing lack of transparency of climate risks and underpricing:* The Financial Institution Group facilitated ADB's technical assistance mission on the topic Climate Action in the Financial Sector in April. The Group also facilitated two awareness sessions (in October 2022 & April 2023) on the Climate Change Act 2021 with the financial sector supervised entities. Preliminary plans are considering integrating climate-related financial risks into the RBF Supervision Framework, including the disclosure requirements under the Climate Change Act 2021. In an attempt to green the financial sector by developing standards to reflect climate risks better, the Financial System Development Group is working with the International Finance Corporation (IFC) on developing a green taxonomy and an Environment, Social and Governance (ESG) framework. Liaison on Nationally Determined Contributions Partnership is also in progress for support on central banks' greening initiatives. The proposed timelines for the commencement of these deliverables are from December 2023 and continuing to the end of 2025.

On the global front: the Bank's strong commitment towards climate change initiatives is also demonstrated by our increased holdings of ESG bonds to around 8.0 percent of total investible reserves. In line with initiatives by other central banks, steps may be undertaken to consider ESG parameters in our Reserves Management Framework.

### Monetary Policy

*Integrating climate risks analytics into macroeconomic analysis:* To understand the extent of climate change and natural disasters on the macro economy, the RBF accounts for climate risk in its inflation, foreign reserves and GDP forecasts. The Bank also regularly updates the debt sustainability framework which also accounts for climate change risks on government finances.

*Credit Allocation Policies:* In February 2012, the RBF introduced the Renewable Energy Loans Ratios (RELR) for commercial banks to enhance the growth of these sector. The RELR is currently set at 2.0 percent of commercial banks' deposits and similar liabilities, unchanged since its inception in 2012.

*Unconventional monetary policy:* The RBF has supported climate change mitigation initiatives through ISEFF whereby 14.6 percent of all loans have been given to renewable and sustainable energy related businesses. The Bank has also rolled out special lending facilities on different occasions to assist businesses affected by climate change related natural disasters such as severe floods and cyclones.

**Other initiatives:**

*Acknowledging the issue:* Climate change and the risk it poses to economic growth and the Reserve Bank's objectives, have always been acknowledged in the Bank's publications and presentations. With numerous literature outlining the impact that climate change has on food sustainability and availability, the RBF understands that this will ultimately place pressure on our demand for food and the price of both local and imported food which affect our twin objectives of ensuring stable prices and an adequate level of foreign reserves. These discussions happen at policy meetings at all groups and are communicated and acknowledged at the Board level. The RBF is also at preparatory work to implement the requirements of the Climate Change Act 2021 on the operations and risks of the Reserve Bank of Fiji.

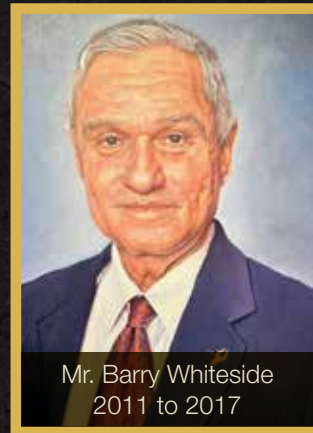
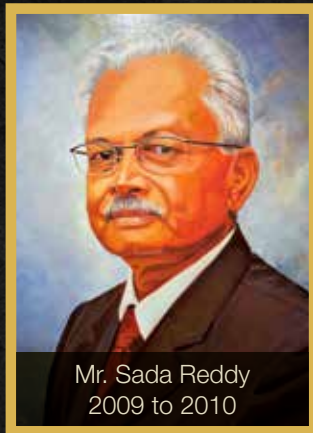
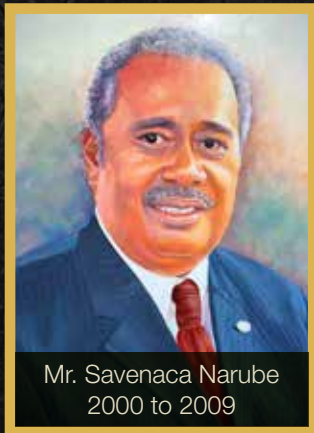
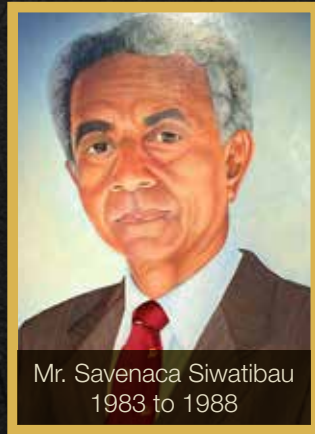
*Training:* As part of our commitment to understanding climate change as it pertains to monetary policy, the Bank also invests in relevant training of its staff. So far, staff have participated in IMF trainings that cover the macroeconomics of climate change.

*Building & Infrastructure:* The Bank takes into consideration climate related risks when undertaking ICT and Building Infrastructure projects and invests in environmental friendly products.

*Pursuing a paperless strategy:* The RBF has reduced the number of papers printed for its meetings.



# Former Governors



## MISSION

# CONDUCT MONETARY POLICY TO FOSTER ECONOMIC GROWTH

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

## Monetary Policy Formulation

### Chronology of Monetary Policy Actions

The RBF maintained its accommodative monetary policy stance by keeping the OPR unchanged at 0.25 percent throughout the 2022-23 FY in an effort to support the ongoing economic recovery. Additionally, the Bank assisted more businesses through concessional funding under the ISEFF, disbursing \$90.8 million from the \$500 million allocation. Lending under the DRCF continued as well, albeit at a lower level than the previous year (\$28.8m from \$234.7m). The DRCF guidelines were expanded at the start of the COVID-19 pandemic to provide temporary assistance to businesses afflicted by pandemic-related losses. With the domestic economy recovering and lending facilities at capacity, the Bank ceased lending under the DRCF and discontinued ISEFF at the conclusion of the FY 2022-23.

The Bank, with technical assistance from the IFC, developed and

enhanced the financial sector, through the formulation and launch of the NPS Act 2021 on 30 September 2022, which then enabled an upgrade of the national payment and settlement systems. The Reserve Bank of Fiji also partnered with the Association of Banks in Fiji (ABIF) to upgrade the RTGS<sup>10</sup> which went live in November 2022. Concurrently, the RBF expanded its regulatory oversight by making the licensing of payment service providers to be activity-based, hence, entities conducting e-money issuance, merchant acquiring, domestic money transfer, cross-border money transfer, and account issuance services had to apply for a licence in order to operate. Following the rollout of the upgraded RTGS, the Bank launched a new Central Securities Depository (CSD) which is a form of electronic register for all Government and statutory corporation securities. These initiatives supported financial inclusion efforts, financial stability and economic activity.

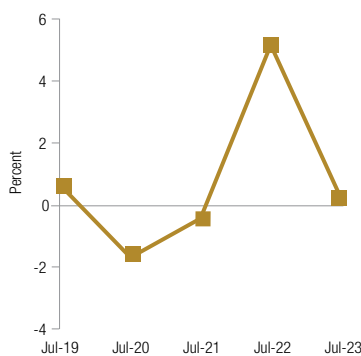
In line with the strong performance of the domestic economy, the RBF announced on 28 April its intention to ease exchange controls further,

and effected this on 1 June 2023. As such, the delegated limits to commercial banks and foreign exchange dealers were increased, coupled with the re-delegation of certain capital transactions initially pulled back in 2020 when exchange controls were tightened at the onset of the COVID-19 pandemic. Documentary requirements for offshore payments were also streamlined. The changes enhanced operational efficiency for businesses and personal transactions.

### Monetary Policy Outcomes

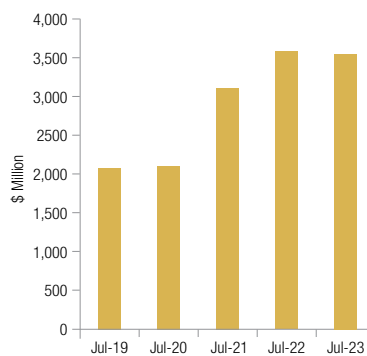
Annual headline inflation stood at 0.3 percent in July 2023, substantially lower than the 5.2 percent noted in July 2022 (Figure 8). Although prices in the food and non-alcoholic beverages category grew over the year, price reductions in the transport, alcoholic beverages and housing & utilities categories contributed to the annually lower inflation outcome. Headline inflation is expected to be much higher for the remainder of the year due to the tax increases announced in the 2023-24 national budget, escalated geopolitical tensions and the recent upswing in global crude oil and food prices.

Figure 8: Inflation



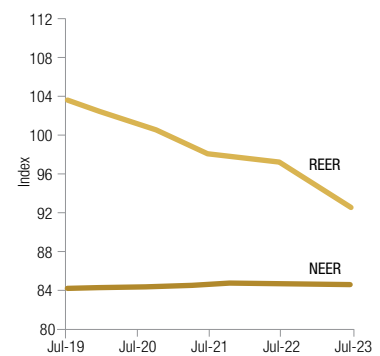
Source: Fiji Bureau of Statistics

Figure 9: Foreign Reserves (RBF Holdings)



Source: Reserve Bank of Fiji

Figure 10: REER/NEER (Monthly Average)



Source: Reserve Bank of Fiji

<sup>10</sup> Real Time Gross Settlement.



Foreign reserves stood at \$3,555.7 million in July 2023, which is enough to cover 6.3 months of retained imports (Figure 9). Notably, the growth in reserves was due to strong tourism and remittance inflows, coupled with government loans and grants received, which more than offset outflows for imports and profit and dividend repatriation.

### Exchange Rates

The Fijian dollar (FJD) gained against the Japanese yen (3.3%), the Australian dollar (3.0%), and the New Zealand dollar (0.3%) in July, but weakened against the Euro (-9.1%) and the US dollar (-1.8%). The nominal effective exchange rate (NEER) fell in the same period (-0.08%) due to a weakening against the Euro and the US dollar. The yearly adjustments in the NEER affected the real effective exchange rate (REER), which also declined (-4.8%) over the year, denoting a gain in trade competitiveness (Figure 10).

of the country's foreign reserves as mandated under the RBF Act (1983). Foreign reserves management is a core function of the Bank and is undertaken with the objectives of preserving capital, ensuring adequate liquidity and optimising returns.

During the FY, global inflation continued to rise but recently showed signs of peaking or starting to subside. However, in most economies, inflation remained well above central bank targets. In response, central banks tightened monetary policy aggressively and in a synchronised manner. The US Federal Reserve and European Central Bank raised policy rates to levels last recorded in 2001 (hiked by 525 and 375 basis points, respectively). The Reserve Bank of Australia lifted the cash rate to an 11-year high, while New Zealand's central bank raised its policy rate to the highest level in more than 14 years.

Despite the rapid monetary policy tightening by major central banks, global growth remained resilient, although some weakening was evident. Yields rose further during the FY, with the short end of the yield curve rising at a faster pace than the long end (long term yields rose

less on recession fears), inverting the yield curves for many economies. Nevertheless, the higher yields provided much better opportunities for new investments.

Concerns on global financial stability risks remerged during the year following the banking turmoil in the US. The increase in yields had temporarily stressed the US banking sector and some parts of Europe, and policymakers were able to contain the banking turmoil and reduce market anxiety through coordinated and extraordinary measures.

Challenges on the management of foreign reserves remained given the uncertainty over the global economic situation, recessionary concerns and on the pace with which inflation will fall within central bank targets.

Gross foreign reserves (RBF holdings) averaged around \$3,437.7 million during the 2022-23 FY, higher than the \$3,186.6 million average of the previous financial year. The foreign reserves level reached a historical high during the year, peaking in August at \$3,629.7 million but fell gradually to \$3,555.7 million by the end of the FY.

## Monetary Policy Implementation

### Management of Foreign Reserves

The Reserve Bank of Fiji assumes the custodial and management authority

Table 4: Return on External Reserves

	Aug 2020-Jul 2021	Aug 2021-Jul 2022	Aug 2022-Jul 2023
Net Foreign Exchange Income (\$M)	25.5	23.7	86.1
Average Month-End Level of Investible Reserves (\$M)	2,320.8	2,700.5	2,950.2
Return on Investible Reserves (%)	1.10	0.88	2.92

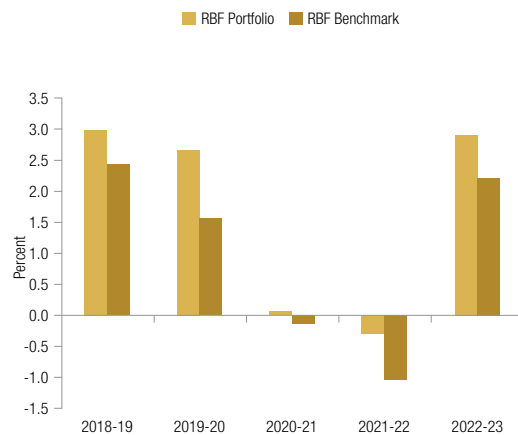
Source: Reserve Bank of Fiji



**\$86.1m**

Net foreign investment income for the year 2022-23 FY

Figure 11: Performance of RBF Portfolio against Benchmark



Source: Reserve Bank of Fiji

Investible reserves, which accounted for 85.8 percent of gross foreign reserves, also averaged higher at \$2,950.2 million compared to \$2,700.5 million in the previous year (Table 4).

Net foreign exchange income for the 2022-23 FY rose to an all-time high of \$86.1 million from \$23.7 million in the previous year. The notable increase in income reflected the impact of investments executed at high yields amidst the period of central bank monetary policy tightening.

The performance of RBF's foreign investment portfolio is monitored and measured against the approved benchmark. The RBF foreign reserves portfolio earned a higher return of 2.92 percent compared to the benchmark portfolio return of 2.21 percent (Figure 11). The active performance was mainly attributed to the RBF Portfolio's overweight on its cash position 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 captured in the Revaluation Reserve Account (RRA) and reflected in the balance sheet. In order to provide a natural hedge against exchange rate volatility, holdings of foreign reserves are generally aligned with currency weights in the FJD basket. The RRA also reflects the exchange rate impact on the Bank's holding of IMF Special Drawing Rights (SDR) and smaller amounts of gold and British pound sterling.

In line with the RBF Act, one-fifth of the FY end RRA balance is transferred to the Government each year. At the end of 2022-23 FY, the

RRA stood at \$10.6 million, of which \$2.1 million was transferred to the Government. This compares to \$3.4 million transferred for the 2021-22 FY.

### Exchange Rates Setting

The Fiji dollar is fixed to a basket of currencies comprising of Fiji's five major trading partners - the USD, AUD, NZD, JPY and EUR. The value of the FJD relative to the USD is calculated daily by the Reserve Bank and published along with exchange rates for other FJD basket currencies through the Refinitiv and Bloomberg platforms as well as on the RBF website. These rates remain unchanged for the day and are used by commercial banks to set rates at which they transact foreign exchange with customers within the allowed spreads.

The weight of each currency in the basket is reviewed annually 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<sup>11</sup> 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 are permitted to 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 in order to ensure compliance with the Foreign Currency Derivatives guidelines. During the year, the Bank continued to review and implement changes to its FX Swap facility to facilitate the needs of the market and improve operational efficiency.

### Foreign Currency Receipts and Payments

The Bank continued to extend foreign currency banking services to the Fiji Government, statutory bodies, supranational organisations and other central banks during the year.

### Exchange Control

The review of exchange controls is undertaken annually, mainly to safeguard one of the Bank's core objectives of maintaining adequate foreign reserves. The review takes into account other macroeconomic developments to ensure the cohesiveness of policies.

During the year, a comprehensive review of exchange controls was undertaken and in view of the positive outlook on the economy and the comfortable levels of foreign reserves over the past two years, capital controls imposed in April 2020 at the onset of the COVID-19 pandemic was relaxed.

In June 2023, most capital controls and limits that were tightened in 2020 were re-instated to pre-pandemic delegations, with the exception of offshore investment by Fiji residents, loan repayments, sale of assets by external account holders and profit repatriation.

Also, in support of economic recovery and facilitate business operations, the Bank increased the delegation of foreign currency borrowing by local businesses to \$10 million per annum. Offshore investment by Non-Bank Financial Institutions and local businesses was also re-introduced to promote diversification of local business interests.

Consequent to the easing of capital controls, the supporting documents for foreign exchange transactions

<sup>11</sup> The rates have been kept unchanged for the past 2 reviews given anomalous movements in the data related to COVID-19.



were streamlined for ease when making payments for goods and services. The review of documentary requirements covered all types of foreign currency payments.

The Exchange Control Unit continued quarterly meetings with foreign exchange dealers to clarify operational issues. Similarly, training of commercial bank staff was carried out on issues relating to the exchange control guidelines and procedures.

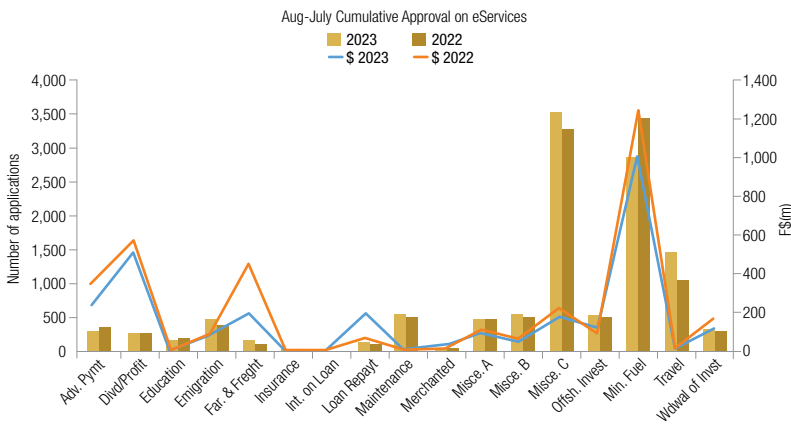
Meetings with other government agencies continued with the aim

of improving foreign investment facilitation and ease of doing business. Following the review of the Investment Act, the Bank changed the requirements for the opening of a bank account in Fiji by foreign-owned businesses in accordance with the changes in the Act, to ease the setting up of business operations in Fiji.

The eService platform facilitated public access to Form B applications online. Applications requiring exchange control approvals were

processed within the set timelines. The data in Figure 12 (Cumulative Approvals on eServices) shows that there was a general increase in the number and volume of applications approved compared to the previous financial year.

Figure 12: Approvals on eServices (Cumulative)



Source: Reserve Bank of Fiji



**\$10.0m**

Annual delegated foreign currency borrowing by local businesses



RBF Building under construction, opened on 27 July, 1984

## 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, insurance intermediaries, the Fiji National Provident Fund, the Fiji Development Bank (FDB), restricted foreign exchange dealers, money changers, credit reporting participants, payment service providers, securities exchange, managed investment schemes, stock brokers, and capital markets intermediaries.



## Financial System Regulation and Supervision

The Reserve Bank's regulatory and supervisory framework aims to ensure the stability of Fiji's financial system and the soundness of supervised financial institutions, thereby promoting an internationally reputable financial system. Financial stability provides a favourable environment for efficient financial intermediation in the economy, signalling the existence of financial intermediaries, markets and market infrastructure that facilitate the smooth flow of funds between savers and investors, ultimately promoting economic growth. The soundness of financial institutions promotes the safety of the interest of the public whose funds are involved in the intermediation process.

Supported by the ongoing recovery of the economy, the Fijian financial system remained stable during the review year, as financial sector players progressively returned to business as usual conditions.

The banking sector remained well capitalised and maintained satisfactory liquidity and earnings position during the year. Lending recorded an increase in line with the upturn in the economy, whilst the vigilant monitoring of non-performing loans (NPLs) resulted in the improvement of the banking industry's asset quality position.

The ongoing resilience of the insurance industry was supported by the absence of natural catastrophic events. Both the life and general insurance sectors maintained adequate solvency positions and satisfactory earnings and liquidity levels.

The FNPF credited \$449.0 million into member accounts after declaring an interest rate of 7.0 percent, as at 30 June 2023. The Fund also maintained its solvency level above the minimum requirement prescribed in section 32 of the FNPF Act.

### Prudential Regulation

Through the administration of relevant legislations, the Reserve Bank undertakes its regulatory mandate to issue policies to govern the conduct of businesses undertaken within the financial system.

During the year, the Reserve Bank continued with the development and review of relevant laws, regulations and prudential policy statements to ensure that they remain relevant, whilst also keeping abreast of global best practices.

### Prudential Supervision Policy Development and Review

Prudential Supervision Policy Statement (PSPS) No.2 on *Minimum Requirements for Cybersecurity Risk of Supervised Entities* was issued for implementation in March 2023, following two rounds of industry consultation. The policy is designed to ensure that supervised entities have in place a robust cybersecurity risk management framework that can assist institutions in managing cybersecurity risk in their day-to-day operations.

The Reserve Bank continued with the review of the Banking Supervision Policy Statement (BSPS) No. 3 on *Guidelines for Loans Classification and Provisioning for Impaired Assets* during the year. The first draft of the revised policy is expected to be circulated for industry comments in the next financial year. Essentially, the revised policy seeks to ensure that licensed financial institutions better

manage credit risk by enhancing their loan classification and provisioning practices.

A second round of industry consultation on the draft revised BSPS No.9A and 9B on *Liquidity Risk Management Requirements for Banks and Credit Institutions* was completed during the year; with plans to issue the revised policies to the banking industry for implementation in the next financial year. The revised policies aim to enhance the liquidity risk management framework of banks and credit institutions so that they are able to meet cash flow obligations and withstand liquidity shocks.

The Reserve Bank completed Phase 3 of the Culture and Conduct Risk Reform Programme, as the draft PSPS No.3 on the *Minimum Requirements for the Management of Culture and Conduct Risk for Supervised Entities* was issued for industry consultation in April 2023. The policy intends to embed a strong culture of responsibility and ethical behaviour within supervised entities, thereby promoting the prudential management and mitigation of integrity-related risks.

Work on the review of the BSPS No.1 on the *Capital Adequacy Requirements for Licensed Financial Institutions* is expected to continue in the next financial year, as the Reserve Bank assesses the feasibility of adopting the Basel III capital adequacy framework for Fiji's banking industry.

The draft revised Insurance Supervision Policy Statements (ISPS) 3A & 3B on the *Minimum Solvency Requirements for Licensed Insurance Companies*, continued to be under parallel implementation, as work on the revised insurance legislation

continues.

In May 2023, the Reserve Bank issued the Capital Markets Supervision Policy Statement (CMSPS) No.11 on *Minimum Requirements for Risk Management Framework of Licenced Capital Market Intermediaries in Fiji* for implementation, following the completion of industry consultation. The policy seeks to enhance the risk management function of capital market intermediaries.

The first round of industry consultation for the draft revised CMSPS No.5 on the *Minimum Requirements for Capital Raising through the Issue of Equity Securities* was completed during the year, while the first draft of the revised CMSPS No.4 on the *Minimum Requirements for Capital Raising through the Issue of Debt Securities* is expected to be released for consultation in the next financial year. The policies aim to modernise the capital raising regime in Fiji, in line with legislative and global developments.

With the effecting of the NPS Act 2021 and the NPS Regulations 2022 in September 2022, the Reserve Bank has initiated its policy development programme to govern the conduct of players within the Payment System industry. Key policies, such as the Risk Management policy for the industry, are planned to be issued for industry consultation in the next financial year.

Moreover, in acknowledging the impacts of climate change on the stability of the financial system, the Reserve Bank facilitated two awareness sessions for its supervised entities on the requirements of the Climate Change Act 2021 in collaboration with the Government's Climate Change Division, to ensure

that there is a better understanding and appreciation of Fiji's legislative framework on climate change. The awareness sessions are preliminary steps towards developing a regulatory guidance on the management of climate-related financial risks by supervised institutions.

The Reserve Bank continued with its assessment of the implementation of the International Financial Reporting Standard (IFRS) 17 on Insurance Contracts, and the impact of the changes to the reporting requirements across the insurance industry. IFRS 17 is expected to improve the usefulness, transparency and cross-jurisdictional comparability of insurers' financial reports.

### **Legislation Review and Developments**

The review of the Insurance Act 1998 continued during the year, with the objective of ensuring that the regulatory framework for the insurance industry is aligned to developments in the insurance market and requirements of international standard setters. Industry consultation for the first revised draft of the proposed legislation is earmarked to be undertaken in the next financial year.

In terms of the credit union legislation reforms, the Reserve Bank anticipates the finalisation of the revised draft credit union bill in the next financial year, following a review by the Solicitor General's Office. The Reserve Bank then plans to raise awareness on the legislation amongst key stakeholders, prior to finalising a transition plan for its implementation.

### **Licensing**

To ensure that persons seeking to carry out a licensed or registered business activity are of acceptable standards, the Reserve Bank

assesses applications against approved minimum requirements.

The Reserve Bank continued with its annual licence and registration of existing commercial banks, credit institutions insurance companies, insurance intermediaries, foreign exchange dealers, securities exchange, managed investment schemes (MIS), stockbrokers, investment advisers, credit information providers and credit report recipients.

Subsequent to the implementation of the NPS Act 2021 and NPS Regulations 2022 in September 2022, the Reserve Bank issued five licences to payment service providers upon satisfactorily meeting the licensing requirements and transitional arrangements.

A new application to conduct business as a general insurance company was also received during the year, with the assessment expected to be completed in the next financial year.

In November 2022, the Reserve Bank registered the disclosure document for the offer of \$30.0 million wholesale corporate bonds by Fijian Holdings Limited, the first bond to be registered under the Companies (Wholesale Corporate Bonds) Regulations 2021.

### **Prudential Supervision**

The Reserve Bank's supervision function prepared 234 offsite examination reports, conducted 281 supervisory assessments, and convened 213 prudential consultations/meetings.

22 onsite examinations were conducted on the supervised entities during the year, and a report with recommendations was provided to each institution. Periodic updates on the implementation of the



recommendations will be provided to the Reserve Bank in the new financial year.

### Macroprudential Surveillance

The Reserve Bank's 2022 Financial Stability Review (FSR) highlighted a better-than-expected rebound in the Fijian economy, largely underpinned by higher visitor arrivals due to the resumption of international travel, and the easing of COVID-19 restrictions.

Nonetheless, downside risks remained, as advanced economies continue aggressive interest rate hikes to rein in inflation, geopolitical tensions, flaring concerns on debt distress and a return of financial market volatility.

Notwithstanding the improvement in the NPLs ratio and credit growth in the year to June 2023, credit risk remains under closer monitoring noting that the NPLs level still remain above pre-pandemic levels.

### The Fijian Financial System

The number of financial system players remained relatively unchanged over the review year. However, following the implementation of the NPS Act 2021, the Reserve Bank has licensed five payment service providers. Other new financial system entrants included the registration of five CIPs<sup>12</sup> and CRRs<sup>13</sup> and 16 MIS representatives (Table 5).

### Gross Assets of the Financial System

Total financial system assets grew by 8.6 percent over the year to \$28.7 billion in June 2023, underpinned by expansions registered by commercial banks, the FNPF and the insurance industry (Table 6). In terms of composition, the banking industry continued to dominate the financial system, encompassing 51.8 percent of financial system gross assets, followed by the FNPF at 33.5 percent, and the insurance industry at 9.0 percent.

Key trends in the capital markets noted an increase for stock market capitalisation by 1.9 percent coupled with the increase in MIS funds under management and outstanding bonds by 25.0 percent and 6.9 percent, respectively (Table 7).

### Commercial Banks

The commercial banking industry continued to perform positively in the review year, amidst prevailing low interest rates, with satisfactory capital, earnings and liquidity positions, while asset quality was rated marginal as at 30 June 2023.

Commercial banks' total assets grew by 7.5 percent to \$14.1 billion over the year, underpinned by the increase in loans and advances by \$705.9 million, balances due from the Reserve Bank by \$186.1 million, and balances due from banks by \$122.1 million (Figure 13).

Loans and advances of commercial banks increased by 9.3 percent

30

**Table 5: Licensed Financial Entities including Branches/Agencies (Number)**

	2020	2021	Jun 2022	Dec 2022	Jun 2023
Commercial Banks	6	6	6	6	6
- Branches	62	62	62	62	62
- Agencies and Agent Banking	133	126	126	126	123
- ATM	337	324	324	324	320
- EFTPOS	6,005	6,771	7,116	7,472	7,734
Credit Institutions	4	4	4	4	4
- Branches	19	19	19	19	20
- Agencies	0	0	0	0	0
Life Insurance Companies	2	2	2	2	2
General Insurance Companies	7	7	7	7	7
Insurance Brokers	5	5	5	5	5
Insurance Agents <sup>1</sup>	581	562	645	650	596
Foreign Exchange Dealers	9	10	9	9	9
Money Changers	1	0	0	0	0
Securities Exchange	1	1	1	1	1
Managed Investment Schemes (MIS)	2	2	2	2	2
Investment Advisers	10	10	9	10	10
Stock Brokers/Dealers	3	3	3	3	3
MIS Representatives	15	21	18	26	34
Stock Broker/Dealer Representatives	13	12	13	9	9
Investment Adviser Representatives	20	19	18	17	17
Credit Reporting Agency	1	1	1	1	1
Credit Information Provider and Credit Information Recipient	2	4	11	9	16
Payment Service Providers	0	0	0	2	5

<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>12</sup> CIP- Credit Information Provider.

<sup>13</sup> CRR – Credit Report Recipient.

234

Offsite review reports

213

Prudential consultations/meetings

8.6%

Fijian financial system growth

to \$8.3 billion, continuing with its growth momentum and akin to the Fijian economic recovery path. The sectors that largely contributed to the growth in lending included private sector business entities and private individuals.

Lending to private individuals, wholesale, retail, hotels and restaurants and real estate sectors continued to dominate commercial banks' lending portfolio for the review year, accounting for 27.6 percent, 20.4 percent and 19.9 percent, respectively.

Commercial banks' total deposits, increased by 7.7 percent to \$10.8 billion over the review period, attributed to demand deposits and time deposits which grew by \$0.7 billion and \$42.5 million, respectively. Savings deposits however, declined by \$9.6 million over the year (Figure 14).

Commercial banks continued to be compliant with the minimum capital adequacy requirement of

12.0 percent, reporting a combined average capital adequacy ratio of 19.6 percent as at 30 June 2023.

The commercial banking industry's classified exposures reduced by 17.6 percent to \$504.0 million as at 30 June 2023, leading to an improvement in the classified exposures to gross loans ratio over the year from 8.1 percent to 6.1 percent (Figure 15). This is supported by economic recovery and positive business sentiments which is expected to improve debt servicing. However forecasted downside risks from inflationary pressures, may challenge these expectations.

In line with the improvement in asset quality, commercial banks' specific provisions declined by 8.6 percent to \$160.8 million, accounting for 31.9 percent of classified exposures (2022: 28.8%), while general reserves for credit losses represented 1.3 percent (2022: 1.2%) of net loans.

Combined loans in arrears for commercial banks reduced over

the year by 7.8 percent to \$490.7 million, dominated by the one to three months category.

Commercial banks' problem loans continued to be concentrated in private individuals (22.2%), wholesale, retail, hotels and restaurants (21.9%), real estate (19.8%), transport and storage (15.2%), building and construction (11.8%), professional and business services (3.8%) and manufacturing (2.8%) sectors.

Commercial banks' combined profit after tax for the first six months of 2023 stood at \$134.8 million when compared to \$141.8 million for the same period in 2022, as interest income declined (Table 8). The annualised efficiency ratio improved from 47.3 percent in 2022 to 44.4 percent, while return on assets remained at 1.9 percent (Table 9).

Interest spread for commercial banks grew marginally from 3.2 percent to 3.3 percent, based on the greater decline in the cost of funding liabilities compared to the earning assets (Figure 16).

**Table 6: Gross Assets of the Financial System (\$M)**

	2020	2021	Jun 2022r	Dec 2022	Jun 2023
<b>Regulated Financial Entities</b>					
Commercial Banks	10,669	12,228	13,132	13,482	14,117
Credit Institutions	802	760	722	717	745
Insurance Companies	2,052	2,280	2,335	2,471	2,576
FNPF	8,127	8,473	8,714	9,051	9,621
Insurance Brokers	64	64	64	70	70
Capital Markets <sup>1</sup>	393	424	453	546	568
NBFIs <sup>2</sup>	729	808	778	749	751
<b>Total</b>	<b>22,835</b>	<b>25,037</b>	<b>26,198</b>	<b>27,086</b>	<b>28,448</b>
<b>Non-Regulated Financial Entities</b>					
NBFIs <sup>3</sup>	232	214	213	211	237
<b>Total</b>	<b>232</b>	<b>214</b>	<b>213</b>	<b>211</b>	<b>237</b>
<b>Total Financial System<sup>4</sup></b>	<b>23,067</b>	<b>25,250</b>	<b>26,411</b>	<b>27,297</b>	<b>28,685</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

**Table 7: Composition of the Capital Markets (\$M)**

	2020	2021	Jun 2022	Dec 2022	Jun 2023
Equities Market <sup>1</sup>	3,469	3,144	3,195	3,135	3,255
Managed Investment Schemes <sup>2</sup>	376	404	432	521	540
Bonds Market <sup>3</sup>	5,032	5,540	5,655	5,817	6,047

<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



**7.5%**   
**Total Assets of  
 Commercial Banks**



Commercial banks' liquid assets increased by 2.1 percent to \$4.1 billion as at 30 June 2023, and comprised of exchange settlement account (60.4%), deposits with banks and at call (17.8%), investments (16.7%) and cash (5.1%).

**Credit Institutions**

The credit institutions industry's performance improved over the review period as a result of increased earnings, albeit asset quality still being rated as poor. The forecasted inflationary challenges are anticipated to impact loan repayments, thus risk to asset quality will remain in the medium term, however sustained by satisfactory capital, earnings and liquidity levels.

Following two consecutive years of contractions, total assets of the credit institutions industry expanded by 3.2 percent to \$745.4 million, attributed mainly to balances due from banks (30.6%) and loans and advances (2.6%) by \$38.9 million and \$12.9 million, respectively (Figure 17). The growth in loans and advances to

\$503.4 million was mostly driven by the private individuals, professional & business services and wholesale, retail, hotels & restaurants sectors.

Credit institutions' investments significantly reduced by 71.5 percent to \$14.4 million, due to maturities, and made up 1.9 percent (from 7.0%) of total assets, concentrated in government bonds. The decline in government bonds translated to the increase in the overall cash deposits with banks.

Credit institutions' deposits increased by 3.9 percent to \$417.4 million, attributed mainly to NBFIs<sup>14</sup>, and public enterprise sectors. Deposits were held mainly for private individuals at 37.5 percent, followed by private sector business entities at 29.9 percent.

The capital adequacy ratio of the credit institutions industry stood at 28.3 percent as at 30 June 2023, above the minimum capital adequacy requirement of 15.0 percent, slightly down from 30.7 percent in June

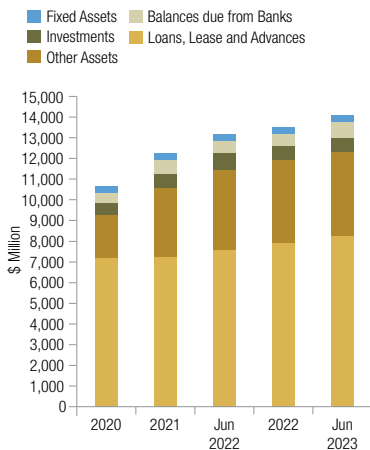
2022.

Past due loans for the credit institutions industry reduced by 29.7 percent to \$98.6 million (>1 month arrears). Correspondingly, the classified exposures to gross loans ratio declined significantly to 15.7 percent from 24.5 percent in June 2022. Classified exposures stood at \$79.2 million, denoting a decline of 34.1 percent from the comparable 2022 period.

Credit institutions' provisioning levels also declined by 27.1 percent as at June 2023, with individually and collectively assessed provisions recorded at \$30.9 million, adequately covering 39.0 percent (2022: 35.9%) of problem loans. General reserve for credit losses to net loans ratio was recorded at 0.6 percent for the same period.

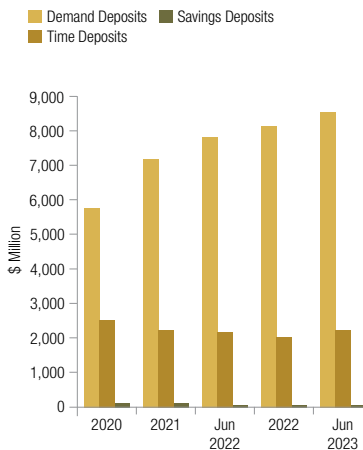
Return on assets increased from 5.1 percent to 6.8 percent, compared to June 2022, mainly due to improved net income coupled with lower bad debts and provisioning expenses

Figure 13: Commercial Banks' Assets



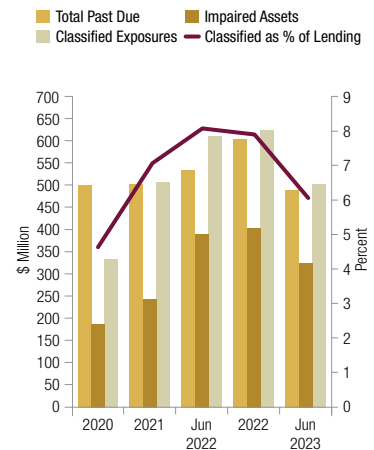
Source: Reserve Bank of Fiji

Figure 14: Commercial Banks' Deposits



Source: Reserve Bank of Fiji

Figure 15: Commercial Banks' Asset Quality



Source: Reserve Bank of Fiji

<sup>14</sup> NBFI – Non Bank Financial Institution.

(Table 10). The improvement in non-interest income was largely due to one-off revaluation of government securities held by one of the credit institutions. As a result, the efficiency ratio improved by 5.3 percentage points to 41.4 percent.

The liquidity position of credit institutions measured by aggregated core liquid assets stood at \$166.2 million, up by 30.6 percent from \$127.3 million, and represented 22.3 percent of total liabilities, compared to 17.6 percent in June 2022.

### The Insurance Industry

Both the life and general insurance sectors recorded solvency surpluses above the minimum required statutory levels, of \$495.9 million and \$157.3 million, respectively. Over the year,

the levels of solvency surplus also increased for both sectors as they grew by 2.3 percent and 5.0 percent, respectively.

Total assets of the insurance industry registered an increase of 10.3 percent to \$2.6 billion, for the period ending 30 June 2023. Life insurers' assets expanded by 9.5 percent to \$2.0 billion, underpinned by increases in government securities, shares in related persons and bank deposits. Total assets of general insurers also increased by 13.1 percent to \$587.8 million, owed to the growth in bank deposits, amounts due from reinsurers on outstanding claims and shares in related persons.

For the period ending 30 June 2023, net premium income of the insurance

industry increased over the year by 9.2 percent to \$383.0 million. Both the life and general insurance sectors recorded increases of 3.1 percent to \$198.5 million and 16.7 percent to \$184.5 million, respectively.

Combined net policy payments and net claims paid for the insurance industry stood at \$232.4 million, increasing by 11.8 percent over the review period. Whilst the life insurers' net policy payments declined by 3.3 percent to \$119.0 million, the net claims paid by general insurers increased by 33.9 percent to \$113.4 million.

The insurance brokers reported an increase in the number of offshore insurance placements in the review year ending 30 June 2023, having

**Table 8: Summary of Commercial Banks' Profitability (\$M)**

	2020 <sup>1</sup>	2021 <sup>1</sup>	Jun 2022 <sup>2</sup>	Dec 2022 <sup>1</sup>	Jun 2023 <sup>2</sup>
Interest Income	461.8	440.4	209.2	415.5	218.2
Interest Expense	149.5	102.9	35.7	65.4	25.1
<b>Net Interest Income</b>	<b>312.4</b>	<b>337.5</b>	<b>173.5</b>	<b>350.1</b>	<b>193.1</b>
Add: Non Interest Income	188.4	161.2	94.9	208.5	117.3
Income from Overseas Exchange Transactions	62.2	54.3	35.4	80.2	49.5
Commission	16.0	14.4	6.3	13.2	9.6
Fee Charges	62.0	56.4	37.3	79.3	38.6
Other Income	48.1	36.1	15.9	35.8	19.7
<b>Total Operating Income</b>	<b>500.8</b>	<b>498.8</b>	<b>268.4</b>	<b>558.6</b>	<b>310.4</b>
Less: Operating Expenses	271.4	267.4	127.0	264.5	137.7
Less: Bad Debts and Provisions	124.3	54.9	-31.1	-10.8	2.4
<b>Profit Before-Tax and Extraordinary Items</b>	<b>105.1</b>	<b>176.5</b>	<b>172.5</b>	<b>304.9</b>	<b>170.3</b>
Less: Tax	16.0	36.2	30.7	57.8	35.5
<b>Net Profit After-Tax</b>	<b>89.1</b>	<b>140.3</b>	<b>141.8</b>	<b>247.1</b>	<b>134.8</b>
Add/Less: Extraordinary Items	0	0	0	0	0
<b>Net Profit After-Tax and Extraordinary items</b>	<b>89.1</b>	<b>140.3</b>	<b>141.8</b>	<b>247.1</b>	<b>134.8</b>
<b>Average Assets</b>	<b>10,265.1</b>	<b>10,824.7</b>	<b>11,948.2</b>	<b>12,368.7</b>	<b>13,213.6</b>
After-Tax Return on Equity (%)	6.6	9.5	18.5	15.9	16.4
Efficiency (%)	54.2	53.6	47.3	47.4	44.4
Yield on Earning Assets (%)	5.1	4.6	1.9	3.8	1.9
Cost of Funding Liabilities (%)	1.7	1.1	0.3	0.6	0.2

<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

**Table 9: Commercial Banks' Profitability (% of Average Assets)**

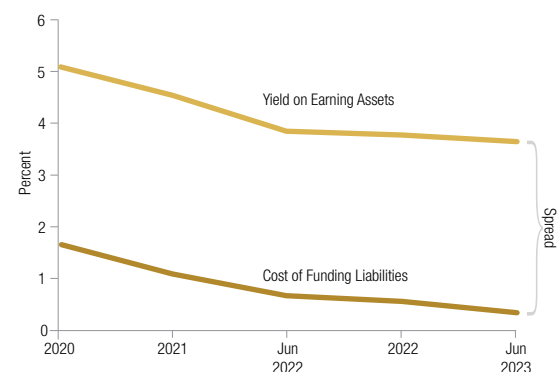
	2020 <sup>1</sup>	2021 <sup>1</sup>	Jun 2022 <sup>2</sup>	Dec 2022 <sup>1</sup>	Jun 2023 <sup>2</sup>
Net Interest Income	3.0	3.1	2.9	2.8	2.9
Charges for Bad & Doubtful Debts	1.2	0.5	-0.5	-0.1	0.0
Non-interest Income	1.8	1.5	1.6	1.7	1.8
Operating Expenses	2.6	2.5	2.1	2.1	2.1
<b>Net Profit Before-Tax</b>	<b>1.0</b>	<b>1.6</b>	<b>2.9</b>	<b>2.5</b>	<b>2.6</b>
<b>Net Profit After-Tax</b>	<b>0.9</b>	<b>1.3</b>	<b>2.4</b>	<b>2.0</b>	<b>2.0</b>

<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

**Figure 16: Commercial Banks' Annual Spread**



Source: Reserve Bank of Fiji

processed 1,301 applications valued at \$79.1 million (2022: \$70.9m) in premiums.

### The Fiji National Provident Fund

The FNPF is the single largest financial institution in Fiji, thus considered systemically important, and continued to be closely monitored.

Despite the prevailing economic environment and the limited local investment opportunities, the Fund declared an interest rate of 7.0 percent as at 30 June 2023 (2022: 6.0%), crediting a total of \$449.0 million (2022: \$370.3m) to approximately 405,000 members (2022: 392,175 members).

The Fund continued to meet the statutory solvency requirement of 110 percent, backed by the 125 percent risk-based capital coverage required under the FNPF Distribution Policy.

As at 30 June 2023, total assets of the Fund increased by 10.4 percent over the year, and accounted for 33.5 percent (or \$9.6b) of the total financial system assets. The growth in assets was largely attributed to the increase in equity investments, government securities, loans, term deposits and investment properties.

The contribution rate for compulsory members increased further from 12.0 percent in January 2022 to 14.0 percent in January 2023, as the Government continues to gradually

work toward the contribution rate of 18.0 percent (10% for employers and 8% for employees) by 2024.

### Capital Markets Industry Securities Exchange

The volume and value of shares traded on the SPX increased for the year ended 30 June 2023, following the additional quotation of shares by some of the listed companies as part of their dividend reinvestment scheme.

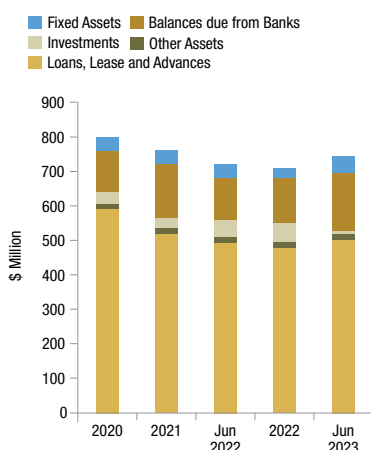
Market capitalisation stood at \$3.3 billion as at 30 June 2023, increasing from \$3.2 billion over the year (Figure 18). The growth in market capitalisation was attributed to the increases in the share price of two of the top five listed securities.



\$2.6b

### Combined Total Assets of Insurance Industry

Figure 17: Credit Institutions' Assets



Source: Reserve Bank of Fiji

Table 10: Summary of Credit Institutions' Profitability (\$M)

	2020 <sup>1</sup>	2021 <sup>1</sup>	Jun 2022 <sup>2</sup>	Dec 2022 <sup>1</sup>	Jun 2023 <sup>2</sup>
Interest Income	100.4	87.2	40.7	81.4	39.3
Interest Expense	28.8	23.4	8.8	16.7	7.5
<b>Net Interest Income</b>	<b>71.6</b>	<b>63.8</b>	<b>31.9</b>	<b>64.7</b>	<b>31.8</b>
Add: Non Interest Income	4.7	4.8	3.0	5.5	8.5
Commission	0.2	0.2	0.1	0.3	0.3
Fee Charges	3.4	2.7	2.3	3.9	1.1
Other Income	1.2	1.8	0.6	1.4	7.1
<b>Total Operating Income</b>	<b>76.3</b>	<b>68.6</b>	<b>34.9</b>	<b>70.2</b>	<b>40.3</b>
Less: Operating Expenses	28.1	26.7	16.3	32.3	16.7
Less: Bad debts and Provisions	31.6	24.2	1.2	4.2	0.9
<b>Profit Before-Tax</b>	<b>16.6</b>	<b>17.7</b>	<b>17.4</b>	<b>33.8</b>	<b>22.8</b>
Less: Tax	2.5	3.4	3.1	6.5	3.1
<b>Net Profit After-Tax</b>	<b>14.0</b>	<b>14.3</b>	<b>14.3</b>	<b>27.3</b>	<b>19.7</b>
Earning Assets	687.9	642.4	615.0	616.1	639.7
Cost of Funds	550.9	487.7	455.8	456.8	471.4
<b>Average Assets</b>	<b>765.6</b>	<b>734.0</b>	<b>680.3</b>	<b>673.7</b>	<b>668.2</b>
After-Tax Return on Equity (%)	10.3	10.0	19.4	18.3	26.9
Before Tax Return on Assets (%)	2.2	2.4	5.1	5.0	6.8
Efficiency (%)	36.8	38.9	46.7	46.0	41.4
Yield on Earning Assets (%)	14.2	12.8	6.5	13.0	6.3
Cost of Funding Liabilities (%)	5.0	4.5	1.9	3.6	1.6

<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



Furthermore, three other listed entities quoted additional shares on the SPX trading platform, as part of the execution of its dividend reinvestment plan.

The top five listed securities, in terms of market capitalisation, accounted for 74.4 percent of the stock market as at the end of June 2023. Amalgamated Telecom Holdings continued to dominate the stock market at 29.0 percent, followed by RB Patel Group Limited (14.8%), Vision Investment Limited (13.0%), Fijian Holdings Limited (8.8%) and Flour Mills of Fiji Foods Limited (8.7%).

In line with the increase in market capitalisation, the SPX Total Return Index, a measure of the stock market performance, increased by 3.9 percent over the year to 8,291.4 as at 30 June 2023.

There were 13 special crossing transactions conducted during the year for five listed securities, with a total volume of 3.1 million shares valued at \$12.4 million. Excluding the special crossing transactions, a total of 3.0 million shares valued at \$6.1

million were transacted through 2,703 trades, for the year ended 30 June 2023, compared to 2.4 million shares valued at \$4.1 million through 2,098 trades for the corresponding period in 2022 (Figure 19).

As at 30 June 2023, the stock market recorded a year-to-date average return of 2.2 percent, consisting of an average yield<sup>15</sup> of 2.3 percent and capital loss of 2.6 percent.

The average buy-to-sell order ratio as at 30 June 2023 stood at 1:20 relative to 1:33 in the corresponding period of 2022. The decrease in total shares on offer was largely underpinned by the partial execution of existing sell orders by four listed entities.

### Managed Investment Schemes (MIS)

The MIS recorded positive results during the year whereby the key performance indicators such as funds under management, investment portfolio, investment income, profitability and number of unitholders recorded an increase.

Funds under management of the MIS market significantly grew by 25.1 percent over the year (or

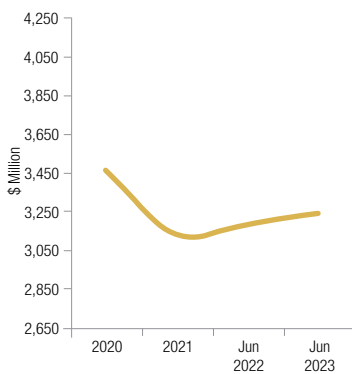
\$108.4m) to \$539.9 million as at 30 June 2023. The growth in funds under management was a result of increases in unitholders' funds and reserves by \$97.4 million and \$11.0 million, respectively.

Total investments of MIS stood at \$444.3 million, an increase of \$57.5 million from the prior year. Unlisted securities dominate the investment portfolio of MIS at 35.8 percent, followed by listed securities (33.9%), term deposits held with financial institutions (17.4%), bonds (8.7%), loans and receivables (3.6%) and property (0.7%).

The MIS recorded a combined net profit of \$15.9 million for the year ended 30 June 2023, an increase of 39.5 percent (or \$4.5m) from the corresponding period of 2022. The increase in net profit was a result of the higher increase in investment income of \$5.5 million, which outweighed the increase in investment expenses of \$1.0 million.

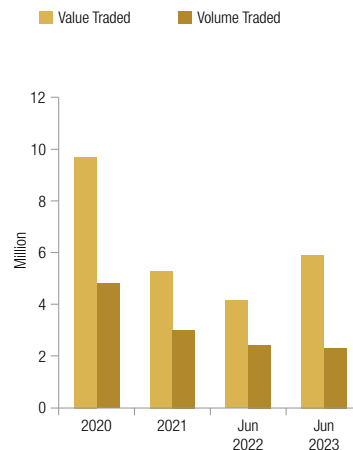
Liquid assets significantly grew by 81.0 percent (or \$79.5m) to \$177.5 million as at 30 June 2023, underpinned by the increases in cash on hand by \$50.0 million and

Figure 18: Market Capitalisation



Source: South Pacific Stock Exchange

Figure 19: Volume and Value of Shares Traded\*



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

Total Gross Assets of FNPF  
**33.5% (\$9.6b)**

of Total Financial System  
Assets as at 30 June 2022

**3.1%** 

Market capitalisation of  
listed securities

<sup>15</sup> Average dividend/interest yield as per the companies' financial year.

holdings of term deposits by \$29.5 million. Accordingly, the liquid assets to repurchases ratio improved from 11.1 times to 23.9 times as at 30 June 2023.

The number of unitholders in the MIS market significantly grew by 43.9 percent (or 27,954) to 91,685 as at 30 June 2023. Private individuals comprised 56.4 percent of total unitholders and 43.6 percent comprised institutions and other groups.

### Complaints Management

Complaints management is undertaken by the RBF, under its mandate to promote a sound financial system. Customers whose complaints are not satisfactorily resolved at the licensed financial institution (LFIs) level, may escalate their complaints to the RBF. During the year, the RBF processed a total of 55 complaints, of which 51 were resolved within the period. This reflects an annual increase of 1.9

percent of complaints escalated to the RBF when compared to the same period in 2021-22 FY.

There has been a marked improvement in efficiency in handling complaints in recent years, resulting in a reduction in the number of complaints carried forward into the next reporting period. Prior to last year, complaints were carried forward at an average of 19 complaints annually, compared to only 4 complaints carried forward into the 2022-23 FY. There were 55 new complaints, 8 of which were referrals from the Consumer Council of Fiji (CCoF) and the Fijian Competition and Consumer Commission (FCCC).

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 customers not being able to access their accounts as they had either become dormant due to inactivity

or accounts were frozen or closed due to non-compliance with the AML requirements. Complaints were also received relating to customer service (lack of response or miscommunication with the LFIs) and fees and charges. The insurance sector registered a notable decrease in complaints relating to all insurance products and services.

During the FY, the RBF held 37 meetings with complainants, LFIs and other partner organisations as part of its complaints resolution process. A review of the current five complaints management policies were undertaken and adopted as is. With the inclusion of the mobile money services under RBF's purview, a new complaints management policy will be issued to the mobile money operators in due course.

36



14.9% 

Investments (\$444.3m) as at 30 June 2023



43.9% 

Number of unitholders



55

New complaints in the 2022-23 FY

# CURRENCY

Under Sub-section 4(a) of the Reserve Bank of Fiji 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 Finance, Strategic Planning, National Development and Statistics.

## Currency in Circulation

As at 31 July 2023, total currency in circulation stood at \$1,015.8 million compared to \$973.4 million a year ago. The value of notes in circulation increased by 4.2 percent to \$941.5 million during the FY with the \$5, \$10 and \$100 denominations being the highest circulated notes (Table 11).

The value of coins in circulation increased by 5.8 percent to \$74.3

million during the financial year. The \$1 and \$2 coins registered a growth of 5.0 percent to \$18.9 million and 8.9 percent to \$22.1 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 2023, the cost of currency issued by the Bank increased by 27.8 percent to \$4.6 million (Table 12).

## Banking Transactions

For the FY ended 31 July 2023, the value of currency issued to commercial banks was \$1,060.5 million, of which \$1,055.8 million was in notes (Figure 20) and \$4.7 million in

Table 11: Notes and Coins in Circulation (\$M)<sup>16</sup>

Notes in Circulation			
Denomination	Jul 2021	Jul 2022	Jul 2023
50c	0.1	0.1	0.1
\$1	1.8	1.8	1.8
\$2	7.8	7.8	7.8
\$5	24.6	22.7	25.1
\$7	5.9	10.5	10.7
\$10	46.0	48.7	57.0
\$20	79.0	83.3	86.3
\$50	252.1	237.9	234.8
\$100	446.8	490.1	517.6
Pre-decimal Currency	0.3	0.3	0.3
<b>Total</b>	<b>864.4</b>	<b>903.2</b>	<b>941.5</b>
Coins in Circulation			
Denomination	Jul 2021	Jul 2022	Jul 2023
1c	1.3	1.3	1.3
2c	1.1	1.1	1.1
5c	5.2	5.4	5.7
10c	5.6	5.7	5.9
20c	7.9	8.1	8.5
50c	10.0	10.1	10.6
\$1	17.3	18.0	18.9
\$2	19.7	20.3	22.1
Pre-decimal Currency	0.2	0.2	0.2
<b>Total</b>	<b>68.3</b>	<b>70.2</b>	<b>74.3</b>
Notes & Coins in Circulation			
	Jul 2021	Jul 2022	Jul 2023
Notes	864.4	903.2	941.5
Coins	68.3	70.2	74.3
<b>Currency in Circulation</b>	<b>932.7</b>	<b>973.4</b>	<b>1,015.8</b>

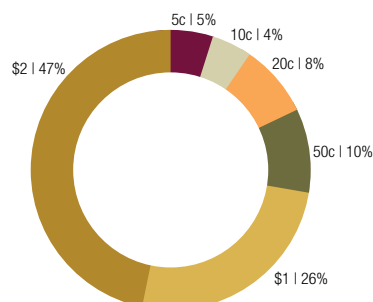
Source: Reserve Bank of Fiji

Table 12: Cost of Currency Issued (\$M)

	Aug 2020- Jul 2021	Aug 2021- Jul 2022	Aug 2022- Jul 2023
Notes	3.4	3.0	3.7
Coins	0.6	0.6	0.9
<b>Total</b>	<b>4.0</b>	<b>3.6</b>	<b>4.6</b>

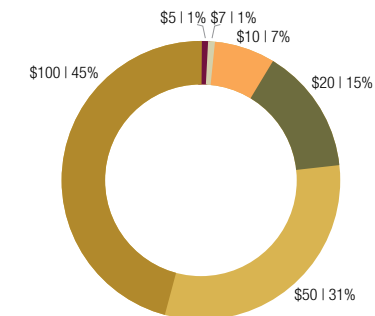
Source: Reserve Bank of Fiji

Figure 21: Coins Issued from August 2022 - July 2023 (Total Value: \$4.7m)



Source: Reserve Bank of Fiji

Figure 20: Notes Issued from August 2022 - July 2023 (Total Value: \$1,055.8m)



Source: Reserve Bank of Fiji

27.8% ↑

Cost of currency in the  
2022-23 FY

<sup>16</sup> A negligible volume of 50 cent, \$1 and \$2 banknotes issued previously, at less than 0.1 percent of the value of currency in circulation, is yet to be redeemed by the Bank.



coins (Figure 21).

The \$100 and \$50 notes issued continued to be the highest in value, driven by its increasing usage in automated teller machines.

The \$2 and \$1 coins issued continued to be the highest in value, 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 redeemed notes 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 2023, 26.9 million redeemed notes were processed, of which 6.0 million pieces were deemed fit for reissue

while the balance was considered unfit and subsequently destroyed (Table 13).

### Mutilated and Old Design Currency Assessments

A total of \$0.7 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 the total currency in circulation (Table 14).

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

Numismatics is a niche market involving the study and collection of currency and includes both notes and coins. The Bank's numismatic operations remain strong and at the end of this FY, the Bank has realised a notable \$2.0 million in numismatic income.

During the year, the Bank signed a number of agreements with partner mints for various new numismatic currency programmes along with the sale of existing silver and coloured coins, single, pairs and uncut note sheets including other collectible items.

38

Table 13: Notes Processed

	Aug 2021-Jul 2022		Aug 2022-Jul 2023	
	Value (\$M)	Pieces (Million)	Value (\$M)	Pieces (Million)
Notes Processed				
Notes Saved for Reissue	271.4	5.1	307.6	6.0
Notes Destroyed	721.6	21.3	705.6	20.9
<b>Total Processed</b>	<b>993.0</b>	<b>26.4</b>	<b>1,013.2</b>	<b>26.9</b>

Source: Reserve Bank of Fiji

Table 14: Counterfeit Note Summary

Denomination	Aug 2021-Jul 2022		Aug 2022-Jul 2023	
	Value (\$)	Number of Notes	Value (\$)	Number of Notes
\$5	5	1	-	-
\$7	-	-	-	-
\$10	30	3	-	-
\$20	60	3	40	2
\$50	900	18	900	18
\$100	500	5	4,600	46
<b>Total</b>	<b>1,495</b>	<b>30</b>	<b>5,540</b>	<b>66</b>

Source: Reserve Bank of Fiji

26.9m

Returned notes processed

\$1,060.5m

Value of currency issued to banks

\$2.0m

Numismatic currency income in the 2022-23 FY

# PAYMENT AND SETTLEMENT SYSTEMS

The Domestic payment and settlement landscape continued to deepen in the financial year, on account of technological innovations around payment activities. The RBF as the owner and operator of the payment systems in Fiji, has invested heavily in a payment infrastructure that will enable all the payment system participants to transact through a safe, secure, convenient, efficient and reliable system.

## Payments

The Domestic Payment system in Fiji is called FIJICLEAR and is a real-time gross settlement system that is owned and operated by the RBF. The system is designed to promote development, support financial stability, expand financial inclusion and provide secure, affordable and accessible services. The RBF has been working with development partners, commercial banks and other payment service providers to modernise the payment platform. Phase 1 of the upgraded payment system was implemented in November 2022, which has improved processes in meeting the expectations of the users for payments and electronic transactions in Fiji. The new system is also

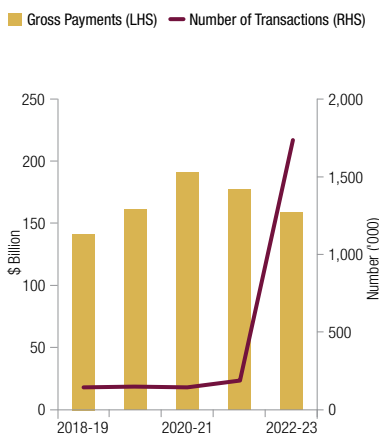
designed to enable transactions between different payment systems and players in the market.

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 accurate and timely settlement, through FIJICLEAR, of all coupon and redemption payments to investors of domestic bonds held in custody with the registry. FIJICLEAR is also the primary system, through which advances under the RBF's refinancing facilities are deployed into the financial system. This function has been upgraded with the introduction of the Central Securities Depository (CSD)

in November 2022, where the system stores securities in digital form.

The CSD allows securities to be held in accounts where the issuer may deposit them for an investor to hold and trade. CSD will enable securities to be transferred and settled in an efficient manner, as well as offer safekeeping services for investors and carry out asset-related services which include administration of interest payment and the redemption of securities and registrar services. The CSD provides security issuers and investors in Fiji with a modern, fast, and efficient way to do investments, make settlements, facilitate interest payments as well as keep track of their balances.

Figure 22: FIJICLEAR Transactions



Source: Reserve Bank of Fiji

Table 15: Monthly Average FIJICLEAR Transactions

Monthly Average*	2018	2019	2020	2021	2022	2023
Gross Payments (\$B)	9,455	11,900	13,450	15,990	14,760	13,224
Number of Transactions	11,015	12,297	12,495	12,332	16,297	142,330

\* Monthly average for financial year ending 31 July  
Source: Reserve Bank of Fiji

**32.2%**

**FIJICLEAR transactions recorded**

During the financial year, FIJICLEAR recorded 1,707,956 transactions valued at \$158.6 billion, representing an annual increase of 777.3 percent in volume while its value decreased by 10.4 percent over the same period (Figure 22). The upgraded RTGS system allows Participants to send internet banking transaction straight through from one Participant to another, which has resulted in the increase in volume of transaction. Whereas, value of transaction has declined due to the decrease in both customer and interbank payments for commercial banks and RBF.

Similarly, the monthly averages for FIJICLEAR operations saw an increase in the volume of transactions and a decline in gross payments (Table 15). The growth in activity over the year reflects the effect of upgraded National Payment System.

### Settlements

Settlement plays a key role as back-office support to the reserves management function of the Bank. Its core mission is the accurate and timely settlement of all foreign currency transactions. It accounts for all foreign currency trades on the Hi-Portfolio Investment Accounting System.

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

### Mobile Money Services

Fiji's two Mobile Network Operators, namely Vodafone Fiji and Digicel Fiji, continued to offer mobile money

services, M-PAiSA and MyCash, during the year. Both the volume and value of transactions showed increases over the year, driven by a number of factors including the roll out of new innovative products such as the Vodafone MasterCard. This is also attributed to an increased preference for contactless and digital payments with the expansion of agent outlets by both providers. Inward remittances continued to rise with Fijians sending money back home under the seasonal labour mobility schemes and skilled labour migration program. These three key drivers have supported the movements in statistics on mobile money activities mentioned below:

The total value of electronic money (e-money) in circulation increased by 0.5 percent to \$80.1 million in June of 2023 when compared to the same period in 2022. This is attributed to the use of other convenient payment methods by users. On the other hand, the number of registered mobile money accounts increased by 16.8 percent to 948,542 at the end of June 2023 when compared to the same period in 2022. The number of active mobile money users decreased by 4.6 percent to 454,092 in June 2023 when compared to the same period in 2022. Despite its decline, the number of active mobile money agents continued to increase by 44.4 percent to 706 at the end of June 2023.

- Customer deposits grew in value by 32.1 percent to \$97.5 million in June 2023 from \$73.8 million in June 2022. Similarly, the number of customer deposits rose by 9.5 percent to 691,727 in June 2023 from 631,428 transactions in June

2022. During the year, the value of person-to-person (P2P) transfers increased by 16.8 percent to \$326.7 million and the number of P2P transfers notably increased by 89.2 percent to 5.7 million transactions at the end of June 2023. The improved outcomes is underpinned by customers increased trust in the mobile wallet as a store of value.

- International inward remittances via the mobile money channel continued to gain momentum during the year. For the past 12 months ending at 30 June 2023, the total number of inward remittance transactions accelerated by 55.8 percent to 489,046 valued at \$111.2 million, a growth of 47.6 percent when compared to the same period in 2022. Major source markets for mobile money remittances include Australia, the US, the UK and NZ.
- The Fijian Government's regulated public transport fare payment system, e-Transport continues to operate on Vodafone Fiji's M-PAiSA platform. For the 12-month period ending June 2023, over 679,305 top-up transactions were recorded valued at \$71.7 million. When compared to the same period in 2022, the value of top-up transactions decreased by 1.3 percent whereas the number of top-up transactions increased by 9.8 percent. The improved outcome in the former is attributed to the return to normalcy in business, school, cultural and religious activities during the review period.



## National Payment System Reform

In September 2019, the RBF embarked on the NPS Reform journey. In the course of this journey spanning over 36 months, we have successfully achieved some of the major milestones for the project. This joint project continues with the RBF at the helm, working in close collaboration with the Government of Fiji and World Bank/International Finance Corporation. The broad objectives of the reform is to provide a seamless payment experience to the people of Fiji, as well as to promote investment and innovation opportunities across several of the domestic/economic sectors.

The reform was driven by the growing demand for the modernisation of payment system in Fiji. Stemming from the race to digitisation experienced over the last two years and the need for recovery from the pandemic, our small island economy needed to step up efforts in this space, in order to stay competitive in the global market, foster economic development and safeguard financial stability while supporting financial inclusion initiatives. While doing so, the provision of a safe, secure, reliable, accessible, affordable and efficient payment system remains a key strategic goal for the RBF.

Since the commencement of the reform, we have been working progressively towards a set of planned project milestones. Subsequent to the development of the Legal Framework, culminating with passing of the National Payment System Act in Parliament, in February 2021 and associated regulations and Act being effective in September 2022, the RBF commenced working on the ICT Infrastructure starting with the launch of the first phase in November 2022. In this first phase, the RBF made the transition to an upgraded Real Time Gross Settlement System (RTGS), which was initially put in place in 2007 and also introduced the new CSD for the country.

The second phase of the project is expected to Go Live, in which an Automated Clearing House (ACH) will be implemented by the RBF, catering for Bulk Payments and Instant Fund Transfer functionalities. The ACH will bring about enhanced efficiencies for not only Bulk Payments but also for other retail payments. One of the major developments for customers to look forward to in the second phase is the interoperability between the Commercial Banks and Mobile Wallet providers and the ability to carry out interbank transactions 24 x 7 up to a certain limit.

Over the last decade, the role of the RBF has transformed from not only being a regulator, operator and facilitator but towards creator and enabler of an environment for the structured development of the payment ecosystem in Fiji. Looking ahead in the longer term, the overall reform intends to create a holistic impact on the payment ecosystem in Fiji. As the payment system develops, the experience and acumen for payment system participants is expected to improve allowing financial and commercial activity to take place more efficiently and unimpededly. Businesses are expected to see efficiencies in operations on account of reduced cash handling costs, increased speed of operations, quicker and accurate payment processing and lower administration costs due to interoperability between payment system providers. This in turn will provide an even playing field for different kinds of players, hence leading to a decline in the perceptions of payments infrastructure being a barrier to doing business and living in Fiji.

Culminating from the numerous reforms within the National Payment Regulations, end-users are expected to experience a greater variety of products that are more accessible through interoperability between payment service providers (both banks and MNOs), reduced costs driven by competitive products in the market and greater efficiency of payment processes, reduced time-to-market, less reliance on cash, potential for more entrants within the PSP space with more joining NPS over time. These will all aid in the financial inclusion at all levels including objectives of reaching the last mile and lead to removing barriers for living and doing business in Fiji. This aims to ultimately provide the qualitative evidence on the impact of an improved payment system on our people's lives and welfare.

Bolstered by the RBF's ongoing efforts in the Regulatory Sandbox space, there are several initiatives that are expected to drive a gradual increase in the numbers and the types of products/services offered by different payment system players, including innovative products for remittances and foreign exchange transactions.

The steps taken so far towards creating enhanced outreach, customer centricity and digital deepening go hand-in-hand with consumer protection, managing cybersecurity and augmented through the pillars of integrity, inclusion and innovation. Collectively, these measures are expected to propel Fiji's payment system further to reach its potential.



Former Governor Whiteside receiving the inaugural Maya Declaration Award, 2013

## 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.



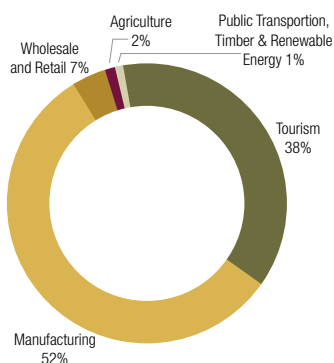
## RBF Facilities

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

During the year, the Reserve Bank continued to provide concessional lending to eligible businesses under the ISEFF, disbursing \$90.8 million to 32 businesses compared to \$333.6 million to 63 businesses in the previous year. The ISEFF allocation was increased from \$200 million to \$500 million during COVID-19 to meet the demand for assistance by eligible businesses.

Total outstanding loans under the facility significantly increased during the year to \$480.2 million at the end of July (Figure 23). The funds disbursed were mainly for export financing, followed by lending to import substitution-related businesses and public transport. The uptake by the manufacturing sector was the largest in value terms, followed by tourism, wholesale and distribution, agriculture, public transportation, timber, and renewable energy sectors.

**Figure 23: ISEFF Outstanding Loans by Sector as at 31 July 2023**



Outstanding Loans: \$480.2 Million  
Approved Loans Pending Drawdown: \$15.7 Million

Source: Reserve Bank of Fiji

### 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, Government committed \$9.0 million towards the scheme, which is accessible to commercial banks, licensed credit institutions and the Fiji Development Bank.

At the end of July 2023, a total of 257 business loans valued at \$9.6 million were covered under the scheme. From these registered loans, the Reserve Bank has paid out loss claims totalling \$0.48 million to 41 defaulted businesses. Of this payout, \$0.12 million for five defaulted businesses was paid out in the 2022-23 FY, compared to \$0.06 million for 11 defaulted businesses in the previous year.

### Disaster Rehabilitation and Containment Facility (DRCF)

#### a) Standard Facility

On the back of the strong

performance of the Fiji economy, lending under DRCF declined to \$28.8 million for 19 loans during the year, compared to 48 loans (\$234.7m) in the previous year. At the end of the 2022-23 FY, the total outstanding loans under the facility was \$345.2 million against a total allocation of \$350.0 million compared to \$338.2 million outstanding in the preceding financial year (Figure 24).

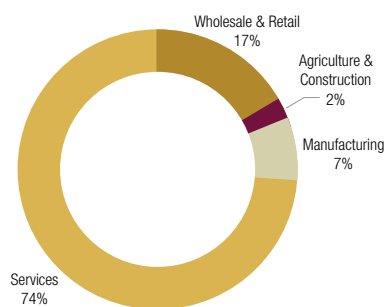
#### b) Enhanced Facility (Government Guaranteed)

The applications received and processed declined during the financial year, signifying lesser demand for funding as most businesses continued to recover from the impact of the COVID-19 pandemic.

During the 2022-23 FY, loans totalling \$6.0 million were disbursed to 144 businesses, while \$0.75 million was pending drawdown at the end of July (Table 16).

Under the scheme, interest payments for the first two years are subsidised

**Figure 24: DRCF Outstanding Loans by Sector as at 31 July 2023**



Outstanding Loans: \$345.2 Million  
Approved Loans Pending Drawdown: \$0.2 Million

Source: Reserve Bank of Fiji

**Table 16: DRCF Enhanced Facility**

Business Size	Outstanding		Pending Drawdown		Repaid	
	No.	Loan Value (\$m)	No.	Loan Value (\$m)	No.	Loan Value (\$m)
Micro	2,572	18.19	-	-	53	0.36
Small	1,775	25.09	6	0.12	53	0.84
Medium	740	31.72	7	0.33	44	1.87
Large	498	44.48	3	0.30	41	3.41
<b>Total</b>	<b>5,585</b>	<b>117.22</b>	<b>16</b>	<b>0.75</b>	<b>191</b>	<b>6.47</b>

Source: Reserve Bank of Fiji

**Table 17: MSMEs Tiered Guarantee Structure**

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



by the Government. In addition, to ease collateral requirements for MSMEs, a tiered guarantee structure was implemented, as tabulated in Table 17.

The Government paid out \$4.7 million in interest subsidies to seven lending institutions during the financial year. The Government interest subsidy under this scheme ended on 16 February 2023.

On the back of the strong recovery noted in the economy, the RBF scaled back on all assistance rolled out to support with COVID-19 recovery. At the end of the 2022-23 FY, lending from the DRCF (standard and enhanced) ceased, and ISEFF was suspended until further notice.

### Housing Facility

The RBF continued to provide concessional funding under the Housing Facility for low-income earners.

During the year, a total of \$27.6 million was disbursed from the facility to assist 318 households to own their first home. Since its inception, the scheme has assisted 1,331 first homeowners. At the end of 2022-23 FY, \$85.5 million was outstanding for 1,317 first homeowners from the total allocation of \$100.0 million. Meanwhile, \$0.7 million was pending drawdown for 10 first homeowners, leaving \$13.8 million available for further 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 2023 stood at \$66.0

million for over 400 investors.

In the secondary market, Viti bonds continued to be traded amongst retail investors and the Reserve Bank, whereby 58 parcels of Viti bonds valued at \$1.4 million were transacted, compared to 55 parcels of Viti bonds valued at \$1.5 million in the previous year. In addition, 21 parcels of Fiji Infrastructure Bonds were traded, valued at \$47.2 million.

### Secured Transactions Reform

Since 31 May 2019, the RBF has provided administrative and support services to clients on the Personal Property Securities Registry (PPSR), an online, publically searchable resource for notices of security interests.

In the twelve-month period ending 30 June 2023, the PPSR registered a total of 17,328 filings compared to 17,657 filings in the same period last year, a slight decline of 1.9 percent, or 329 filings. At the end of 30 June 2023, cumulative filings in the PPSR since inception surpassed 110,000. PPSR filings are currently registered by six commercial banks, four credit institutions, 12 NBFIs, eight car dealers, five hire-purchase companies; and 81 other registrants, including law firms, corporates and individuals. A majority of filings (35%) are made by banks, followed by credit institutions (26%).

The PPSR recorded over 280,000 searches since 31 May 2019 of which 90,938 were registered during the review period ending 30 June 2023, an increase of 25.2 percent from 72,629 searches in June 2022. In terms of gender, there are four times more male-only debtors than there are female-only debtors for notices of

security interests.

At its meeting on 27 April 2023, the RBF Board agreed to continue to bear all costs of the PPSR for a further three years to 31 May 2026. The decision was taken in consideration of the administrative burden associated with levying fees and the continued promotion of frictionless, fee-free filings on the PPSR. Prior to this, the Asian Development Bank Private Sector Development Initiative (ADB PSDI) had fully supported the PPSR in the first two years of operation followed by the RBF's absorption of the on-going costs of the PPSR in the subsequent period until 31 May 2023.

The fee-free initiative is well aligned with the broader objective of the Secured Transactions Reform (STR) of supporting MSMEs access to finance. The RBF had commenced and advanced efforts into Phases III and IV of the STR, which involves promoting the development of new products that will leverage the legal framework provided by the Personal Property Securities Act 2017 and measure the impact through cutting edge research with the technical assistance of the ADB PSDI.

Phase III is currently aimed at engaging banks and NBFIs to develop new or modified lending products that can leverage the established STR framework which supports new lending products secured by personal property, or more generally, moveable assets. Following this, Phase IV will involve randomised controlled trials, a research methodology used to observe the effects of the uptake on the product on a sample of MSMEs to be surveyed in conjunction with

the FBoS. The completion of Phase IV will depend on the success of the availability of products of the preceding phase.

### MSME Development

Improving MSME access to finance forms one of the four key pillars under the National Financial Inclusion Strategy 2022-30 (NFIS) and the work being carried out complements ongoing initiatives that the RBF introduced during the 2022-23 financial year.

The RBF is committed in continuing its collaboration with the Government and stakeholders on developing the MSME sector, especially in the activities under the MSME Finance pillar in the NFIS 2022-30.

During the year, the RBF extended the VitiKart Subsidy Scheme to include other e-commerce aggregators. This initiative is expected to support more MSMEs that are currently utilising the various e-commerce platforms and to encourage more MSMEs to digitise. Additionally, the RBF partnered with the Fiji Commerce and Employers Federation's Fiji Enterprise Engine (FEE) accelerator program in subsidising the registration costs of 30 MSMEs in its 2023 cohort. FEE offers relevant business training conducted by local business coaches and trainers across a range of disciplines specifically for MSMEs. This is RBF's commitment in building capacity for MSMEs.

### FinTech Regulatory Sandbox

The RBF continued to work collaboratively with eligible private sector players in the development of new, technologically-driven financial services (known as FinTech) under a test-and-learn approach defined by the Financial Sector Development Policy No. 2: FinTech Regulatory Sandbox (Sandbox) Guidelines.

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.

During the financial year, the RBF facilitated testing of four solutions within the experimentation stage wherein entities are permitted to engage live consumers under a controlled pilot setting defined by parameters and conditions that are collaboratively agreed to.

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 terminals and e-commerce websites; a prepaid, non-reloadable gift card offered over-the-counter in fixed denominations for use on another international card payment network; and a mobile wallet with personal financial management tools.

Following experimentation, the RBF also facilitated exit and transition, marking the final stage of the Sandbox process whereby entities are advised the outcomes of testing and guided through licensing and supervisory requirements where applicable, prior to wider commercial deployment. A review of the Sandbox is planned for the forthcoming financial year.

### Financial Inclusion NFIS 2022-30

Fiji's third NFIS 2022-30, launched in May last year, guides the financial inclusion development work for Fiji and is a product of extensive stakeholder consultations with the

financial, private and public sectors, civil society organisations and development partners. Aligned to the United Nations SDGs, the NFIS sets targets and measures of progress for each of the priority areas.

A set of Financial Inclusion Indicators were developed based on international and regional standards for benchmarking and tracking the progress of financial inclusion initiatives under the NFIS 2022-30. The indicators primarily focus on three dimensions: access, usage and quality. High-level targets under the NFIS include:

1. Increasing percentage of population financially included to 90 percent by 2030;
2. Increasing percentage of women financially included to 85 percent by 2030;
3. Increasing percentage of population covered under an insurance policy to 50 percent by 2030; and
4. Increasing percentage of population making or receiving digital payments other than mobile money to 45 percent by 2030.

After 1 year of implementation, the NFIS progress under each target are detailed in Table 18 on the next page.

### National Financial Inclusion Taskforce (NFIT)

The implementation of the NFIS 2022-2030 is guided by the NFIT, a governing structure comprising private and public sector members, civil society organisations and development partners who represent various vulnerable target groups identified under the NFIS. It is supported by its four Working Groups (WGs): (i) Inclusive Finance; (ii) Digital Financial Services; (iii) MSME Finance; and (iv) Consumer Protection and Financial Capability. The WGs are chaired and comprise individuals

responsible for driving the financial inclusion work within their own organisations from the private and the public sector.

The NFIT met twice during the reporting period to kick start its new term following the launch of the NFIS 2022-2030 and to endorse the annual work plans of the WGs which included a portfolio of data gathering, development of toolkits and taxonomies, gender analysis of various products and services, activities to enhance digital financial services and strengthening awareness on financial and digital literacy. The work plans were designed specifically to address the barriers to full financial inclusion for vulnerable target groups identified in the NFIS.

During its second meeting in June 2023, the NFIT noted that remarkable progress has been made in advancing financial inclusion in Fiji:

- 86.9 percent of adults are financially included as at December 2022, surpassing the short-term NFIS target of reaching 86 percent by 2024;
- The gender gap has narrowed from 11.6 percentage points (pp) in 2021 to 10.2pp in 2022, in line with an improvement in women's financial inclusion from 78.1 percent to 81.7 percent over the same period; and
- The use of digital financial services (DFS) has exceeded its short-term targets largely attributed to the spike in digital payments during the post COVID-19 period. The share of adults engaging in digital payments (excluding mobile money), grew from 19.3 percent in 2019 (pre-pandemic) to 33.1 percent in December 2021, and further to 38.5 percent in 2022. This substantial growth has outpaced the NFIS short-term target of reaching 34 percent by 2024.

The WG Chairs also presented their Work Plan Progress Reports to the NFIT. Some key highlights included the following:

- Consumer Protection Policy for Financial Consumers – Release of a draft Policy for Fair Treatment and Protection of Financial Consumers for industry consultation on 2 June 2023. The policy is aimed at ensuring consumer protection and setting minimum market conduct requirements for financial institutions and is expected to come into effect on 1 January 2024.
- Gender Inclusive Finance Study – As recipient of a research award (Fletcher School Leadership Program for Financial Inclusion), a comprehensive assessment of the supply-side constraints faced by women and women-led MSMEs in accessing and utilising financial products & services will

**Table 18: NFIS Implementation Progress 2022-2023**

Indicators	Baseline (2020)	2021p	2022p	Short Term Target (2024)
1. % Adult population <b>financially included</b> (formal)	84	84.0	86.9	86
a. % Women financially included (formal)	78	78.1	81.7	80
b. % Youth financially included (formal)	71	68.6	68.7	75
2. % Adult population with a regulated <b>savings</b> account	5	1.7	1.6	TBD
3. % Adults with a regulated <b>credit</b> account	11	9.5	9.5	15
a. % Women with a regulated credit account	7	6.6	6.8	10
b. % Youth with a regulated credit account	9	7.7	7.4	12
4. % Adult population covered under an <b>insurance</b> policy	37	33	46.4	40
5. % Adult population with a <b>superannuation</b> account	71	70.4	63.6	73
6. % Adults with an <b>active mobile money</b> account	27	95.2	71.6	31
a. % Women with an active mobile money account	27	100	73.8	31
b. % Youths with an active mobile money account	23	86.4	62.5	30
7. % Adults making or receiving <b>digital payments</b> other than mobile money	30	33.1	38.5	34
a. % Women making or receiving digital payments other than mobile money	29	38.0	35.4	32
b. % Youth making or receiving digital payments other than mobile money	41	54.1	41.6	45
8. Number of DFS Transactions per account	22	23.2	28.7	30
9. Number of mobile money transactions per account	21	58.4	49.8	30
10. Share of MSME loans in business loans	14	17.7	15.5	16
11. % of complaints registered with LFI and resolved within 3 months.	95	94	97.9	98
12. % of children with savings account at a formal institution	4	7.7	7.7	8

Source: Reserve Bank of Fiji



be undertaken. Findings from this study will provide guidance on gender sensitive and targeted products & services for financial institutions.

- Stakeholder Engagement and Awareness – Active involvement of the diverse stakeholders has significantly contributed to efforts of the Taskforce in promoting financial inclusion. Specifically, collaboration with the iTaukei Affairs Board for collection of financial inclusion data for villages would provide a comprehensive understanding of financial needs of these communities.

### Financial Consumer Protection Policy

In June 2023, the RBF issued a draft Financial Sector Development Policy Statement No. 3 on Protection and Fair Treatment of Financial Consumers for stakeholder consultation. The draft Policy is designed to protect financial consumers, in particular vulnerable consumers from market failure caused by information asymmetry arising from an imbalance of power and resources between consumers and their financial service providers (FSPs). The Policy focuses on ensuring that existing and prospective financial consumers have access to fair and transparent information about financial products and services, and that they are able to make informed decisions about these products and services. The Policy also focuses on ensuring that FSPs act in the best interests of consumers who must be treated fairly at all stages of their relationship with the FSP.

### Disaggregated Data (DD) 2022

The Financial Sector Development Policy Statement, on the Minimum Requirements for the Provision of DD (Policy) was introduced in June 2019 to capture granular data from all regulated and supervised financial service providers (FSPs). The 2022 data marks the fifth year of DD reporting since its inception in 2019.

Overall, the aggregated data shows positive progress towards the NFIS 2022-2030 short-term targets for 2024, with the following indicators surpassing their targets:

- Proportion of adult population financially included increased by 3.7 percent (19,531), from 84.0 percent to 86.9 percent. The short term target is 86 percent by 2024;
- Share of adults making or receiving digital payments through internet banking increased from 33.1 percent to 38.5 percent in 2022. The short term target is 34 percent by 2024;
- Adults with an active mobile money account surpassed the 2024 target of 31 percent despite a decline of 23.7 percent from 95.2 percent to 71.6 percent in December 2022;
- Percentage of women with an active mobile money account decreased to 73.8 percent in 2022, but still surpassing the short term target of 31 percent;
- Percentage of adults covered under an insurance policy increased significantly from 33.0 percent in 2021 to 46.4 percent in 2022, surpassing the target of 40 percent by 2024.

Other remarkable progress were noted in the following areas:

- Women's financial inclusion increased from 78.1 percent to 81.7 percent, resulting in a slight narrowing of the gender gap from 11.6 percent in 2021 to 10.2 percent in 2022;
- Access to and usage of financial services at commercial banks and other FSPs continued to stabilise and is improving; and
- Easy access, affordability and convenience in the usage of mobile money, has led to a notable 216.4 percent increase in registered mobile money users receiving remittance in their wallets from 4.4 percent in 2021 to 13.6 percent in 2022.

Major progress has been achieved in overall financial inclusion, and further improvement is expected moving forward.

### 2022 AFI Global Policy Forum (GPF)

The 2022 AFI Global Policy Forum was held in the Dead Sea, Jordan from 5 – 8 September where members met each other in person, three years after the global pandemic. The meeting was co-hosted by the Alliance for Financial Inclusion (AFI) and the Central Bank of Jordan with the 2022 theme being *"Moving forward together: Towards a resilient, inclusive and sustainable future"*.

Members met to discuss the way forward as economies are being rebuilt following the economic shocks caused by the global pandemic.

The deliberations were part of the continued efforts by the AFI network to devise and implement smart, holistic and robust financial inclusion policies and regulations that increased inclusive and sustainable economic growth and encourages financial stability and integrity.

At the conclusion of the GPF, the Bangko Sentral Ng Pilipinas in Manila, Philippines was announced as the host of the 2023 GPF.

### **Pacific Islands Regional Initiative (PIRI)**

PIRI was formed in 2014 at the Global Policy Forum in Maputo, Mozambique and was officially launched in Dili, Timor Leste in 2015. PIRI is one

of the five regional initiatives of AFI aimed at strengthening regional cooperation in financial inclusion.

The 2023 PIRI meeting was hosted by the Central Bank of Seychelles, in the capital city of Victoria, from 26 – 29 June, 2023. Discussions focused on the many opportunities for advancing financial inclusion, the need for inclusive innovation and the key considerations for policymakers in building an inclusive financial system.

For the first time, AFI brought together the African Financial Inclusion Policy Initiative (AfPI) and PIRI in joint meetings. Day four of this event culminated in a high level leaders' roundtable discussion on the role of

central banks in fostering innovation for inclusiveness. PIRI 2024 will be hosted by the Reserve Bank of Fiji.

## RBF Maya Commitments

The RBF renewed its Alliance for Financial Inclusion (AFI) Maya Declaration Commitment in August 2022 for the period 2022-2027, aligning to key strategic priority areas under the NFIS 2022-2030 medium term goals.

The Maya Declaration is a global initiative for responsible and sustainable financial inclusion aimed at reducing poverty and ensuring financial stability for the benefit of all. Launched at the AFI Global Policy Forum 2011 in Riviera Maya, Mexico, it was the world's first commitment platform. It enabled developing and emerging AFI member economies to set measurable financial inclusion targets while recognising that country contexts differ and that externally imposed top-down targets and solutions rarely work. Therefore, each country has the freedom to determine their own bottom-up targets based on individual circumstances and policy priorities.

The new RBF Commitments focus on:

- Reducing the gender gap;
- Increasing women and youth's financial inclusion;
- Developing MSME data framework and base indicators;
- Promoting inclusive green finance;
- Repositioning Digital financial services; and
- Enhancing Consumer protection.

Commitment	Baseline	Target	Progress – 2022
1. Increase formal financial inclusion of adult population from 84% in 2021 to 88% by 2027.	84% [2021]	88% [2027]	<b>86.9%</b>
2. Increase women's formal accounts from 78% in 2021 to 83% by 2027.	78%	83%	<b>81.7%</b>
3. Increase youth formal accounts from 69% in 2021 to 80% in 2027.	69%	80%	<b>68.7%</b>
4. Develop framework for measuring SME contribution to GDP by 2025.	-	2025	<b>Work in Progress</b> with the Fiji Bureau of Statistics (FBOS) and MSME Fiji
5. Report on SME Base Set Indicators by 2023.	-	2023	<b>Work in Progress</b> by Q4 2023. Work is also underway to formulate a national definition of women-led MSMEs.
6. Develop IGF definitions or the national green taxonomy and the IGF Guideline by 2024.	-	2024	<b>Work in Progress</b> with International Finance Corporation.
7. Halve the financial inclusion gender gap in formal accounts by 2027 from 11.6% in 2021.	11.6%	6.0%	<b>10.2%</b>
8. Implement the Fintech Strategy for Fiji by 2024.	-	2024	<b>Work in Progress.</b>
9. Increase percentage of adults making or receiving digital payments from 33% in 2021 to 37% in 2027.	33%	37%	<b>38.5%</b>
10. Develop Market Conduct Policy and guidelines by December 2024.	-	2024	<b>Advanced.</b> The draft of the Financial Sector Development Policy Statement No. 3 on Protection and Fair Treatment of Financial Consumers as well as Guidelines for Equitable and Fair Treatment of Financial Consumers issued for industry comments. Approval expected in Q3 2023.





Former Governor Kubuabola with members of cabinet, October 1996

## MISSION

# PROVIDE PROACTIVE AND SOUND ADVICE TO GOVERNMENT

Policy advice to the Government is provided in many ways. During the 2022-23 FY, the Bank held several meetings to discuss matters 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, and 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 Finance, Strategic Planning, National Development & Statistics; Ministry of Commerce, Trade, Tourism and Transport; Office of the Prime Minister; Ministry for Public Works and Meteorological Services; FRCS; Investment Fiji and RBF. During the 2022-23 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 the 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 2023-24 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 that are now carried out through the CSD, which went live on 30 November 2022 and is housed at the Reserve Bank. All bond certificates are now dematerialised with all securities holdings information stored securely in electronic format in CSD.

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 2023, the RBF registry recorded a nominal value of \$6,002.4 million in bond holdings, compared to \$5,624.0 million in the same period in 2022 (Table 19). In the review period, the net issuance of Government bonds totalled \$421.5 million, which led to an increase in the value of outstanding bonds by 7.7 percent to \$5,905.4 million. However, the outstanding balance for statutory corporation bonds declined by 30.8 percent to \$97.0 million.

Total registry payments decreased by 20.4 percent to \$996.4 million at the

end of July 2023. The lower payments resulted from a net reduction in bond interest and redemption payments by \$135.6 million to \$593.9 million. The value of all types of bonds maturing in 2022-23 FY was lower compared to the previous year. Similar to bonds, Treasury bills redemptions declined by \$120.0 million to \$402.5 million.

Despite the increased demand for funding by the Government, yields continued to fall across all maturity spectrums (Figure 25). The decline in yields reflect the accommodative monetary policy stance throughout the 2022-23 FY and the higher level of liquidity in the financial system.

The Government continued to source funds through the issuance of Treasury bills to support its temporary financing needs. For the 2022-23 FY, Government's Treasury bills recorded total issuance of \$384.1 million and redemptions worth \$402.5 million (Table 20). The outstanding Treasury bills balance at the end of July 2023 stood at \$265.1 million compared to \$283.5 million in July 2022.

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.

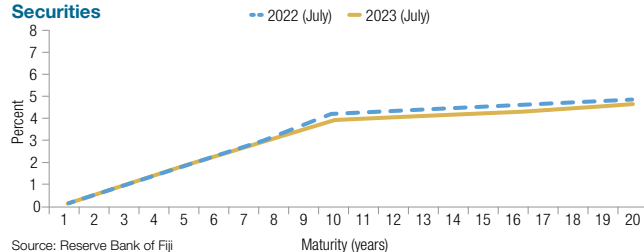
**Table 19: Outstanding Bonds as at 31 July 2023 (\$M)**

	Issued	Redeemed	Outstanding
Total Government	597.0	175.5	5,905.4
o/w Fiji Development Loan Bonds	-	55.7	1,026.1
o/w Fiji Infrastructure Bonds	587.0	94.0	4,643.3
o/w Fiji Green Bonds	-	20.0	80.0
o/w COVID-19 Response Bonds	-	-	90.0
o/w Viti Bonds	10.0	5.8	66.0
FDB	-	43.1	72.0
HA	10.0	10.0	25.0
<b>Total</b>	<b>607.0</b>	<b>228.6</b>	<b>6,002.4</b>

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

Source: Reserve Bank of Fiji

**Figure 25: Weighted Average Yields on Long-term Government Securities**



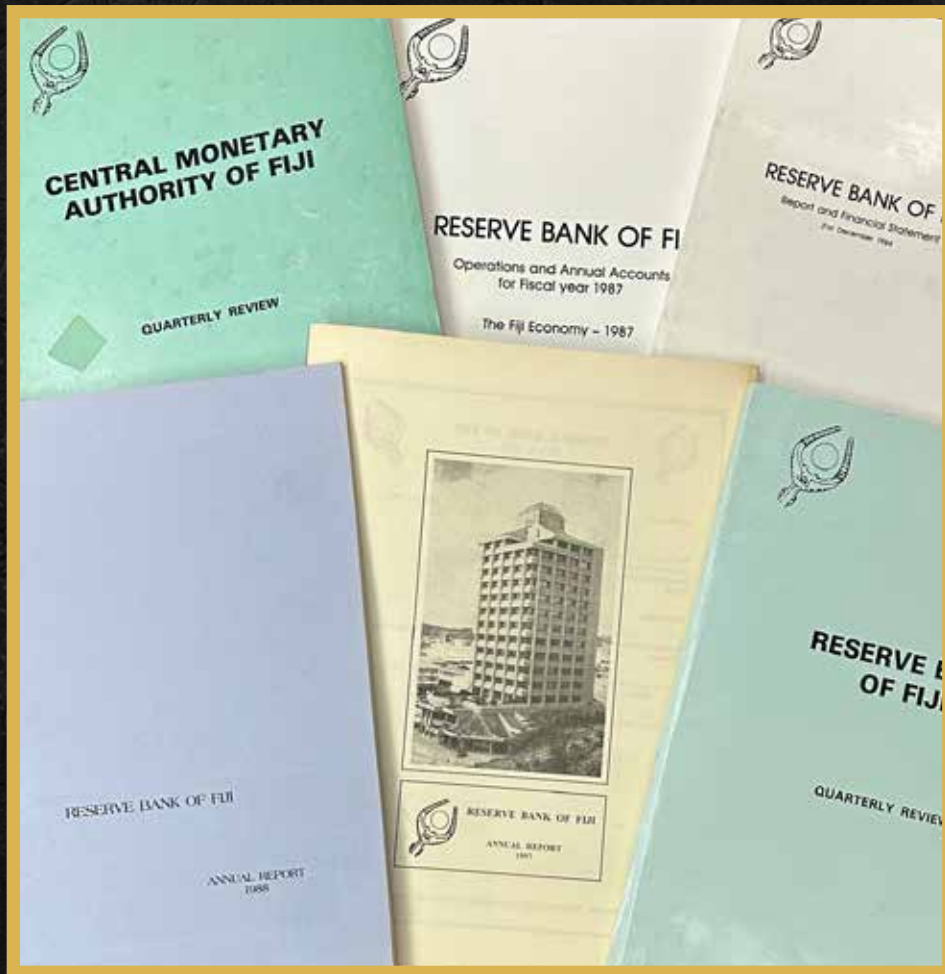
Source: Reserve Bank of Fiji

**Table 20: Treasury Bills (\$ Million)**

	Aug 2019 - Jul 2020	Aug 2020 - Jul 2021	Aug 2021 - Jul 2022	Aug 2022 - Jul 2023
Flotations	545.0	426.8	543.5	384.1
Allotments	401.7	392.6	532.5	384.1
Redemptions	439.5	388.8	522.5	402.5
Outstanding	269.7	273.5	283.5	265.1

Source: Reserve Bank of Fiji





Past RBF publications

## 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 social media.



## 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 2023, total income was \$147.2 million underpinned by high interest from foreign reserves held by the Bank and domestic interest income (Table 21).

### Expenditure

Total expenditure incurred during the FY was \$44.9 million (Figure 26). Administrative spending was \$23.5 million with staff costs representing the single largest operating expenditure for the Reserve Bank accounting for over 37.0 percent of total operating costs (Figure 27). Other expenses for the year totalled \$21.4 million.

### Assets and Liabilities

The Bank's total assets stood at \$5.6 billion as at 31 July 2023, representing a slight 1.1 percent

growth due to the increase in overseas Fixed Term Deposits, Financing Facilities and additional Special Drawings Rights' (SDR) allocation (Figure 28). On the liabilities side, the increase is mainly reflected in the build-up of the Statutory Reserve Deposits (SRDs) and Currency in Circulation.

### Operating Profit and Payment to Government

The operating profit for the year ended 31 July 2023 was \$102.2 million (Table 22). The Minister for Finance 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, 2023.

The Act also requires the Reserve Bank to transfer one-fifth of the RRA balance to Government, which amounted to \$2.1 million as at 31 July 2023. The amount transferred from the RRA was \$3.4 million in the previous financial period.

The Bank transferred \$103.4 million to the Government for the year ended 31 July 2023 compared to the \$44.4 million paid for the year ended 31 July 2022.

### Publications and Press Releases

Disseminating timely and quality information is one of the fundamental missions of the RBF. Consequently, communication assumes a pivotal role in the Bank's operations. The Corporate Communications unit coordinates both internal and external communication efforts, encompassing publications, press releases, media notes, website oversight, management of Facebook, LinkedIn and YouTube accounts, as well as addressing external inquiries and fostering media relations.

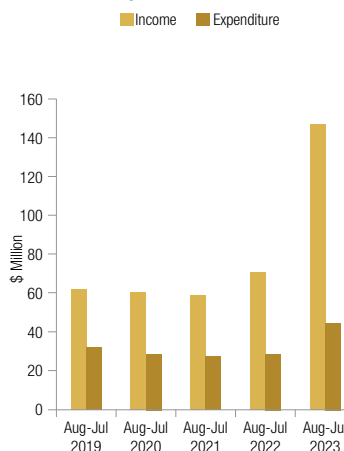
The Bank disseminates information through a range of publications, including annual reports, financial stability reports, monthly and quarterly economic reviews, monetary policy statements, and development plans outlining the Bank's role in fostering growth. Additionally, the Bank releases specialised newspaper

Table 21: RBF Foreign and Domestic Income (\$M)

	Aug 2019- Jul 2020	Aug 2020- Jul 2021	Aug 2021- Jul 2022	Aug 2022- Jul 2023
Foreign Interest Income	38.6	19.6	19.9	97.9
Domestic Interest Income	17.1	30.1	39.6	43.0
Other Income	4.1	9.1	11.4	6.3
<b>Total</b>	<b>59.8</b>	<b>58.8</b>	<b>70.9</b>	<b>147.2</b>

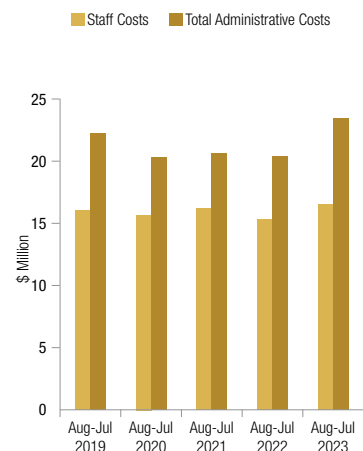
Source: Reserve Bank of Fiji

Figure 26: Total Income and Total Expenses



Source: Reserve Bank of Fiji

Figure 27: Operating Expenses by Type



Source: Reserve Bank of Fiji

articles on pertinent subjects, aimed at enhancing public understanding of its functions or addressing topics of interest

Throughout the year, the Bank unveiled the RBF Annual Report for August 2021 - July 2022, along with the 2022 Insurance Annual Report, both presented in Parliament on December 2, 2022. The release of the 2022 Financial Stability Report followed on March 1, 2023. The release of the 2022 Financial Inclusion Annual Report is anticipated later this year.

Tender results for Treasury bills and Government bonds were published on the Bank's official website, as well as on Bloomberg and Refinitiv platforms. Furthermore, the Bank's website hosted essential disclosure statements from commercial banks.

Over the financial year, the Reserve Bank issued 26 Press Releases and four Media Notes. These communications furnished media stakeholders with precise and prompt information, and facilitated accurate reporting to the public.

In response to consistent feedback from the media, the Bank maintained its practice of offering training sessions for media personnel on an as-needed basis. This ongoing engagement with the media contributes to the Bank's periodic assessment of its communications strategy, ensuring its effectiveness in meeting stakeholder needs and aligning with the Bank's objectives.

The Reserve Bank website continues to serve as the primary interface for the Bank's stakeholders, serving as a crucial repository of information. The Bank maintains active accounts on Facebook, LinkedIn and YouTube offering communication channels for stakeholders who opt for updates via social media platforms.

To effectively convey information to a broader audience in formats aligned with their preferences and to enhance external communications directed at enhancing public understanding of the economic and financial landscape, the Bank initiated the creation of visual summaries. These visual aids, including info-graphics,

are tailored for diverse segments of the public to facilitate greater awareness and comprehension.

### Records Management

The Bank uses Content Manager 10, an integrated Electronic Document Records Management System, for storing and retrieving indexed and digitised records.

The 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.

During the year, the Bank continued with the alignment and digitisation of records.

### Property Management and Security

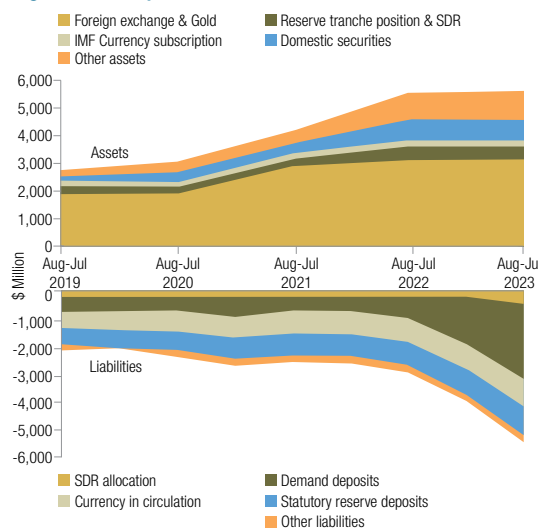
The Bank continued with building infrastructure projects to ensure compliance and safety of the building systems with the modification or replacement of services to enhance the building's operational efficiency.

**Table 22: RBF's Profit Payable to Government (\$M)**

	Aug 2019- Jul 2020	Aug 2020- Jul 2021	Aug 2021- Jul 2022	Aug 2022- Jul 2023
Operating Profit	30.1	31.7	42.0	102.2
Less				
Transfer to General Reserves	1.0	1.0	1.0	1.0
Balance Paid to Government	29.1	30.7	41.0	101.3
One-fifth of RRA	2.7	2.2	3.4	2.1
<b>Total Paid to Government</b>	<b>31.8</b>	<b>32.9</b>	<b>44.4</b>	<b>103.4</b>

Source: Reserve Bank of Fiji

**Figure 28: Composition of RBF's Balance Sheet**



Source: Reserve Bank of Fiji

The Bank ensured that the main RBF building, Domodomo House and the BRS were well maintained. Repairs and maintenance and modernisation programmes continued to ensure the efficient operation of all building systems. This was possible through contractual agreements with reputable vendors for fixed durations. The Bank commenced with the building upgrade project and started the replacement of the vertical transportation infrastructure. The new infrastructure is a modern and smart lift system that regenerates the kinetic movement of the lift to reduce power consumption.

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

## **Stakeholder engagement**

### **Domestic Relations**

Over the 2022-23 FY, the Reserve Bank continued to engage and conduct economic presentations to strengthen its relationship with stakeholders. The Governors and senior staff made presentations and submissions to the Fiscal Review Committee and Parliamentary Standing Committees. Submissions on the Personal Property Security Act 2017 was respectively made in May 2023 to the Standing Committee on Economic Affairs. The RBF Annual Report 2021-22 was tabled in Parliament on 27 March 2023.

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 social media, including the NFIT and PPSR websites that users can easily access.

The Reserve Bank continued its regular prudential consultations with supervised institutions in 2022-23 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.

The Reserve Bank undertook various industry visits around the country and made several presentations on the economy while it convened 23 industry meetings to discuss economic issues and provide economic briefs to the business community.

### **International Relations**

The Reserve Bank prioritises nurturing its international relationships and active involvement in pertinent global forums and initiatives. Throughout the financial year, the Bank engaged in these forums exclusively through online platforms.

Consistent interactions with multinational institutions, including the IMF, World Bank, and the Asian Development Bank (ADB), persisted throughout the year.

The Bank's presence was notable at the virtual annual meetings of the IMF and the World Bank in October 2022. Representation was extended to the 37th South Pacific Central Bank Governors' meeting in November 2022, the AFI Global Policy Forum in September 2022, and the 29th AFI Board of Directors Meeting in December 2022. Furthermore, an IMF Article IV Visit was conducted from March 8 to March 22, 2023.

The Bank's collaboration with Griffith University is ongoing. As part of its commitment to fostering a robust research culture, the Bank entered into a Memorandum of Agreement with the Asia-Pacific Applied Economics Association (APAEA). This agreement aims to strengthen research and policy development capabilities, with a specific emphasis on applied econometrics, economic growth and stability, financial market performance, and energy markets.

The Bank's collaboration with Griffith University and the Pacific Islands Centre for Development Policy and Research persisted, aimed at elevating the region's study group into a dedicated research center focused on central banking.

The review of the Insurance Act 1998 remained underway throughout the year. The primary goal is to align the regulatory framework for the insurance sector with evolving trends in the insurance market and the expectations of international standard-setting bodies. Industry engagement for the initial revised draft of the proposed legislation is scheduled for the upcoming financial year.

The Bank continued to be represented in various technical forums in the region and abroad, with participation spanning senior and technical levels. Additionally, the Bank hosted visits from foreign dignitaries, regional central banks, and collaborating agencies, aligning with efforts to meet our core mandates.



# RBF IN THE COMMUNITY

The Bank remains committed to fulfilling its corporate social responsibility by actively engaging with the community. Throughout the year, these engagements encompassed donations to various organisations, community outreach initiatives, and arrangements to facilitate school visits to the bank.

The subsequent section outlines the bank's community engagements for the year:

## Corporate Donations to Organisations

The following charitable organisations received contributions of \$1,500.00 each from the Bank in December 2022;

- Suva Special Education School
- Fiji Crippled Children's Society
- St. Christopher's Home
- Dilkusha Orphanage
- Fiji Disabled People's Association
- Fiji Society for the Blind
- Father Law Home
- Salvation Army
- Homes of Hope
- Foundation for the Education of Needy Children (Fiji) – FENC Fiji
- Fiji Association of the Deaf

Furthermore, the bank maintained its commitment to equipping both urban and rural schools with refurbished computers, a stride towards advancing financial inclusion. Notably, beneficiaries included the Fiji Society for the Blind, Davuilevu Methodist Primary School, Rukua Raviravi Primary School, Beqa Yanuca Secondary School, Sawau District School, Uluinakorovatu Primary School and Suva Christian Community School.

## Community Outreach

In terms of Community Outreach, the bank's QMT teams enthusiastically engaged in fundraising and generously contributed their time and resources to uplift disadvantaged individuals and vulnerable sectors within our communities.

Teams from the bank also made visitations to:

- Children's ward at CWM Hospital
- Saint Vince De Paul
- Homes of Hope
- Cash contributions was made to the Foundation of the Needy Children in Fiji

- Christmas hampers for less fortunate families
- Donating funds and stationeries to Vunaquru Kindergarten and Naqalimare primary school
- Care packages for needy families

## Participation in the Community

Throughout the year, RBF staff remained actively engaged in contributing to boards and committees established by the Government, international and regional organisations, school committees, religious and charitable entities, as well as professional associations.

In a demonstration of our commitment to SMEs, the Reserve Bank proudly sponsors the Services Award for the FDB SME Awards. Our dedication to the primary industries sector remains steadfast, as evidenced by our sponsorship of the 2022 Presidents Awards for Rice Farmers and the 2022 Presidents Award for Coconut Farmers.

The Bank's ongoing support extends to the sponsorship of the University of the South Pacific (USP) gold medal, awarded to recognise the exceptional achievement of the top graduate in Economics.

The RBF upheld its collaboration with the Fiji Broadcasting Corporation, culminating in the successful conclusion of Season 6 of the 'Noda i Lavo' TV program. This financial inclusion segment, conducted by the Reserve Bank in the i- Taukei vernacular, has been co-sponsored by UNCDF. Throughout the season, partner stakeholders engaged in discussions and awareness-building around affordable financial products and services. Over the past six years, the program has produced a total of 78 episodes, featuring a diverse range of guests. The program continues to receive overwhelmingly positive feedback, catalysing subsequent community-level financial literacy presentations and seminars. To amplify its outreach, the audio versions of 'Noda i Lavo' episodes are also broadcast on FBC Radio Fiji One station, serving the needs of residents in rural and maritime areas

In its efforts to build relationships across a broad spectrum of the community and gain first-hand insight into developments

across the country and issues affecting the business community, the Bank continues to devote resources to industry visits and meetings with individual businesses as well as business groups and associations. The Governor attends these meetings and also accompanies Bank officials on the onsite visits. External presentations included the following:

- TOPEX 2022 Conference;
- 23rd Attorney General's Conference;
- Australia Fiji Business Council;
- International Conference on Business, Hospitality and Tourism;
- South Pacific Governor's Meeting;
- Construction Industry Council;
- Fiji Korea Business Forum;
- Department of Foreign Affairs and Trade Australian Award Fellowship;
- i-Taukei Resource Owners forum Meeting;
- National Economic Summit;
- Tourism Stakeholder Summit;
- Leadership Fiji;
- Pacific Research Conference & Leaders' Forum;

The Bank participated in the activities of the Fiji Institute of Bankers (FIB) which included the Quiz Night, Seminar Series and Sports Day.

## School Visits

The RBF facilitated school visits as part of school's educational excursions, which not only enriches student's practical learning but also enables us to enhance awareness about RBF's role within the community. Throughout the year, the bank hosted visits from Nadi International School and Yasayasa Moala College, while our team also visited Suva Muslim Kindergarten and Ratu Kadavulevu School. These engagements with schools provide a valuable opportunity to connect with our prospective leaders and raise awareness about the pivotal role of Fiji's central bank. Additionally, RBF staff participated in the USP Career and Internship Fair 2022.



Former Governors Siwatibau, Kubuabola and Narube at the opening of the RBF Numismatic Centre, 26 April 2001



Former Governor Reddy at the official opening of the Business Resumption Site, 26 August 2010

## 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 has demonstrated a strong commitment to maintaining the highest standards of technology, security and innovation. The Bank continues to leverage technology to support the evolving needs of the financial industry and the broader economy.

The achievements of the past year reflect the Bank's dedication to ensuring the stability and efficiency of operations, while introducing advancements that align with the Bank's 2019-24 strategic goals. The Bank through its strategic objectives such as infrastructure enhancement, cybersecurity measures, digital transformation projects, internal software development and user support services not only fulfilled its operational responsibilities but also acted as a proactive enabler of the Bank's success in the digital transformation journey.

Some of the key innovations that went live during the FY were the Financial Institutions Online Complaints System and the integration of its Accounting systems to the RTGS for straight through processing of the Bank's payments. Additionally, eService projects targeting the online form for offshore insurance applications (Form D), Loans Management System and Numismatic E-commerce Platform are nearing completion.

The momentum and shift towards online meeting platforms has increased in popularity and enabled staff to collaborate with stakeholders to deliver key outcomes. The Bank has adopted hybrid cloud strategies to leverage the benefits of cloud technologies envisioning enhancements to productivity, user experience, analytics and insights. Akin to many organisations, the Bank has adopted Microsoft Office

365, Microsoft Teams, SharePoint and OneDrive as stepping stones in the cloud journey. Meeting rooms are now equipped to seamlessly integrate with Microsoft Office 365 and major video communication tools offering a comprehensive platform for instant connectivity, communication and productivity, fostering teamwork and adapting to modern ways of working, whether in-office or remote. Moreover, the implementation of data analytics tools has empowered and improved decision making through actionable insights. This will further foster data-driven strategies with the injection of cloud adoption and integrations.

The Bank is committed to raising the service management levels within the Bank with a more robust and user friendly helpdesk system. Subsequently, the helpdesk system incorporates multiple Information Technology Infrastructure Library (ITIL) practices such as incident, change, and asset management, working in tandem to ensure maximum availability of IT services. The introduction of a self-service portal will empower users to log incidents, requests for services or navigate solution articles to solve minor problems independently.

The Bank remains committed to investing in technology that is relevant and has embarked on the replacement of the existing core compute and storage infrastructure with an enterprise grade Hyper-Converged Infrastructure (HCI) which will strengthen the resilience, performance and availability of applications, data and services. Work on this will continue into the next FY.

The Bank continues to work towards enhancing the NPS with the implementation of the ACH, EFT and IFT modules<sup>17</sup> as Phase two. The

hardware and software components have been operating at optimal level to provide a scalable, reliable and resilient foundation for the new NPS modules. All the key stakeholders have been collaborating to rigorously test the straight through processing in compliance with ISO<sup>18</sup> message standards. This modern payment system offers a range of benefits that will enhance the efficiency, security, and accessibility of financial transactions for individuals and businesses, while also enabling more payment services and facilities for the economy. This phase will be completed in the new FY.

The security and integrity of digital assets remains a priority and the Bank will continue to invest in robust cybersecurity measures to safeguard sensitive financial data from evolving cyber threats. This includes regular penetration testing of the Bank's systems and strong security governance over new technology solutions that are implemented in the Bank's IT environment. Regular digital asset inventory and patch management together with a comprehensive security training for all staff provides a good safeguard mechanism for the Bank's data and reduces risk of unauthorised access or data breaches. The Bank has contracted cybersecurity professionals to provide Managed Detection and Response services on a 24 x 7 basis. The primary benefit is to identify and detect cybersecurity threats early. The tools, techniques, expertise and global intelligence continues to strengthen the Bank's security controls and deliver valuable insights of threat activity.

The agreement also includes the delivery of cybersecurity advisory, assessment and capability development services to strengthen cybersecurity policies which remains a

<sup>17</sup> Modules - Electronic Funds Transfer and Instant Funds Transfer.

<sup>18</sup> International Organisation for Standardisation.



priority focus for the Bank. This form of outsourcing model significantly reduces the operational costs associated with procuring specialised security software, hardware, security analysts, and alleviates staff burden of 24 x 7 monitoring. The Bank continues to strengthen data protection by implementing industry best practices and measures for the backup infrastructure to mitigate against emerging and advanced backup threats such as ransomware.

Continued simulation tests performed at the Bank's BRS with a highly resilient network infrastructure enables effective disaster preparedness and recovery. Part of the preparedness is expanding the BRS disaster capabilities to include the NPS and remote access services.

Recognising the dynamic nature of the IT landscape, the Bank invested in continuous training and development for its IT Team. Regular workshops, conferences, industry collaboration trainings, and knowledge-sharing sessions were organised to keep the Team updated on the latest technological advancements, best practices, and regulatory requirements. Furthermore, the Bank continues to ensure that employees are provided with the latest and relevant hardware and software technologies.

### **Risk Management**

The Bank places utmost importance on risk management across all its operations. A comprehensive risk management framework, consisting of policies and procedures, is being implemented to counter risks, while the Bank endeavors to keep abreast of emerging risks. The Bank's focus

is on managing risks that are directly associated with its core objectives of maintaining macroeconomic and financial stability.

The Bank proactively identifies emerging risks and applies measures to control them, ensuring system stability and protecting its core objectives. The management of foreign reserves is of paramount importance to safeguard the country's financial position, and therefore, investment strategies, benchmarks, and controls are regularly reviewed to stay aligned with the evolving operating landscape.

Apart from this, the Bank effectively manages liquidity, credit, and market risks, as well as operational risks that include information technology, cybersecurity and people & culture risks.

Senior management is responsible for consistently implementing and mitigating 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 help strengthen the risk culture and overall risk management in the Bank.

Throughout the 2022-23 FY, the Bank diligently continued its review of the Risk Management Framework, aiming to maintain alignment with the latest risk management practices and adapt to global and domestic developments. This included reviews to the Bank's policies on Social Media, AML and Sexual Harassment. In addition, the update of the Bank's risk registers continued.

The Bank's Risk Management Framework includes Incident Reporting as a crucial component. A well-defined reporting framework is established to promptly identify and report incidents, with continuous monitoring to ensure effective resolution. Moreover, whenever necessary, processes and internal controls undergo reviews to mitigate any arising risks. These inputs also contribute to the internal assurance process, where specific processes and areas of the Bank are thoroughly reviewed by the risk team and the findings and recommendations for improvement are shared. These are then added to the tracking register and updates on the progress of implementation are monitored and reported quarterly to the Risk and Business Continuity Management Committee and the Board Audit & Risk Committee.

The Bank's BRS serves as the contingency location for critical operations in the event of an emergency or disaster that renders the main building inaccessible or the systems inoperative. Essential functions like foreign reserves

management, finance management, settlements, and certain domestic market processes, including FIJICLEAR RTGS and CSD operations, are tested at this site.

To adhere to best practices, it is essential to regularly test Business Continuity Planning (BCP) procedures to ensure their effectiveness in emergency situations. Furthermore, emergency evacuation drills are conducted to increase awareness among staff and RBF building tenants about the proper emergency procedures.

The Risk Management and Communications Group (RMCG) is the Bank's second line of defence in risk management. Specifically, for foreign reserves management, the Middle Office operates independently from both the front and back offices. Its primary responsibility lies in monitoring and reporting on risks associated with the Bank's reserves management operations.

The Middle Office prepares compliance and performance reports, which are discussed in monthly Investment Committee meetings and subsequently reported to the Board.

The RMCG plays a vital role in safeguarding the Bank's interests

from legal risks. To mitigate these risks, the Group provides legal advice, provides advice on legal matters under consideration, reviews bank contracts, drafts of legal documents and handles litigation matters when required. The Team also monitors whether the Bank is aware of its statutory compliance, as well as, keeping track of changes in the legal landscape and provide advice for review of policies and procedures to align to the changes in the law. The Bank is also committed to strengthening the Anti-Corruption Framework, which was collaboratively developed with the Fiji Independent Commission Against Corruption (FICAC) since 2018.

Furthermore, the Group also actively participated in FICAC's Anti-bribery workshop, demonstrating its commitment to combating unethical practices in the public sector. Notably, there were no active litigations against the Bank during the year and the Bank assisted law enforcement agencies when required to provide evidence in various litigation cases.

The internal audit function, serving as the third line of defence, remained committed to providing independent assessments to ensure

effective risk oversight within the Bank. To enhance the efficiency and objectivity of internal audits, the Bank has outsourced this function to an external firm. Moreover, the internal assurance function complements the internal audit by offering additional assurance to management concerning the effectiveness of existing controls. This multi-layered approach reinforces the Bank's commitment to robust risk management practices.

Areas for expansion, highlighted by both internal and external audits, are addressed as appropriate and become an integral part of the RMCG's monitoring and reporting to the BARC. The Bank's commitment to continuous improvement extends to the involvement of the Board, the Board Audit and Risk Committee, the Board Governance Committee, and the Risk and Business Continuity Management Committee. These Committees actively contribute to reviewing and reinforcing the Bank's risk management function. By engaging these essential stakeholders, the Bank ensures a comprehensive and robust approach to managing risks.





RBF Staff 2023

## 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 2023, the Reserve Bank staff complement was 207. During the review period, 17 staff left the Bank, of which, eight migrated, three resigned, three proceeded on study leave without pay, one retired, one proceeded on secondment and one staff passed away. At the end of the FY, the Bank recruited twenty eight staff (Table 23).

## Management Remuneration as at 31 July 2023

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 (Table 24). The Executive Management and other management staff are employed on an individual contract basis and are remunerated in line with the market.<sup>19</sup> The last market adjustments were made in August 2022, after a lapse of two years.

## 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 continued to organise induction, mentoring programmes and on-the-job training for its staff. Annually, management is required to prepare an updated TNA for each member of the staff. 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 2022-23 FY, one staff was on secondment at the IMF Resident Representative Office in their Suva, Fiji office.

In the 2022-23 FY, four staff were on full-time study leave overseas, whilst three were on study leave without pay.

In the 2022-23 FY, various staff participated in 25 trainings/conventions provided locally. This included in-house compliance trainings such as OHS Modules, LMCC, First Aid and Fire Warden.

Furthermore, with the re-opening of international borders, there was a progressive increase in overseas travel, with 59 overseas trainings/conferences attended by various Bank staff.

## Employment Relations

The Bank maintains 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 in the 2021/2022 FY and paid out bonuses to all eligible staff in July 2023, 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.

Table 23: RBF Staff Statistics (as at 31 July 2023)

	Aug19-Jul20	Aug20-Jul21	Aug21-Jul22	Aug 22-Jul23
Total Staff	199	195	196	207
Average Years of Service	11.0	11.9	11.6	11.2
Annual Staff Turnover (%)	9.5	3.6	9.7	8.4

Source: Reserve Bank of Fiji

Table 24: Management Remuneration as at 31 July 2023

Total Cash Remuneration	Staff Numbers
i. \$391,600	1
ii. \$290,707	1
iii. \$200,865	5
iv. \$69,217 - \$115,999	27
(i) - (iii) Executive Management.	
(iv) Other Management staff.	

Source: Reserve Bank of Fiji



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

<sup>19</sup> As determined by the annual PwC Banking and Finance Sector Market Survey.

The Committee comprises seven management and seven staff representatives and met three times in the 2022-23 FY.

### Quality Management Teams (QMT)

The Bank has been actively encouraging staff to continue to focus on quality management practices in their daily work processes. Process mapping is closely tied to the concept of continuous improvement. Once processes are mapped, staff can use the insights gained to implement changes and enhancements. Regularly reviewing and updating process maps ensures that the organisation is constantly evolving towards more efficient and effective operations.

Another key component for QMT is community engagement. Over the course of the FY, teams embarked on community engagement through activities such as visitation to the HART Valelevu office to distribute food packs to help with the families in-need especially for single and disabled mothers. Teams also

contributed to the purchase of items for Vincent Home.

### 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

The Bank continues to engage students during their break as per the Holiday Worker scheme which was introduced in December 2020.

### 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.

The Bank's Occupational Health and Safety (OHS) Committee met three times in the FY 2022-23.

The Bank continued to provide OHS related trainings and monitored OHS issues regularly to ensure a safe and healthy work environment.

### Service Recognition

The Governor's Service Recognition and Long Service Loyalty Award recognises dedicated, long and meritorious service to the Bank. In the 2022-23 FY, seven staff achieved 15 years of service, one staff achieved 20 years of service, while two staff achieved 35 years of service.

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



## SELECTED EVENTS AUGUST 2022-JULY 2023

<b>02 SEP</b> Governor participated as speaker at Fiji Australia Business Council Forum	<b>05-08 SEP</b> Deputy Governor, Board Director Kuruvakadua and staff of RBF attended the AFI	<b>09 SEP</b> Governor Presented at the Construction Industry Council Conference
<b>13 SEP</b> Governor Speaker at NCR Innovation Forum	<b>16 SEP</b> Governor attended Infrastructure Standards Launch for Fiji's Outsourcing Industry	<b>26-30 SEP</b> Governor attended the 55th ADB Board of Governors Annual Meeting
<b>10-16 SEP</b> Governor and Chief Manager Economics attended 2022 Annual Meetings of the IMF and the World Bank Group	<b>17-21 OCT</b> <small>Deputy Governor, CMFI and CMFSD participated at the IMF / World Bank Financial Sector Support in the Pacific Island Countries - Programmatic Advisory Services and Analytics and Pacific Catastrophe Risk Assessment and Financing Initiative - Investment Project Financing Implementation Support Mission to Fiji</small>	<b>24-28 OCT</b> Deputy Governor speaker at International Conference on Inclusive Insurance (ICII) 2022
<b>24-26 NOV</b> Governor presented at TOPEX Conference 2022, Shangri-la Yanuca Island, Fiji	<b>25-26 NOV</b> Governor presented at International Conference on Business, Hospitality and Tourism (ICBHT) - Post Pandemic	<b>28 NOV</b> Launch of the RBF Upgraded Real Time Gross Settlement System
<b>30 NOV</b> Launch of CSD	<b>02-03 DEC</b> Governor presented at the 24th Attorney-General's Conference 2022	<b>14 DEC</b> Governor attended the 29th AFI Board of Directors Meeting - Virtual
<b>12 JAN</b> <small>Governor, Deputy Governor and Acting Chief Manager Economics participated at the APAEA Knowledge Economy Public Lecture - "New Approaches to Economic Progress"</small>	<b>08 FEB</b> Governor participated at UNDP Launch of the Blue Accelerator Grant Scheme	<b>20-24 FEB</b> <small>Deputy Governor participated in Study Tour for Supporting Finance Sector and Private Sector Development in the Pacific, Bangalore and Mumbai, India - Supporting Finance Sector and Private Sector Development in the Pacific - Request for Mission Concurrence, 23-24 February 2023 - in Cambodia</small>
<b>09-22 MAR</b> International Monetary Fund Article IV Consultation Mission	<b>10 MAR</b> Governor invited to Fiji Development Bank's Launch of the National Small and Medium Enterprise Awards 2022	<b>12 APR</b> Governors presented at the Launch of the ADB flagship publication - Asian Development Outlook 2023
<b>20-21 APR</b> Governors dialogued at the 2023 National Economic Summit - "Reshaping our Future through Genuine Dialogue and Collaboration"	<b>02-05 MAY</b> <small>Deputy Governor and Chief Manager Financial System Development participated in the 56th Asian Development Bank Annual Meeting, Incheon, Republic of Korea</small>	<b>08 MAY</b> Deputy Governor gave remarks at the Launch e-Vite Cross Border Remittance M-Paisa to M-Vatu
<b>15-19 MAY</b> Governor and Board Director Patel participated at the e-Currency Conference	<b>23-24 MAY</b> Deputy Governor dialogued at the 2023 PFTAC Steering Committee Meeting	<b>19 JUN-04 JUL</b> Governor and Acting Chief Manager Financial System Development participated at AFI Meeting, Dubai & Seychelles
<b>23-24 JUN</b> Deputy Governor panelist at the Fiji Institute of Chartered Accountants Congress 2023	<b>06 JUL</b> Launch of the RBF 50 Years of Central Banking Celebrations	<b>31 JUL-03 AUG</b> West Industry Visit



## The Reserve Bank of Fiji's Journey over the Last 50 Years

**“The formation of the Central Monetary Authority came just when the reality of nationhood needed sudden maturity in a world that tended to qualify independence with interdependence.”** David J Barnes, the first Chairman of the Central Monetary Authority.

In July 2023, the Reserve Bank of Fiji (RBF) marked 50 years of central banking. The RBF is the central bank of the Republic of Fiji, established in 1984 under the Reserve Bank of Fiji Act (1983). From 1973 to 1983 we were known as the Central Monetary Authority of Fiji (CMA). With the marking of 50 years of central banking, this important milestone provided the bank with an opportunity to mark our journey, achievements and growth over the years.

There have been a number of notable developments over the past five decades. The core monetary policy objectives of low and stable inflation and adequate foreign reserves have always remained paramount in our decision making. However, the framework for our monetary policy and the exchange rate regime have evolved over the years to reflect the changes in the Fijian economy as well as progress and development in our financial system.


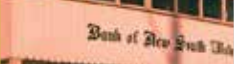


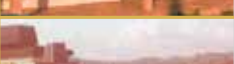



The RBF has the sole right to issue currency in Fiji and the Bank has maintained an adequate supply of quality banknotes and coins in circulation that has been recognised internationally and acknowledged as being secure as well as representative of a confident, proud and independent nation. Over the years, changes has been made to our banknotes and coins to maintain its convenience, durability as well as authenticity which included, cessation of low value coins, transitioning lower value banknotes to coins, saving costs by converting to smaller, lighter coins and introducing new high value denominations alongside polymer banknotes as our economy grew.

In our role of supervising the financial system, we now employ globally recognised risk based supervision techniques with the integration of several supervisory frameworks for banks as well as other entities such as insurers, superannuation fund, capital markets, and the payments system players. The supervised entities now represent around 99 percent of financial system, with assets totalling \$29.1 billion as at 01 October 2023.







The Bank has played a crucial role in developing Fiji's financial system. Over the years, it has partnered with several donor agencies to undertake initiatives that enhance the financial system infrastructure and promote consumer protection, financial inclusion, and literacy. These efforts aim to expand financial services to all Fijians. More recently, the Bank has embarked on a reform of Fiji's Payments System to accelerate the development of a digital economy.

This journey as a central bank continues as we seek to respond effectively to the dynamic and ever-changing environment we live in, and remain fit for purpose as an institution whilst remaining committed to our vision of Leading Fiji to Economic Success.

### Key Milestones of the Reserve Bank of Fiji's Journey






	1908	The Savings Bank of Fiji established as the Government Savings Bank provides safety and transfer facilities for savers in Fiji. The head office of the Savings Bank of Fiji is located in the main Post Office building in Suva and used the widespread postal system to operate agencies at 67 post office locations throughout Fiji.
	1914	The Colonial Government established the Currency Board with the sole right to issue notes and coins in the then Colony of Fiji.
	1934	The Currency Board introduced Fiji's first coinage of pennies and shillings, which were manufactured at the Royal Mint in London.
	1969	Fiji changed to decimal currency. The currency structure was 1c, 2c, 5c, 10c and 20c coins, and \$0.50, \$1, \$2, \$5, \$10, and \$20 notes.
	1971	Fiji became a member of the International Monetary Fund (IMF) and the World Bank.
	1972	The Currency Board began accepting deposits from commercial banks.
	1973	<ul style="list-style-type: none"> <li>The Central Monetary Authority (CMA) was established with the passing of the Central Monetary Authority Act (1973) replacing the Currency Board.</li> <li>Mr I A Craik was appointed as General Manager CMA, seconded from the Bank of England to Fiji through the Central Banking Service of the International Monetary Fund (IMF).</li> </ul>
	1974	<ul style="list-style-type: none"> <li>Mr R.J.A Earland was appointed as General Manager CMA, seconded from the Bank of England to Fiji through the Central Banking Service of the IMF.</li> <li>The Fiji dollar was pegged to the USD from GBP.</li> </ul>

(continued)

	1975	<ul style="list-style-type: none"> <li>The CMA released its first Annual Report.</li> <li>The Fiji Dollar was linked to a trade weighted basket of currencies.</li> </ul>
	1976	The Minister for Finance delegated to the RBF the exercise, as agent for the Government, of his powers and functions under the Exchange Control Act (Legal Notice No. 8).
	1977	Mr H.J Tomkins was appointed as General Manager CMA, seconded from the Bank of England to Fiji through the Central Banking Service of the IMF.
	1978	The CMA purchased a block of land on Pratt Street to construct what is now the RBF building.
	1980	Mr Savenaca Siwatibau was appointed as first local General Manager, CMA.
	1981	<ul style="list-style-type: none"> <li>The Office of the Commissioner of Insurance was transferred from the Ministry of Finance to the CMA.</li> <li>Mr Savenaca Siwatibau was appointed as the first Commissioner of Insurance.</li> </ul>
	1982	CMA commenced the administration of the Insurance Legislation.
	1984	<ul style="list-style-type: none"> <li>The Reserve Bank of Fiji becomes legally established under the Reserve Bank of Fiji Act (1983).</li> <li>Mr Savenaca Siwatibau was appointed as the first Governor, RBF.</li> </ul>
	1984	The Prime Minister, Ratu Sir Kamisese Mara officially opened the new RBF Building on Pratt Street, Suva.
	1987	RBF devalued the Fiji dollar by 17.75% in June and another 15.25% in October.
	1988	Ratu Jone Yavala Kubuabola was appointed as the Governor, RBF.
	1989	RBF switched to a market-based approach and using its own securities called "RBF Notes" to conduct monetary policy.
	1995	RBF began administration of a formal rehabilitation programme for the National Bank of Fiji (NBF) with the passing of the NBF restructuring Act (1996).
	1995	Fiji's President, Ratu Sir Kamisese Mara Fiji launched the new \$50 note and the new \$1 coin which replaced the \$1 note.
	1996	The RBF assisted with the establishment of Capital Markets Development Authority.
	1998	RBF devalued the Fiji dollar by 20%.
	2000	<ul style="list-style-type: none"> <li>Mr Savenaca Narube was appointed as the Governor, RBF.</li> <li>The RBF launched its first website - <a href="http://www.reservebank.gov.fj">www.reservebank.gov.fj</a>.</li> </ul>
	2001	<ul style="list-style-type: none"> <li>The Numismatic Centre at the RBF was commissioned by the first Governor Mr Savenaca Siwatibau.</li> <li>RBF unveiled its vision of "Leading Fiji to Economic Success."</li> </ul>
	2003	Parliament approved the amendment to the Insurance Act (1998) to facilitate the formal supervision of the FNPF by the RBF.
	2004	Fiji Financial Intelligence Unit commenced operations with the Financial Transactions Reporting Act of 2004 being passed.
	2007	<ul style="list-style-type: none"> <li>Fiji's President, Ratu Josefa Iloilovatu Uluivuda unveiled a new \$100 note.</li> <li>RBF took controllership of the NBF Asset Management Bank.</li> <li>RBF launched the new RTGS system called FIJICLEAR.</li> </ul>
	2008	The 1 and 2-cent coins were withdrawn from circulation.
	2009	<ul style="list-style-type: none"> <li>Mr Sada Reddy was appointed as the Governor of RBF.</li> <li>RBF devalued the Fiji dollar by 20%.</li> <li>RBF announced the setup of Financial Systems, Development and Compliance Group to focus on financial inclusion, literacy and consumer protection.</li> <li>The administration of the Capital Markets Development Authority (CMDA) Act was transferred to the RBF.</li> </ul>



(continued)

	2010	<ul style="list-style-type: none"> <li>RBF implemented a new monetary policy framework with the introduction of an OPR.</li> <li>RBF opened its Business Resumption Site.</li> <li>Mr Barry Whiteside was appointed as the Acting Governor and confirmed as the Governor, RBF from 05 December 2011.</li> </ul>
	2012	<ul style="list-style-type: none"> <li>RBF introduction of Flora and Fauna Series Banknotes and Coins as well as a new \$2 coin which replaced the \$2 note and Fiji's first polymer or plastic banknote \$5.</li> </ul>
	2016	<ul style="list-style-type: none"> <li>The administration of the Fair Reporting of Credit Act (2016) was delegated to RBF.</li> <li>RBF released its first Financial Inclusion Report.</li> </ul>
	2017	<ul style="list-style-type: none"> <li>RBF released a circulation banknote and coin commemorating Fiji Rugby 7s Gold Medal win at the Rio 2016 Olympics which included the iconic \$7 banknote and a special 50 cent coin.</li> <li>Mr Ariff Ali was appointed as the Governor, RBF.</li> <li>RBF released its first publication on Financial Stability Review for Fiji.</li> </ul>
	2018	RBF launched the Personal Properties Security Registry, the cornerstone of the Personal Property Securities Act 2017 ('PPSA'; 'Act').
	2019	The Fiji Development Bank officially came under the full supervisory ambit of the RBF.
	2020	<ul style="list-style-type: none"> <li>RBF unveiled a commemorative \$50 banknote and 50 cent coin to commemorate Fiji's 50th year of independence.</li> </ul>
	2022	<ul style="list-style-type: none"> <li>RBF unveiled a new \$7 banknote commemorating Fiji's Rugby 7s gold and bronze medal wins at the 2020 Tokyo Olympics held in 2021.</li> <li>The National Payment System Act (2021) and the Regulations became effective from 30 September 2022 empowering RBF to regulate the payment systems in Fiji.</li> <li>RBF launched a newly a newly upgraded RTGS.</li> <li>RBF launched the new CSD for Fiji.</li> </ul>



Former RBF Staff, 1990s



# THE YEAR AHEAD

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

## Strategic Direction

The Bank's 2019-24 Strategic Plan continues to be monitored and as the bank progresses to the final year of the plan, a full review is earmarked for the setting of a new Strategic Plan for 2024-2029.

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 reform work it is currently undertaking in the 2022-23 FY on:

- Amendment to the National Payment System Act to bring into effect the phasing out of cheques proposal.
- Amendment to the Personal Property Securities Regulations 2019 to further exempt registry fees until 2026.
- Review of the Insurance Act 1998, through the technical assistance of the IMF PFTAC and drafting of the Insurance Bill;
- Amendment to the Fair Reporting of Credit Act 2016 in line with the ongoing work regarding Fiji's Ease of Doing Business ranking;
- Finalisation of the proposed Credit Union legislation; and
- Review of RBF administered legislation with the assistance of the Solicitor General's Office.

## 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 enhance inclusive economic growth and development.

## Financial System Regulation and Supervision

Supported by the recovery of the Fijian economy, the financial system remained stable during the year, as business operations in the financial sector showed an overall return to business as usual conditions.

The Reserve Bank will continue with the development and review of relevant laws, regulations and policy statements to regulate the financial system in order to ensure that they remain relevant with due consideration of developments in global best practices.

The Bank will also work closely with the Government's Climate Change Division to implement the provisions of the Climate Change Act 2021. To support the Blue Economy, the RBF will facilitate the issuance of Fiji's first ever Blue Bond in the later part of 2023.

## Risk Management

The focus for the new financial year will be the strengthening of the Risk Management Framework with extensive reviews planned for the Risk Management Policy and the Business Continuity Management Policy to reflect changes in the risk environment and to better prepare

the Bank for any disruptions to its business operations.

Enhancing our risk culture through collaboration will be in the forefront, with plans to step up awareness efforts. Monitoring the implementation of audit findings will continue, and automation of current processes will further strengthen RBF's efforts to manage risks.

## Corporate Services Enhancements

The Reserve Bank will continue to strengthen and improve its work processes in order to adapt to the changing operational environment.

Building upon the successes of past years, the Bank's five year strategic plan has embraced transformative initiatives that embrace innovation in a way that ensures the security of valuable systems and data. While the Bank will continue to meet the innovation milestones, it will maintain a balance between new technologies and its associated risks.

In the next year, the Bank will complete the implementation of the SharePoint, Microsoft 365, Service Desk Plus and Hyper Converged Infrastructure. Furthermore, in its efforts to support data driven decision making at all levels, the Bank will improve data analytics and reporting tools.

The Bank will continue to enhance payment system efficiency with the implementation of Phase two of the NPS, which includes the Instant Funds Transfer and the Electronic



Funds Transfer, thus enabling the foundation of innovative payment options for the general public.

Cybersecurity is a constantly evolving area and the Bank will continue to keep up with the latest threats, technologies and best practices and will explore innovation in this space to continue to review and update the overall security posture of the Bank. The implementation of advanced cybersecurity measures to bolster the Bank's data protection capabilities, integrity and confidentiality of sensitive information will continue.

Another key area of focus will be the expansion of the Bank's remote access capabilities for applications and mobile apps to allow seamless collaboration and secure connectivity across all locations. These

enhancements collectively underscore our commitment to deliver cutting-edge IT services that empower our workforce and contribute to the Bank's continued growth.

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

The RBF will continue to monitor the implementation of the NFIS 2022-2030, through close consultation with the four newly appointed WGs. These WGs are mandated to implement financial inclusion activities and initiatives outlined in the new NFIS and 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 Ministry of Trade, Co-operatives, Small and

Medium Enterprises (MTCSME), the MSME Finance Working Group under the NFIT and other key relevant stakeholders to accelerate development within the sector. There is a huge data gap for the MSME sector's baseline and core indicators, which calls for support from other agencies such as MSME Fiji, FRCS and FBoS to provide some baseline information on the number of MSMEs in Fiji.

#### **AFI Working Group Meeting - 2024**

The RBF will host two AFI Annual Working Group meetings in March 2024, and the Pacific Islands Regional Initiative (PIRI) in June 2024. These meetings will be held in Nadi.



# Financial Statements

For the year ended 31 July 2023

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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 2023 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 (served as Board Director until 16 March 2023)

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 2023 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.

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#### Operating results

The net profit of the Bank for the year ended 31 July 2023 was \$102.2m (2022: \$42.0m).

#### Reserves

In accordance with Section 8(1) of the Reserve Bank of Fiji Act, 1983, the Minister for Finance and the Board of Directors have agreed to transfer \$1.0m (2022: \$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 2023, the value of the External Reserves was 68% (2022: 69%) of total Demand liabilities.

#### Payable to the Fiji Government

In accordance with the Reserve Bank of Fiji Act, 1983, the following amounts totalling \$103.4m for the year ended 31 July 2023 (2022: \$44.4m) are payable to the Fiji Government:

- Section 8(3): Net profit after transfer to General Reserves - \$101.3m for the year ended 31 July 2023 (2022: \$41.0m); and
- Section 34(3): One-fifth balance of Revaluation Reserve account - foreign currency - \$2.1m (2022: \$3.4m).

**Bad and doubtful debt**

The Directors took reasonable steps before the financial statements of the Bank were prepared 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, a release of \$0.6m was done from provision during the financial year in accordance with the requirements of IFRS 9.

**Significant events during the year**

There has not arisen during the financial year any item, transaction or event of a material and unusual nature that significantly affected the operations of the Bank. The Bank has carefully considered the impact of global economic uncertainties in preparing its financial statement for the year ended 31 July 2023.

**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**

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

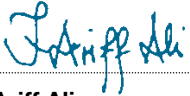
Directors' report - continued

**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 25th day of September 2023.

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



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



**Pradeep Patel**  
Director



## Reserve Bank of Fiji

### Statement by Directors


In the opinion of the Directors:

- (a) the accompanying statement of comprehensive income is drawn up so as to give a true and fair view of the results of the Bank for the year ended 31 July 2023;
- (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 2023;
- (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 2023;
- (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 2023;
- (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.

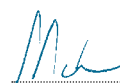
In the opinion of the Directors, the accounting treatment adopted is appropriate in view of the requirement of Section 34 of the Reserve Bank of Fiji Act, 1983. Had the Bank adopted IAS 21 there would have been a net profit of \$99.3m, a decrease of \$2.9m being the currency translation loss for the year ended 31 July 2023.

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For and on behalf of the Board of Directors by authority of a resolution of the Directors this 25th day of September 2023.



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



**Pradeep Patel**  
Director



# Independent Auditors' Report

To the Board of Directors of Reserve Bank of Fiji

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Reserve Bank of Fiji ("the Bank"), which comprise the statement of financial position as at 31 July 2023, the statements of profit or loss and other 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 of the Bank as at and for the year ended 31 July 2023, are prepared, in all material respects, in accordance with the basis of preparation described in Note 2(a) to the financial statements and the requirements of the Reserve Bank of Fiji Act, 1983.

### Basis for Opinion

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

We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Reserve Bank Act 1983, 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 – Basis of Preparation and Restriction on Use

We draw attention to Note 2(a) to the financial statements which describes the basis of preparation.

The financial statements have been prepared to assist the Directors of the Bank in complying with the financial reporting requirements of the Reserve Bank of Fiji Act, 1983.

As a result, the financial statements and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of the Bank and should not be used by parties other than the Directors of the Bank. We disclaim any assumption of responsibility for any reliance on this report, or on the financial statements to which it relates, to any person other than the Directors of the Bank or for any other purpose than that for which it was prepared.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the 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 for the Financial Statements**

Management are responsible for the preparation of financial statements in accordance with the basis of preparation described in Note 2(a) to the financial statements and the requirements of the Reserve Bank of Fiji Act, 1983, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 are 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.

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





### Report on Other Legal and Regulatory Requirements

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

In our opinion:

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

KPMG  
Chartered Accountants

Michael Yee-Joy  
Partner  
Suva, Fiji  
25 September 2023

## Statement of comprehensive income

For the year ended 31 July 2023

	Note	31 July 2023 \$000	31 July 2022 \$000
<b>Income</b>			
Interest income	4(a)	140,854	59,447
Other revenue	4(b)	6,321	11,432
<b>Total income</b>		147,175	70,879
<b>Expenses</b>			
Interest expense	4(c)	(14,582)	(1,454)
Administration expenses	4(d)	(23,487)	(20,362)
Other expenses	4(e)	(7,425)	(6,431)
Expected credit losses write-back/(expense)	4(f)	555	(625)
<b>Total expenses</b>		(44,939)	(28,872)
<b>Net profit for the period</b>		102,236	42,007
<b>Total other comprehensive income/ (loss)</b>			
Amortisation of fair value reserve		(698)	373
Change in fair value of financial assets		3,463	(32,836)
Asset revaluation reserve movement	19	244	5,095
Currency translation (losses)/gains		(2,913)	8,012
Total other comprehensive income/ (loss)		96	(19,356)
<b>Total comprehensive income for the period</b>		<b>102,332</b>	<b>22,651</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 83 to 114.

## Reserve Bank of Fiji

### Statement of changes in equity

For the year ended 31 July 2023

	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)	-
<i>Other comprehensive income/(losses)</i>							
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
<i>Transactions with owners, recorded directly in equity</i>							
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

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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 83 to 114.



Reserve Bank of Fiji

Statement of changes in equity - continued

For the year ended 31 July 2023

	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 2022	2,000	45,050	13,549	(27,675)	30,394	-	63,318
<b>Total comprehensive income for the year</b>							
Net profit	-	-	-	-	-	102,236	102,236
Transfer to General reserves (Note 19)	-	1,000	-	-	-	(1,000)	-
<i>Other comprehensive income/(losses)</i>							
Amortisation of fair value reserve	-	-	-	(698)	-	-	(698)
Change in fair value of financial assets	-	-	-	3,463	-	-	3,463
Asset revaluation reserve movement (Note 19)	-	-	-	-	244	-	244
Net gains arising from currency translation differences	-	-	(2,913)	-	-	-	(2,913)
Total other comprehensive income/(losses)	-	-	(2,913)	2,765	244	-	96
<b>Total comprehensive income/(losses) for the year</b>	-	1,000	(2,913)	2,765	244	101,236	102,332
	2,000	46,050	10,636	(24,910)	30,638	101,236	165,650
<i>Transactions with owners, recorded directly in equity</i>							
Payable to the Fiji Government (Note 13)	-	-	(2,127)	-	-	(101,236)	(103,363)
<b>Balance at 31 July 2023</b>	2,000	46,050	8,509	(24,910)	30,638	-	62,287

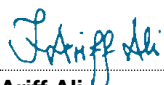
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The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 83 to 114.

Reserve Bank of Fiji  
Statement of financial position  
As at 31 July 2023

	Note	31 July 2023 \$000	31 July 2022 \$000
<b>Foreign currency assets</b>			
Short-term commercial paper and current accounts	5	871,429	880,959
Marketable securities	5	2,187,895	2,235,304
Gold	5	3,666	3,229
Accrued interest		36,667	12,940
International Monetary Fund			
- Reserve tranche position	5/20	74,775	72,114
- Special drawing rights	5/20	417,792	404,606
- PRGF - HIPC Trust	20	585	566
- Currency subscription	20	221,913	215,143
<b>Total foreign currency assets</b>		<b>3,814,722</b>	<b>3,824,861</b>
<b>Local currency assets</b>			
Cash and cash equivalents	17	3,012	2,683
Domestic securities	6	699,080	700,126
Financing facilities	7	1,030,030	954,203
Currency inventory	8	13,009	15,535
Other assets	9	15,734	16,673
Intangible assets	10	5,516	418
Property, plant and equipment	11	38,189	41,101
<b>Total local currency assets</b>		<b>1,804,570</b>	<b>1,730,739</b>
<b>Total assets</b>		<b>5,619,292</b>	<b>5,555,600</b>
<b>Foreign currency liabilities</b>			
Demand deposits	12	245	227
IMF - PRGF - HIPC Trust	20	585	566
IMF - Special drawing rights allocation	20	486,661	471,189
<b>Total foreign currency liabilities</b>		<b>487,491</b>	<b>471,982</b>
<b>Local currency liabilities</b>			
Demand deposits	12	2,575,465	2,717,014
Payable to the Fiji Government	13	103,363	44,394
Currency in circulation	14	1,015,758	973,424
Statutory reserve deposits		1,136,295	1,054,753
IMF - Notes currency subscription	20	221,171	214,392
Employee entitlements	15	3,666	3,679
Other liabilities	16	13,796	12,644
<b>Total local currency liabilities</b>		<b>5,069,514</b>	<b>5,020,300</b>
<b>Total liabilities</b>		<b>5,557,005</b>	<b>5,492,282</b>
<b>Net assets</b>		<b>62,287</b>	<b>63,318</b>
<b>Capital and reserves</b>			
Paid-up capital	18	2,000	2,000
General reserves	19	46,050	45,050
Revaluation reserve account - foreign currency	19	8,509	13,549
Fair value reserve	19	(24,910)	(27,675)
Asset revaluation reserve	19	30,638	30,394
		<b>62,287</b>	<b>63,318</b>

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



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



**Pradeep Patel**  
Director

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 83 to 114.

Reserve Bank of Fiji  
**Statement of cash flows**  
**For the year ended 31 July 2023**

	Note	31 July 2023 \$000	31 July 2022 \$000
<b>Operating activities</b>			
Rental lease income		476	486
Numismatic sales		979	2,961
Interest received		102,689	54,220
Other income		3,834	5,540
Interest paid		(3)	(14)
New currency and numismatic payments		(2,470)	(4,970)
Administration and other expenses		(20,340)	(19,092)
Net movement of short-term commercial paper		147,611	(354,360)
Net movement in fixed term deposits		(190,040)	(260,619)
Net movement in International Monetary Fund accounts		(479)	(239)
Net movement of domestic securities		721	(334,001)
<b>Cash flows from/(used in) operating activities</b>		<b>42,978</b>	<b>(910,088)</b>
<b>Investing activities</b>			
Payment for property, plant and equipment and intangibles		(4,851)	(3,933)
Proceeds from disposal of fixed assets		-	50
Net movement of bonds		119,757	497,665
Net movement in financing facilities		(75,712)	(617,848)
<b>Cash flows from/(used in) investing activities</b>		<b>39,194</b>	<b>(124,066)</b>
<b>Financing activities</b>			
Net movement in demand deposits		(141,549)	1,003,564
Payment to the Fiji Government		(44,394)	(32,922)
Net movement in currency in circulation		42,334	40,685
Net movement in statutory reserve deposits		81,542	140,057
<b>Cash flows (used in)/from financing activities</b>		<b>(62,067)</b>	<b>1,151,384</b>
<b>Net effect of currency translation</b>		<b>(2,913)</b>	<b>8,012</b>
<b>Net Increase in cash and cash equivalents</b>		<b>17,192</b>	<b>125,242</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>337,010</b>	<b>211,768</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>354,202</b>	<b>337,010</b>

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 83 to 114.



## 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 \$99.4m for the year ended 31 July 2023 (2022: \$50.0m), a reduction of \$2.9m, being the net loss arising from currency translation differences (2022: an increase of \$8.0m, being the net profit 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 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 deducted when deriving the fair value.

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

#### **New Standards:**

##### *New and amended standards and interpretations*

The Bank has adopted the following interpretations and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 August 2022:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

The adoption of the new amended standards and interpretations did not have a material effect on the Bank:

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

A number of new standards, amendments to standards and interpretations are effective for the Bank for annual periods beginning after 1 August 2022 and earlier application is permitted, however, the Bank has not early adopted them in preparing these financial statements.

New standards, amendments or interpretations	Effective date
• Amendments to IAS 1: Classification of liabilities as Current or Non-Current	1 January 2024
• Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
• Disclosure of Accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
• IFRS 17 Insurance Contracts	1 January 2023
• Annual improvements to IFRS Standards 2018-2020	1 January 2023
• Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2023
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2023

The Bank does not intend to apply these standards, amendments and interpretations until their effective dates as the impact of these standards, amendments and interpretations on the financial statements of the Bank is not expected to be significant.

## 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 or cancelled, or expire. The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

**(f) Gold**

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

**(g) Numismatic items**

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

**(k) Currency in circulation**

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

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

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

*Depreciation*

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

Buildings	50-60 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. This has 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 2023. 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 a reduction in ECL provision of \$0.6m in accordance with the requirement of IFRS 9. The decrease in the ECL is largely driven by the exposure of domestic financial instruments.

##### Fair Value Measurement

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

Notes to and forming part of the financial statements  
For the year ended 31 July 2023

4. Revenue and expenses	Note	31 July 2023 \$000	31 July 2022 \$000
<b>(a) Interest income</b>			
Overseas investments		83,386	18,460
International Monetary Fund		14,450	1,421
Domestic securities		40,479	37,672
Financing facilities		2,501	1,856
Staff loans		38	38
		140,854	59,447
<b>(b) Other revenue</b>			
Rent received		476	476
Numismatic sales		2,014	4,714
License and application fees		547	739
Foreign currency trading gains		2,880	4,580
Net gain on realisation of securities		-	652
Other miscellaneous income		404	271
		6,321	11,432
<b>(c) Interest expense</b>			
International Monetary Fund		14,579	1,440
Other		3	14
		14,582	1,454
<b>(d) Administration expenses</b>			
Staff costs		16,677	15,287
Other costs		6,810	5,075
		23,487	20,362
Total number of employees at period end		207	196
<b>(e) Other expenses</b>			
Depreciation	11	1,995	2,162
Amortisation of intangible assets	10	668	182
Auditor's remuneration			
- Audit fees		68	61
Board remuneration		34	38
Currency issue	8	4,614	3,641
Numismatic		46	347
		7,425	6,431
<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		(22)	65
Marketable securities		(42)	7
Other assets		4	1
<i>Local currency assets</i>			
Domestic securities		(373)	473
Financing facilities		(115)	75
Other assets		(7)	4
		(555)	625



5. External reserves	31 July 2023 \$000	31 July 2022 \$000
Short-term commercial paper	520,320	680,406
Current accounts	351,189	200,655
	871,509	881,061
Less: Allowance for impairment losses	(80)	(102)
	871,429	880,959
Marketable securities		
- Fixed term deposits	866,436	797,592
- Bonds	1,321,516	1,437,810
	2,187,952	2,235,402
Less: Allowance for impairment losses	(57)	(98)
	2,187,895	2,235,304
Gold	3,666	3,229
International Monetary Fund		
- Reserve tranche position	74,775	72,114
- Special drawing rights	417,792	404,606
	492,567	476,720
<b>Total External reserves</b>	3,555,557	3,596,212

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 2023, the value of the External reserves was 68% (2022: 69%) 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.

## 6. Domestic Securities

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

During the year, \$0.8m was amortised (2022: \$0.3m was written back) in respect of securities held in the Domestic Bond Portfolio.

	31 July 2023 \$000	31 July 2022 \$000
<i>Movement of Hold-to-collect financial assets</i>		
Opening balance	701,164	366,790
Acquisitions	1,408	351,088
Redemptions	(1,984)	(17,017)
Amortisation	(843)	303
	699,745	701,164
Less: Allowance for impairment losses	(665)	(1,038)
<b>Closing balance</b>	699,080	700,126

An allowance for impairment losses has been provided on the Bank's domestic securities in accordance with the requirements of IFRS 9.

Notes to and forming part of the financial statements  
For the year ended 31 July 2023

7. Financing facilities	31 July 2023 \$000	31 July 2022 \$000
Import Substitution and Export Finance Facility (ISEFF)	480,162	440,270
Natural Disaster Rehabilitation Facility (NDRF)	464,696	455,432
Housing Facility	85,485	58,929
	1,030,343	954,631
Less: Allowance for impairment losses	(313)	(428)
	1,030,030	954,203

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 2023 (2022: \$1.2 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. The allowance for impairment losses is provided on the Bank's financing facilities in accordance with the requirements of IFRS 9.

8. Currency inventory	31 July 2023 \$000	31 July 2022 \$000
<i>Movement of currency inventory</i>		
Opening balance	15,535	16,906
Consignments received	2,088	2,270
Currency issued	(4,614)	(3,641)
Closing balance	13,009	15,535

9. Other assets	31 July 2023 \$000	31 July 2022 \$000
Accrued interest	13,712	13,715
Prepayments and other receivables	1,266	2,196
Staff loans and advances	778	792
	15,756	16,703
Less: Allowance for impairment losses	(22)	(30)
	15,734	16,673

The allowance for impairment losses is provided on accrued interest and staff loan and advances in accordance with the requirements of IFRS 9.

10. Intangible assets	31 July 2023 \$000	31 July 2022 \$000
<i>Cost</i>		
Opening balance	4,778	4,665
Acquisitions	5,766	143
Disposals	-	(30)
Closing balance	10,544	4,778
<i>Accumulated amortisation</i>		
Opening balance	4,360	4,208
Amortisation charge for the period	668	182
Disposal	-	(30)
Closing balance	5,028	4,360
<i>Carrying amount</i>		
Opening balance	418	457
Closing balance	5,516	418

**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 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
Balance at 1 August 2022	35,136	1,326	557	4,145	2,470	4,934	48,568
Additions	-	-	-	-	-	4,851	4,851
Transfers from work in progress	-	258	-	1,737	92	(2,087)	-
Transfer to intangible assets	-	-	-	-	-	(5,766)	(5,766)
Disposals	-	(1)	-	(350)	-	-	(351)
Balance at 31 July 2023	35,136	1,583	557	5,532	2,562	1,932	47,302
<b>Accumulated depreciation</b>							
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
Balance at 1 August 2022	618	1,171	346	3,454	1,878	-	7,467
Depreciation for the period	1,219	92	51	525	108	-	1,995
Depreciation on disposal	-	(1)	-	(348)	-	-	(349)
Balance at 31 July 2023	1,837	1,262	397	3,631	1,986	-	9,113
<b>Carrying amount</b>							
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
Balance at 31 July 2023	33,299	321	160	1,901	576	1,932	38,189

A valuation of the Bank's freehold land and buildings was undertaken in 2022 by independent registered valuers Lomara Associates. 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. Based on the Bank's policy, valuations are carried out every 3 years.



12. Demand deposits	31 July 2023 \$000	31 July 2022 \$000
Foreign		
International Monetary Fund	245	227
Local		
Banks' exchange settlement balances	2,508,689	2,585,358
Fiji Government	12,270	98,581
State NBF Trust account	1,180	1,180
International Monetary Fund	742	751
Other depositors	52,584	31,144
	2,575,465	2,717,014

*State NBF Trust Account*

In accordance with an agreement dated 12 September 1996 between the Fiji Government, the Reserve Bank of Fiji and NBF Asset Management Bank (NBF AMB), where the State established a trust account, known as the State NBF Trust Account, with the Reserve Bank of Fiji, on the basis, among other things, that all money in the trust account is the property of the Fiji Government at all times. The purpose of the State NBF Trust Account is to meet the obligations of the AMB.

The National Bank of Fiji Restructuring Act, 1996, provides that the State, the Reserve Bank of Fiji and AMB may at any time enter into one or more deeds, agreements, arrangements and understandings relating to the performance by the State of its obligations under the guarantees of deposits with AMB. From 1 April 2007, under Section 30(2)(c)(i) of the Banking Act, 1995, Cabinet agreed that the Bank assume controllership and the ultimate winding down process of the AMB. It also permits the Bank to use money from the State NBF Trust Account to meet any controllership expenses.

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13. Payable to the Fiji Government	31 July 2023 \$000	31 July 2022 \$000
Net profit for the year	102,236	42,007
Transfer to General reserve	(1,000)	(1,000)
One-fifth balance of 'Revaluation reserve account - foreign currency'	2,127	3,387
	103,363	44,394

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 2022 was paid in full to the Fiji Government during the year.

14. Currency in circulation	31 July 2023 \$000	31 July 2022 \$000
Notes	941,507	903,180
Coins	74,251	70,244
	1,015,758	973,424

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 within the Statement of Comprehensive Income in staff costs within Administration Expenses. Movements in employee entitlements is analysed below:

	31 July 2023 \$000	31 July 2022 \$000
Opening balance	3,679	3,772
Net movement during the period	(13)	(93)
Closing balances	<u>3,666</u>	<u>3,679</u>

**16. Other liabilities**

	31 July 2023 \$000	31 July 2022 \$000
MSME Credit Guarantee Scheme	5,518	5,635
Contract Liability	210	2,729
Accruals	6,059	2,374
Others	2,009	1,906
	<u>13,796</u>	<u>12,644</u>

The micro small and medium enterprises (MSME) credit guarantee scheme is a Government guarantee to pay up to 60% of the principal outstanding on defaulted MSME loans to a limit of \$60,000 per business. Government will also guarantee 75% of the principal outstanding on defaulted loans up to a limit of \$75,000 per business on all MSME loans to women entrepreneurs as well as to those involved in the agriculture, forestry and fisheries sector. MSME was established in 2012 is administered and managed by the Bank on behalf of 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 incur an expense in relation to MSME scheme. The Bank only facilitates payments on behalf of 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 point-in-time. The amount of \$2.7m included in contract liabilities of 31 July 2022 has been recognised as revenue in 2023 after meeting the requirements related to numismatic production expenditure.

17. Cash and cash equivalents	31 July 2023 \$000	31 July 2022 \$000
Cash and cash equivalents included in the statement of cash flows comprise of the following:		
Cash on hand - local currency	1,326	975
Cash at bank - local currency	1,686	1,708
Cash - foreign currency	351,190	334,327
	354,202	337,010

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

18. Share capital	31 July 2023 \$000	31 July 2022 \$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 Finance. Upon the establishment of the Bank, an initial amount of \$2,000,000 was issued by the Fiji Government as paid capital stock. Any subsequent amount of paid capital stock shall be proposed by the Board of Directors and approved by the Minister for Finance.

## 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 Finance 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 (2022: \$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 \$0.7m (2022: \$0.4m written back) has been amortised 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 2023, 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 2023 \$000	31 July 2022 \$000
<b>Asset revaluation reserve</b>		
<i>Property</i>		
Opening balance	28,866	23,686
Revaluation	-	5,180
Closing balance	28,866	28,866
<i>Gold</i>		
Opening balance	1,528	1,613
Revaluation	244	(85)
Closing balance	1,772	1,528
<b>Total Asset revaluation reserve</b>		
Opening balance	30,394	25,299
Net movement	244	5,095
Closing balance	30,638	30,394

*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 2023, the Republic of Fiji's membership subscription to the International Monetary Fund was \$296.7m (2022: \$287.3m). The asset subscription comprises the following:

	31 July 2023 \$000	31 July 2022 \$000
Reserve Tranche Position	74,775	72,114
Currency subscription	221,913	215,143
	296,688	287,257

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. The Bank also records a Currency subscription liability which has a balance of \$221.2m (2022: \$214.4m).

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 the 2 August 2021, to boost global liquidity. From this approved allocation, Fiji received \$283.7m (SDR 94.3m) on the 25 August 2021. The SDR comprises the following:

	31 July 2023 \$000	31 July 2022 \$000
Foreign Currency Asset	417,792	404,606
Foreign Currency Liability	486,661	471,189

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 (2022: \$0.6m).

## 21. Financial risk management policies

### a) Introduction and overview

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

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

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

#### *Risk management framework*

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

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

### b) Liquidity risk

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

#### *Management of liquidity risk*

To limit the liquidity risk, the Bank maintains an adequate level of reserves and taking into consideration the transaction demand on foreign exchange, ensures that at least USD \$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 2023, the value of External reserves was 68% (2022:69%) of the total Demand liabilities.



**21. Financial risk management policies - continued****b) Liquidity risk - continued****Maturity analysis as at 31 July 2023**

The maturity analysis noted below includes all financial and non-financial assets and liabilities as at 31 July 2023.

	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	871,429	903,517	439,734	463,783	-	-	-
Marketable securities <sup>20</sup>	2,224,562	2,327,560	476,225	1,016,522	834,813	-	-
Gold	3,666	3,666	3,666	-	-	-	-
IMF - Reserve tranche position	74,775	74,775	74,775	-	-	-	-
- Special drawing rights	417,792	417,792	417,792	-	-	-	-
- PRGF - HIPC Trust	585	585	-	-	585	-	-
- Currency subscription	221,913	221,913	-	-	-	-	221,913
	<b>3,814,722</b>	<b>3,949,808</b>	<b>1,412,192</b>	<b>1,480,305</b>	<b>835,398</b>	<b>-</b>	<b>221,913</b>
<b>Local currency assets</b>							
Cash on hand	3,012	3,012	3,012	-	-	-	-
Domestic securities	699,080	1,273,054	12,671	46,134	158,244	1,056,005	-
Financing facilities	1,030,030	1,038,871	17,307	6,905	1,014,659	-	-
Currency inventory	13,009	13,009	13,009	-	-	-	-
Other assets	15,734	2,019	20	-	-	778	1,221
Intangibles	5,516	5,516	-	-	-	-	5,516
Property, plant and equipment	38,189	38,189	-	-	-	-	38,189
	<b>1,804,570</b>	<b>2,373,670</b>	<b>46,019</b>	<b>53,039</b>	<b>1,172,903</b>	<b>1,056,783</b>	<b>44,926</b>
<b>Total assets</b>	<b>5,619,292</b>	<b>6,323,478</b>	<b>1,458,211</b>	<b>1,533,344</b>	<b>2,008,301</b>	<b>1,056,783</b>	<b>266,839</b>
<b>Foreign currency liabilities</b>							
Demand deposits	245	245	245	-	-	-	-
IMF - PRGF - HIPC Trust	585	585	-	-	585	-	-
IMF - Special drawing rights Allocation	486,661	486,661	-	-	-	-	486,661
	<b>487,491</b>	<b>487,491</b>	<b>245</b>	<b>-</b>	<b>585</b>	<b>-</b>	<b>486,661</b>
<b>Local currency liabilities</b>							
Demand deposits	2,575,465	2,575,465	2,575,465	-	-	-	-
Payable to the Fiji Government	103,363	103,363	103,363	-	-	-	-
Currency in circulation	1,015,758	1,015,758	-	-	-	-	1,015,758
Statutory reserve deposit	1,136,295	1,136,295	-	-	-	-	1,136,295
IMF - Notes currency subscription	221,171	221,171	-	-	-	-	221,171
Other liabilities	17,462	17,462	11,944	-	5,518	-	-
	<b>5,069,514</b>	<b>5,069,514</b>	<b>2,690,772</b>	<b>-</b>	<b>5,518</b>	<b>-</b>	<b>2,373,224</b>
<b>Total liabilities</b>	<b>5,557,005</b>	<b>5,557,005</b>	<b>2,691,017</b>	<b>-</b>	<b>6,103</b>	<b>-</b>	<b>2,859,885</b>
<b>Net assets</b>	<b>62,287</b>	<b>766,473</b>	<b>(1,232,806)</b>	<b>1,533,344</b>	<b>2,002,198</b>	<b>1,056,783</b>	<b>(2,593,046)</b>

<sup>20</sup> Includes accrued interest

**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>21</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>1,317,745</b>	<b>1,649,103</b>	<b>734,791</b>	<b>-</b>	<b>215,143</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	2988	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>1,377,364</b>	<b>1,687,429</b>	<b>1,816,156</b>	<b>1,118,244</b>	<b>258,826</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>(1,394,959)</b>	<b>1,687,429</b>	<b>1,809,955</b>	<b>1,118,244</b>	<b>(2,454,932)</b>

<sup>21</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 2023 \$000	31 July 2022 \$000
<b>Foreign currency assets</b>		
Short-term commercial paper and Current accounts	871,509	881,061
Marketable securities	2,187,952	2,235,402
International Monetary Fund	715,065	692,430
Gold	3,666	3,229
Accrued Interest	36,667	12,942
	<u>3,814,859</u>	<u>3,825,064</u>
Less: Allowance for impairment losses	(144)	(203)
	<u>3,814,715</u>	<u>3,824,861</u>
<b>Local currency assets</b>		
Domestic securities	699,745	701,164
Financing facilities	1,030,343	954,631
Other assets	14,490	14,507
	<u>1,744,578</u>	<u>1,670,302</u>
Less: Allowance for impairment losses	(1,000)	(1,496)
	<u>1,743,578</u>	<u>1,668,806</u>
	<u>5,558,293</u>	<u>5,493,667</u>

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

Concentration by currency	31 July 2023		31 July 2022	
	\$000	%	\$000	%
USD	1,281,524	23	1,248,879	23
YEN	88,951	2	91,721	2
GBP	113	-	204	-
EURO	87,068	2	58,079	1
AUD	941,692	17	970,420	18
NZD	695,719	13	762,335	14
SDR	719,799	13	693,426	12
FJD	1,744,577	30	1,670,302	30
	<u>5,559,443</u>		<u>5,495,366</u>	
Less: Allowance for impairment losses	(1,144)		(1,699)	-
<b>Total financial assets</b>	<b>5,558,299</b>	<b>100</b>	<b>5,493,667</b>	<b>100</b>



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

<b>Concentration by sector</b>	<b>31 July 2023</b>		<b>31 July 2022</b>	
	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
<b>Foreign currency assets</b>				
Central banks	330,153	9	325,774	9
Commercial banks	1,434,527	38	1,455,337	38
Government	459,310	12	700,048	18
Semi Government	14,466	-	14,630	-
Supranational	856,591	22	635,825	17
International Monetary Fund	715,066	19	692,430	18
Others	4,753	-	1,020	-
Less: Allowance for impairment losses	(144)	-	(203)	-
	<b>3,814,722</b>	<b>100</b>	<b>3,824,861</b>	<b>100</b>
<b>Local currency assets</b>				
Government and statutory bodies	1,041,821	60	1,003,088	60
Commercial banks	701,143	40	665,552	40
Others	1,613	-	1,662	-
Less: Allowance for impairment losses	(1,000)	-	(1,496)	-
	<b>1,743,577</b>	<b>100</b>	<b>1,668,806</b>	<b>100</b>
<b>Total financial assets</b>	<b>5,558,299</b>		<b>5,493,667</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:

<b>Summary by major credit category</b>	<b>31 July 2023</b>		<b>31 July 2022</b>	
	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
<i>Foreign currency financial asset by major credit category:</i>				
Aaa	1,234,286	32	1,142,209	30
Aa1	161,187	4	88,429	2
Aa2	20	-	56,126	1
Aa3	1,034,572	27	661,810	17
A1	396,624	11	836,387	22
A2	39,972	1	79,163	2
A3	-	-	-	-
International Monetary Fund	715,066	19	692,430	18
Central Banks	192,800	5	252,339	7
Others and Not rated	40,339	1	16,171	1
Less: Allowance for impairment losses	(144)	-	(203)	-
	<b>3,814,722</b>	<b>100</b>	<b>3,824,861</b>	<b>100</b>
<i>Local currency financial asset by major credit category:</i>				
Others and Not rated	1,744,577	100	1,670,302	100
Less: Allowance for impairment losses	(1,000)	-	(1,496)	-
	<b>1,743,577</b>	<b>100</b>	<b>1,668,806</b>	<b>100</b>
<b>Total financial assets</b>	<b>5,558,299</b>	<b>100</b>	<b>5,493,667</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 and Not Rated' 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 \$3.1 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 2023**

	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	59,494	5,593,239	39	1,931	212,435	235,827	-
Marketable securities	500,235	-	-	33,103	411,930	265,026	-
Gold	1,633	-	-	-	-	-	-
Accrued interest	9,428	-	-	143	5,062	2,013	1,570
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	24,800
- Special drawing rights	-	-	-	-	-	-	138,565
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	73,600
<b>Total foreign currency assets</b>	<b>570,790</b>	<b>5,593,239</b>	<b>39</b>	<b>35,177</b>	<b>629,427</b>	<b>502,866</b>	<b>238,729</b>
<b>Foreign currency liabilities</b>							
Demand deposits	-	-	-	-	-	-	(81)
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>(161,681)</b>
<b>Carrying amount</b>	<b>570,790</b>	<b>5,593,239</b>	<b>39</b>	<b>35,177</b>	<b>629,427</b>	<b>502,866</b>	<b>77,048</b>

**21. Financial risk management policies - continued****d) Market risks - continued****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>

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 2023	31 July 2022
USD	0.4454	0.4534
YEN	62.88	60.87
GBP	0.3466	0.3723
EURO	0.4043	0.4449
AUD	0.6684	0.6487
NZD	0.7228	0.7204
SDR	0.3317	0.3426

**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 2023	31 July 2022	31 July 2023	31 July 2022
	\$000	\$000	\$000	\$000
USD	(116,502)	(113,535)	142,391	138,765
YEN	(8,086)	(8,338)	9,884	10,191
GBP	(10)	(19)	13	23
EURO	(7,910)	(5,280)	9,667	6,453
AUD	(85,608)	(88,206)	104,632	107,808
NZD	(63,247)	(69,303)	77,302	84,704
SDR	(21,119)	(20,132)	25,812	24,605
FJD impact	<u>(302,483)</u>	<u>(304,813)</u>	<u>369,701</u>	<u>372,549</u>

**e) Operational Risk Management**

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

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

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

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



## 22. Fair values of financial assets and liabilities

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, and willing parties in an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organised and liquid market that is able to absorb a significant transaction without moving the price against the trader.

The valuation of the Bank's financial assets and liabilities are discussed below:

### *External reserves*

The reported value of External reserves is considered to be its fair value due to the short-term nature of the financial assets except bonds. Bonds are however subsequently measured at fair value.

### *Domestic securities*

The fair value of the Bank's Domestic securities is \$796.2m (2022: \$791.2m), 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 2023</b>				
<i>Local currency assets</i>				
Domestic Securities	796,238	-	-	796,238
Less: Allowance for impairment losses	(665)	-	-	(665)
	795,573	-	-	795,573
<i>Foreign currency assets</i>				
FVOCI financial assets at quoted market price	1,321,516	-	-	1,321,516
Gold	3,666	-	-	3,666
	1,325,182	-	-	1,325,182
Less: Allowance for impairment losses	(5)	-	-	(5)
	1,325,177	-	-	1,325,177
<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)
	790,197	-	-	790,197
<i>Foreign currency assets</i>				
FVOCI financial assets at quoted market price	1,437,810	-	-	1,437,810
Gold	3,229	-	-	3,229
	1,441,039	-	-	1,441,039
Less: Allowance for impairment losses	(40)	-	-	(40)
	1,440,999	-	-	1,440,999

During the period ended 31 July 2023, 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 2023 \$000	31 July 2022 \$000
<b>Period end</b>		
USD	42,625	48,791
EURO	5,962	5,610
AUD	47,265	56,739
NZD	36,667	32,963
FJD impact	132,519	144,103

**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)  
Pradeep Patel  
Tevita Kuruvakadua (served as Board Director until 16 March 2023)  
Tony Whitton  
Nikita Patel  
Bobby Naimawi

In April 2007 Cabinet agreed under the Banking Act for the Reserve Bank to assume controllership of the winding down process of NBF AMB.

During the period the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for planning and controlling the activities of the Bank:

Ariff Ali	Governor
Esala Masitabua	Deputy Governor
Caroline Waqabaca	Chief Manager Financial System Development
Vilimaina Dakai	Chief Manager Financial Institutions
Susan Kumar	Chief Manager Currency and Corporate Services
Petaia Tuimanu	Chief Manager Financial Markets
Poasa Werekoro	Chief Manager Financial System Development – resigned on 19 October 2022
Ragni Singh	Chief Manager Risk Management and Communications
Jacinta Hesaie	Acting Chief Manager Economics with effect from 1 January 2023
Subrina Hanif	Board Secretary

*Transactions with related parties*

In the normal course of its operations, the Bank enters into transactions with related parties identified above. The transactions with the Board of Directors and Executive Management include the payment of board remuneration and salaries, respectively, and certain benefits, including medical and insurance benefits.

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

	31 July 2023 \$000	31 July 2022 \$000
Interest and other income earned from Government securities	41,687	40,467
Interest income receivable from Government securities	13,516	13,554
Payable to Fiji Government	103,363	44,394
Bank's investment in Government securities	699,080	700,126
	857,646	798,541

The Bank also provides an overnight standby facility to the Fiji Government. At the end of the year, the approved facility of \$20m (2022: \$20m) was not utilised.

**23. Related parties - continued**

The transactions with the respective related parties are carried out on normal commercial terms or in accordance with the legislative provisions.

During the year the following remuneration were made to board of directors and key management personnel:

	31 July 2023 \$000	31 July 2022 \$000
Board remuneration expenses and other benefits	54	51
Key management personnel:		
- Short-term employee benefits	2,139	2,131
- Long-term employee benefits	120	180
	2,313	2,362

**24. Commitments**

Commitments not otherwise provided for in the financial statements and which existed at 31 July 2023 comprise:

	31 July 2023 \$000	31 July 2022 \$000
Foreign exchange transactions:		
- Sales	49,692	11,374
- Purchases	10,943	11,276
Capital commitments		
- Other assets	1,039	3,748
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 2023 \$000	31 July 2022 \$000
Receivable not later than one year	548	519
Receivable later than one year but not later than five years	1,225	1,793
	1,773	2,312

**26. Events subsequent to balance date**

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 2018-19	Audited 2019-20	Audited 2020-21	Audited 2021-22	Audited 2022-23
	\$000	\$000	\$000	\$000	\$000
<b>Five Year Financial Position</b>					
<b>Assets</b>					
Foreign Currency	2,326,074	2,342,067	3,349,072	3,824,861	3,814,722
Local Currency	390,966	718,217	767,053	1,730,739	1,804,570
<b>Total Assets</b>	<b>2,717,040</b>	<b>3,060,284</b>	<b>4,116,125</b>	<b>5,555,600</b>	<b>5,619,292</b>
<b>Liabilities &amp; Equity</b>					
Foreign Currency	200,502	201,827	200,646	471,982	487,491
Local Currency	2,425,229	2,757,097	3,830,418	5,020,300	5,069,514
Net Assets/Equity	91,309	101,360	85,061	63,318	62,287
<b>Total Liabilities &amp; Equity</b>	<b>2,717,040</b>	<b>3,060,284</b>	<b>4,116,125</b>	<b>5,555,600</b>	<b>5,619,292</b>
<b>Five Year Financial Performance</b>					
<b>Income</b>					
Interest Income	55,610	53,822	49,681	59,447	140,854
Other Income	4,435	5,070	9,100	11,432	6,321
<b>Total Income</b>	<b>60,045</b>	<b>58,892</b>	<b>58,781</b>	<b>70,879</b>	<b>147,175</b>
<b>Expenses</b>					
Interest Expense	2,150	1,060	153	1,454	14,582
Administration Expenses	22,286	20,401	20,583	20,362	23,487
Other Expense	6,715	7,308	6,354	7,056	6,870
<b>Total Expenses</b>	<b>31,151</b>	<b>28,769</b>	<b>27,090</b>	<b>28,872</b>	<b>44,939</b>
<b>Net Profit for the year</b>	<b>28,894</b>	<b>30,123</b>	<b>31,691</b>	<b>42,007</b>	<b>102,236</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>	27.9	29.1	30.7	41.0	101.3
One-fifth balance of RRA	1.5	2.7	2.2	3.4	2.1
<b>Total Payment to Fijian Government</b>	<b>29.4</b>	<b>31.8</b>	<b>32.9</b>	<b>44.4</b>	<b>103.4</b>

Notes:

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

- 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
- 2022-23: 1 Aug 2022 to 31 July 2023

# FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

## FIJI: KEY ECONOMIC AND FINANCIAL INDICATORS

	2018	2019	2020	2021	2022	2023
<b>I. GDP<sup>1</sup></b>						
GDP at Market Price (\$ Million)	11,650.6	11,762.1r	9,613.2r	8,914.1r	10,963.0p	12,393.6f
GDP per Capita at Market Price (\$)	13,087.6	13,134.1r	10,670.5r	9,835.6r	12,024.0p	13,512.1f
Constant Price GDP Growth Rate (%)	3.8	-0.6r	-17.0r	-4.9r	20.0p	8.0f
<b>II. LABOUR MARKET<sup>2</sup></b>						
Labour Force	n.a	n.a	n.a	n.a	n.a	n.a
Wage and Salary Earners (mid-year)	176,781	n.a	n.a	n.a	n.a	n.a
<b>III. INFLATION (year-on-year % change)<sup>3</sup></b>						
All Items	4.8	-0.9	-2.8	3.0	3.1	0.3
<b>IV. EXTERNAL TRADE<sup>4</sup></b>						
Current Account Balance (\$ Million)	-986.0	-1,509.1	-1,318.1	-1,419.4p	-1,901.3p	-1,187.4f
Capital Account Balance (\$ Million)	10.4	6.9	7.7	6.6	6.5p	7.9f
Financial Account Balance (\$ Million) <sup>5</sup>	1,402.5	1,402.7	752.7	1,628.0	1,521.3	1,641.6
Current Account Balance (% of GDP)	-8.5	-12.7	-13.6	-16.0p	-17.1p	-16.8
<b>V. FOREIGN EXCHANGE RESERVES (\$ Million)<sup>6</sup></b>						
Foreign Reserves	2,012.0	2,219.8	2,192.5	3,201.4	3,596.0	3,555.7
<b>VI. MONEY AND CREDIT (year-on-year % change)<sup>7</sup></b>						
Broad Money	2.5	2.7	1.2	11.1	3.6	6.7
Narrow Money	0.5	-0.1	10.5	22.9	8.3	9.3
Currency in Circulation	1.1	2.9	4.9	8.7	3.5	-2.2
Domestic Credit <sup>8</sup>	9.7	4.9	2.3	3.9	5.2	9.3
<b>VII. INTEREST RATES (% p.a.)<sup>8</sup></b>						
RBF OPR <sup>7</sup>	0.50	0.50	0.25	0.25	0.25	0.25
Lending Rate	5.69	6.30	6.12	5.77	5.40	4.96
Savings Deposit Rate	1.32	1.10	0.54	0.42	0.39	0.38
Time Deposit Rate	3.61	4.10	3.16	1.99	1.22	1.17
Minimum Lending Rate	1.00	1.00	0.50	0.50	0.50	0.50
<b>VIII. EXCHANGE RATES (mid rates, F\$1 equals: end of period)<sup>8</sup></b>						
US dollar	0.4669	0.4663	0.4904	0.4722	0.4534	0.4454
REER (January 1999 = 100)	106.23	102.43	99.33	97.20	94.38	92.63
<b>IX. Government Finance (\$ Million)<sup>9</sup></b>	<b>2018-19</b>	<b>2019-20a</b>	<b>2020-21r</b>	<b>2021-22a</b>	<b>2022-23r</b>	<b>2023-24b</b>
Total Revenue and Grants*	3,181.1	2,716.7	2,143.0	2,190.8	2,749.8	3,700.7
Total Expenditure*	3,600.3	3,353.7	3,190.3	3,414.1	3,589.2	4,339.9

\*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 2018 to 2023 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> 2023 – 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 2023 is July end.

<sup>9</sup> Source from the National Budget Supplement and Government's fiscal performance report published by the MoF.

### Key:

e - estimate

p - provisional

b - budgeted

r - revised

p.a. - per annum

n.a - not available

# ABBREVIATIONS

ABIF	Association of Banks in Fiji	JPY	Japanese Yen
ACH	Automated Clearing House	KPIs	Key Performance Indicators
ADB	Asian Development Bank	LFIs	Licensed Financial Institutions
AFI	Alliance for Financial Inclusion	LMCC	Labour Management Consultation and Committee
AICD	Australian Institute of Company Directors	MC	Macroeconomic Committee
APII	African Financial Inclusion Policy Initiative	MIS	Managed Investment Schemes
AML	Anti money laundering	MSMEs	Micro, Small and Medium Enterprises
AUD	Australian dollar	MSMECGS	Micro, Small and Medium Enterprises Credit Guarantee Scheme
BARC	Board Audit and Risk Committee	NDA	Net Domestic Assets
BCP	Business Continuity Plan	NEC	National Employment Centre
BGC	Board Governance Committee	NEER	Nominal Effective Exchange Rate
BRS	Business Resumption Site	NFA	Net Foreign Assets
COI	Conflict of interest	NFIS	National Financial Inclusion Strategy
CSD	Central Securities Depository	NFIT	National Financial Inclusion Taskforce
DD	Disaggregated data	NPLs	Non-performing loans
DFS	Digital financial services	NPS	National Payment System
DRCF	Disaster Rehabilitation and Containment Facility	NZ	New Zealand
EFL	Energy Fiji Limited	NZD	New Zealand dollar
EFTPOS	Electronic Funds Transfer at Point of Sale	OF	Order of Fiji
ESG	Environment, Social and Governance	OFA	Other foreign assets
EUR	Euro	OHS	Occupational Health and Safety
FDB	Fiji Development Bank	OPR	Overnight Policy Rate
FEE	Fiji Enterprise Engine	P2P	Person-to-Person
FHRI	Fiji Human Resources Institute	PFTAC	Pacific Financial Technical Assistance Centre
FIA	Fiji Institute of Accountants	PPSR	Personal Property Securities Registry
FIB	Fiji Institute of Bankers	PIRI	Pacific Islands Regional Initiative
FICA	Fiji Institute of Chartered Accountants	PP	Percentage points
FICAC	Fiji Independent Commission Against Corruption	PSC	Private sector credit
FinTech	Financial Technology	PSF	Permanent Secretary for Finance
FJD	Fijian dollar	QMT	Quality Management Teams
FNPF	Fiji National Provident Fund	RBF	Reserve Bank of Fiji
FRCS	Fiji Revenue & Customs Service	REER	Real Effective Exchange Rate
FSGB	Fiji Sovereign Green Bond	RELR	Renewable Energy Loans Ratios
FSPs	Financial services providers	RMCG	Risk Management and Communications Group
FSR	Financial Stability Review	ROA	Return on Assets
FTR	Financial Transactions Reporting	RRA	Revaluation Reserve Account
FY	Financial Year	RTGS	Real Time Gross Settlement System
GBP	British pound sterling	SDR	Special Drawing Rights
GDP	Gross Domestic Product	SME	Small and Medium Enterprises
GPF	Global Policy Forum	SPX	South Pacific Stock Exchange
HA	Housing Authority	SRD	Statutory Reserve Deposits
HCI	Hyper-converged infrastructure	TNA	Training Needs Analysis
HR	Human Resources	UNCDF	United Nations Capital Development Fund
ICT	Information and Communications Technology	US	United States
IFC	International Finance Corporation	USD	US Dollar
IFRS	International Financial Reporting Standard	USP	University of the South Pacific
IMF	International Monetary Fund	VAT	Value Added Tax
ISEFF	Import Substitution and Export Finance Facility	WGs	Working Groups
ITIL	Information Technology Infrastructure Library	WEO	World Economic Outlook
IT	Information Technology		



## **RESERVE BANK OF FIJI**

The great double-hulled, ocean-going canoes (Drua) of the ancient Fijians were remarkable crafts capable of long voyages. The tagaga (pronounced “tangaga”) or masthead, was crucial for holding in place the sails, woven from the leaves of the pandanus tree. It was the tagaga which enabled the navigators to keep their drua sailing towards their destinations.

For the Reserve Bank of Fiji, a logo based on the tagaga masthead, symbolises the Bank’s role in contributing towards a sure and steady course for Fiji’s economy.





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