

# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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Press Release No. : 06/2011

Phone : (679) 3313 611

Date : 17 March 2011

Fax : (679) 3302 094

E-mail: [rbf@reservebank.gov.fj](mailto:rbf@reservebank.gov.fj)

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### **COMMERCIAL BANKS TO PUBLISH INTEREST RATE SPREADS**

The Reserve Bank of Fiji announced today that commercial banks will now be required to publicly disclose any increases in interest rate spreads beyond the previously regulated limit of 4 percent for any given quarter. In addition to disclosing the actual interest rate spread, the banks will also be required to disclose the specific reasons, including management's stance and justifications for the increase.

This disclosure is a requirement under the recently released *Banking Supervision Policy Statement Number 17: Interest Spread Disclosure Statement* and will be implemented with effect from the reporting quarter ended 31 December 2010. The first disclosures are expected to be published this week and future disclosures will be required to be published within one month of the end of quarter.

The objective of the policy guideline is to ensure banks are transparent and accountable for any increases in the interest rate spreads beyond the benchmark of 4 percent. Promoting public disclosure of financial and other relevant prudential information to foster market discipline and strengthen financial stability is important to the Reserve Bank of Fiji.

The Reserve Bank also clarified that "interest spread" is defined in the Policy as "the difference between the yield on monetary assets and cost of average funding liabilities". The definition is based on the absolute figures earned and expensed over the quarter with the balances utilised to earn interest and funding provided by depositors.

**Reserve Bank of Fiji**