

**BILL FOR THE  
RESERVE BANK OF VANUATU  
ACT NO.      OF 2025**

**Explanatory Note**

This Bill repeals and replaces the Reserve Bank Act [CAP 125] to modernize the legal foundation of Vanuatu's central bank. It establishes the Reserve Bank of Vanuatu as an autonomous institution with very clear objectives to maintain price stability, safeguard financial system integrity, and support national economic policies, while also ensuring accountability and transparency.

The reform reflects a strategic shift towards stronger governance, better risk management, and alignment with international best practices.

The current legislation governing the Reserve Bank is outdated and lacks provisions necessary for contemporary central banking functions. Following recommendations from international financial institutions and national policy reviews, this Bill introduces reforms to align Vanuatu's monetary authority with global best practices while safeguarding national interests.

The Bill is designed to:

- strengthen monetary policy by prioritizing price stability and insulating the Bank from political interference; and
- enhance financial system oversight through clearer powers and responsibilities; and
- improve transparency by requiring mandatory audits, public reporting, and stakeholder engagement; and
- support economic development by enabling the Reserve Bank to advise the Government, manage reserves, and promote inclusive finance.

With the new legislation, the Government will gain a more structured and transparent relationship with the Reserve Bank, especially regarding fiscal agency and monetary policy coordination, while facing new limits on direct borrowing from the central bank which promotes fiscal discipline and reducing inflationary pressure.

The Reserve Bank will also be obliged to produce for the Government regular monetary policy statements and provide economic advice.

This will make the Government become a more strategic partner of the Reserve Bank, fostering mutual accountability and long-term economic planning.

**Minister of Finance and Economic Management**



## REPUBLIC OF VANUATU

### BILL FOR THE RESERVE BANK OF VANUATU ACT NO. OF 2025

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# REPUBLIC OF VANUATU

## BILL FOR THE RESERVE BANK OF VANUATU ACT NO. OF 2025

An Act to provide for the establishment of the Reserve Bank of Vanuatu and the operations, objectives and functions of the Reserve Bank and related matters.

Be it enacted by the President and Parliament as follows-

### PART 1 PRELIMINARY

#### 1 Interpretation

In this Act, unless the contrary intention appears:

**bank** has the same meaning as in the Financial Institution Act [CAP 254];

**banking business** has the same meaning as in the Financial Institution Act [CAP 254];

**Board** means the Board of Directors of the Reserve Bank;

**currency** means banknotes, coins and currency issued by the Reserve Bank and includes currency issued by the Reserve Bank in digital form;

**financial institution** means a company which carries on banking business in Vanuatu;

**Governor** means the Governor of the Reserve Bank;

**Insurance business** has the same meaning as in the Insurance Act No. 54 of 2005;

**licensed** means licensed to conduct banking business, insurance business and credit cooperation;

**Minister** means the Minister of Finance and Economic Management or any Minister acting on his or her behalf;

**monetary liabilities** means currency in circulation, deposits, and financial claims by residents against the Reserve Bank, and does not include the Reserve Bank's liabilities to the Provincial and Municipal Councils and the Government;

**Non-Executive** means a person who is not part of a staff or management of the Reserve Bank and does not engage in the day to day management or operational decisions of the Reserve Bank;

**Reserve Bank** means the Reserve Bank of Vanuatu established under subsection 4(1);

**resident of Vanuatu** means any person or body of persons, corporate or unincorporate, either domiciled in Vanuatu or present or likely to be present in Vanuatu for a total period of 180 days, within a period of 12 consecutive months;

## **2 Objectives of the Reserve Bank**

- (1) The primary objective of the Reserve Bank is to achieve and maintain domestic price stability.
- (2) Subject to subsection (1), the secondary objective of the Reserve Bank is to contribute to the stability of the financial system of Vanuatu.
- (3) Subject to subsections (1) and (2), the Reserve Bank is to support the Government's general economic policies.

## **3 Application of the Act**

- (1) This Act applies despite the provisions of any other Act.
- (2) In the event that there is a conflict between this Act and any other Act, the provisions of this Act must prevail.
- (3) The Reserve Bank must be consulted in writing prior to the introduction of any legislative proposal which may have a bearing on the Reserve Bank's objectives, functions and powers under this Act or any other applicable law.

## **PART 2 ESTABLISHMENT OF THE RESERVE BANK OF VANUATU**

### **4 Establishment and Incorporation of the Bank**

- (1) The Reserve Bank of Vanuatu is established.
- (2) The Reserve Bank:
  - (a) is a body corporate with perpetual succession; and
  - (b) may sue and be sued in its own name.

### **5 Functions of the Reserve Bank**

- (1) The Reserve Bank has the following functions:
  - (a) to formulate and implement exchange rate policy; and
  - (b) to supervise and regulate banking business and the extension of credit; and
  - (c) to act as banker, financial advisor, and fiscal agent to the Government; and
  - (d) to formulate and implement monetary policy; and
  - (e) to promote a sound financial structure and inclusive financial system; and
  - (f) to hold and manage all official international reserves of Vanuatu; and
  - (g) to regulate and supervise domestic and international (offshore) banks; and
  - (h) to regulate and supervise insurance businesses; and
  - (i) to regulate and supervise any other financial institution for which the RBV is authorised under this Act or any other law; and
  - (j) to regulate and oversee payment systems and promote the safety, soundness, and efficiency of such payment systems; and

- (k) to collect and produce statistics; and
- (l) to issue, manage and withdraw the currency of Vanuatu; and
- (m) to act as lender of last resort; and
- (n) to act as macroprudential authority; and
- (o) to act as resolution authority; and
- (p) to cooperate with and participate in international councils and organizations, including public international financial institutions, and cooperate with domestic and foreign public entities, concerning matters related to its objectives and functions.

## **6 Powers of the Reserve Bank**

- (1) The Reserve Bank has all the powers necessary to give effect to its objectives and carry out its functions.
- (2) Without limiting the generality of subsection (1), the Reserve Bank may enter into contracts, and acquire, hold, deal with and dispose of real and personal property of every description.

## **7 Autonomy of the Reserve Bank**

- (1) The Reserve Bank must be autonomous in perusing its objectives and in the performance of its functions under this Act.
- (2) The Reserve Bank, the members of its decision-making bodies of the Reserve Bank, its employees and any person appointed under this Act, in the exercise of their functions, must not request or to act on any instructions from any person or entity, including the Government or any agent of Government.
- (3) The autonomy of the Reserve Bank must be respected at all times and person or entity must not attempt to influence the members of the Reserve Bank's decision-making bodies, employees and any person appointed under this Act in the exercise of their functions or to interfere in the activities of the Reserve Bank.

## **8 Place of business and agents**

- (1) The Reserve Bank must have its principal place of business in Port Vila and may establish such branch offices elsewhere as it sees fit.
- (2) The Reserve Bank may appoint such agents and correspondents of the Bank, within Vanuatu or outside Vanuatu, as the Governor may consider necessary for the efficient functioning of the Reserve Bank.
- (3) The appointment of the agents and correspondents must be in line with the rules for the good governance of the Reserve Bank and the conduct of its business.

## **PART 3 ESTABLISHMENT OF THE BOARD OF DIRECTORS, APPOINTMENT OF GOVERNOR AND DEPUTY GOVERNORS AND COMMITTEES**

### **Division 1 Board of Directors**

#### **9 Board of Directors**

- (1) The Board of Directors of the Reserve Bank is established.
- (2) The Board consists of the following members:
  - (a) the Governor, who is the Chairperson of the Board; and
  - (b) one Deputy Governor designated by the Governor; and
  - (c) four other members who are non-executive.
- (3) The members of the Board, in paragraph (2)(c), are to be appointed by the Minister upon the recommendation of the Evaluation Committee, and must meet the following criteria:
  - (a) a Master's degree or any higher academic qualifications in banking, finance, economics, law, statistics, mathematics, information technology, risk management, financial reporting, and auditing, from a recognised university; or
  - (b) at least 10 years of relevant work experience in banking, finance, economics, law, statistics, mathematics, information technology, risk management, financial reporting, and auditing.
- (4) The appointment of the members of the Board under subsection (3) must be based on merit and follow a fair and transparent process.
- (5) A member of the Board is to hold Office for a term of 5 years and may be reappointed for only 1 additional term.
- (6) The terms and conditions of appointment of a member of the Board are to be set out in his or her letter of appointment and must not be altered to his or her disadvantage during his or her tenure in the Office.

#### **10 Disqualification of members of the Board**

A person is disqualified from being appointed or for continuing, as member of the Board if he or she is or becomes:

- (a) a member of Parliament, or an officer or employee of the Government of the Vanuatu, a Provincial Government Council or a Municipal Council, or a holder any other public office; or
- (b) a member or official of a political party; or
- (c) a shareholder, director, officer, or employee of a company other than the Reserve Bank, engaged wholly or mainly in banking business or is regulated by the Reserve Bank; or
- (d) an undischarged insolvent or bankrupt; or
- (e) convicted of an offence involving deviant behaviour constituting an immoral, unethical, or unjust departure from ordinary social standards such that it would shock a community; or
- (f) convicted of a criminal offence, or he or she has engaged in serious misconduct in office as determined by a court of law; or
- (g) disqualified or suspended from practising his or her profession by the order of any competent authority made in respect of him or her personally by reason of his misconduct.

## **11 Removal and Resignation of a member of Board**

- (1) The Minister may, by Order, on the recommendation of the Board, remove a member of the Board if the Minister is satisfied that member:
  - (a) is incapable of performing his or her duties by reason of physical or mental capacity, as certified by an independent qualified medical expert; or
  - (b) has failed to attend three consecutive Board meetings without prior approval of the Chairperson.
- (2) Any member of the Board other than the Governor or a Deputy Governor, may resign from his or her office by giving one month's notice in writing to the Minister.
- (3) A member appointed, as successor to another member, who resigns or vacates his or her office by removal or death, is to hold the Office to complete the term of the member whom he or she succeeds.

## **12 Powers of the Board**

- (1) The Board is responsible for the formulation of the policies of the Reserve Bank, the oversight of the implementation of the policies, and the oversight of the management of the Reserve Bank.
- (2) Without limiting subsection (1), the Board has the following powers:
  - (a) make internal rules for the conduct of the business of the Reserve Bank; and
  - (b) make orders and issue directives for the purpose of giving effect to the provisions of this Act; and
  - (c) formulate monetary and foreign exchange policies and oversee their implementation; and
  - (d) formulate other policies of the Reserve Bank regarding the execution of its functions and oversee their implementation; and
  - (e) approve the annual budget of the Reserve Bank; and
  - (f) approve the annual report and financial statements of the Reserve Bank; and
  - (g) adopt and oversee the Reserve Bank's policies on internal and external audit, compliance, internal controls and risk management; and
  - (h) adopt and oversee the system of financial reporting, accounting policies, information technology and security of the Reserve Bank; and
  - (i) appoint and dismiss the Manager Internal Auditor on recommendation of the Audit Committee; and
  - (j) determine policies on the appointment, dismissal, remuneration, pension, code of conduct and other terms and conditions relating to the service of the employees of the Reserve Bank; and
  - (k) establish committees of the Board to assist in its oversight functions.

### **13 Meeting of the Board**

- (1) The Board is to meet at least 4 times in a year and may hold such other meetings as are necessary for the proper performance of its functions under this Act or any other Act.
- (2) The Chairperson or in his or her absence, the Deputy Governor who is Acting as Governor, is to preside at all meetings of the Board.
- (3) At the meeting of the Board, a quorum consists of four members of the Board, of whom one must be the Governor or in his or her absence, the Deputy Governor designated under paragraph 9(2)(b).
- (4) The decisions of the Board are to be made by a simple majority vote of the members present and voting.
- (5) If there is a tie vote at a meeting of the Board, the Chairperson, or the Deputy Governor, (whoever is presiding at that meeting), has a casting vote.
- (6) All acts done by a person acting in good faith as a member of the Board is to be valid despite some defect in his or her appointment or qualification is later discovered.
- (7) Subject to subsection (3), no act or proceeding of the Board is to be invalidated merely by reason of the existence of a vacancy or vacancies.
- (8) The Board may determine and regulate its own procedures.

### **14 Establishment of the Evaluation Committee**

- (1) The Evaluation Committee consists of the following members:
  - (a) a legal practitioner appointed by the Law Council; and
  - (b) an individual appointed by the Public Service Commission; and
  - (c) an academic appointed by the National University of Vanuatu.
- (2) A member appointed under paragraph (1)(a) or (1)(b) or (1)(c) must not be a member of any political party.
- (3) The Evaluation Committee is responsible for identifying, assessing, and recommending suitable candidates for:

- (a) appointment as a member of the Board under subsection 9(2); and
  - (b) appointment of an external individual who is a member of the Monetary Policy Committee under paragraph 27(3)(c).
- (4) The Evaluation Committee must operate independently and free from political or institutional influence, and must maintain confidentiality throughout the recruitment process.
- (5) The Evaluation Committee may consult with relevant stakeholders, including government agencies, professional bodies, and civil society, to inform its assessment process.
- (6) The Evaluation Committee must, in making a recommendation under subsection 9(2) or paragraph 27(3)(c), follow a fair and transparent selection process based on merit.
- (7) An individual must not be recommended by the Evaluation Committee as a members of the Board or member of the Monetary Policy Committee if that person has not given his or her consent to the Evaluation Committee to accept the appointment on such terms and conditions.

## **Division 2 Appointment of the Governor, Functions and Powers of the Governor**

### **15 Appointment of the Governor**

- (1) The Prime Minister is to appoint the Governor, after consultation with the Minister, and on the recommendation of the Board of Directors.
- (2) The appointment of the Governor must be based on merit and must follow a fair and transparent process.
- (3) The Governor is to hold Office for a period of 5 years and is eligible for reappointment for one additional term.
- (4) The Prime Minister is to determine the terms and conditions of the appointment of the Governor.
- (5) The Governor must be a person who:
- (a) have at least 10 years of work experience in financial matters and in managing an organisation; and

- (b) have a Master Degree or any higher qualifications in economics, banking, finance, commerce, or accounting.

## **16 Disqualification for the Appointment of the Governor**

A person is to be disqualified from being appointed or for continuing, as the Governor:

- (a) if he or she is or becomes, a member of Parliament, or an officer or employee of the Government of Vanuatu or local Government or other public entity, or holds any other public office; or
- (b) if he or she is or becomes a member or official of a political party; or
- (c) if he or she is or becomes a shareholder, director, officer, or employee of a company other than the Reserve Bank, engaged wholly or mainly in banking business, or is regulated by the Reserve Bank; or
- (d) if he or she is or becomes an undischarged insolvent or bankrupt; or
- (e) if he or she is convicted of an offence involving deviant behaviour constituting an immoral, unethical, or unjust departure from ordinary social standards such that it would shock a community; or
- (f) if he or she is convicted of a criminal offence, or he has engaged in serious misconduct in office as determined by a court of law; or
- (g) in the case of a person having professional qualifications, if he or she is disqualified or suspended from practising his profession by the order of any competent authority made in respect of him personally by reason of his misconduct; or
- (h) becomes a disqualified person within the meaning of section 42 of the Financial Institutions Act [CAP 254].

## **17 Functions and Powers of the Governor**

- (1) The Governor is to be the Chief Executive Officer of the Reserve Bank and has the following functions:
  - (a) must be responsible to the Board for the execution of its policy and the management of the Reserve Bank; and

- (b) must ensure that the decisions of the Board are implemented and the provisions of this Act and any other law relating to the Reserve Bank are observed.
- (2) The Governor has the following powers:
- (a) to represent the Reserve Bank in its relations with other public entities, persons, or bodies; and
  - (b) to represent the Reserve Bank, either personally or through counsel, in any legal proceedings to which the Reserve Bank is a party; and
  - (c) to enter into contracts and sign instruments and documents, on behalf of the Reserve Bank.
- (3) The Governor or any person authorised by the Reserve Bank to act on its behalf is to:
- (a) witness all deeds, documents and other instruments required to be sealed with the common seal of the Reserve Bank; and
  - (b) sign every such deed, document, or other instrument to which such seal is affixed, and such signing must be sufficient evidence that such seal was duly and properly affixed and that the same is the lawful seal of the Reserve Bank.
- (4) All powers under this Act that are not specifically reserved for the Board are vested in the Governor.

## **18 Power to Delegate**

- (1) The Governor may, in writing, delegate any of his or her powers under this Act to the Deputy Governors, or to any other employee of the Reserve Bank.
- (2) The delegation may be made generally, or in respect of a particular matter or class of matters.
- (3) The Governor may at any time revoke or vary a delegation.
- (4) A delegation does not prevent the Governor from performing the powers he or she has delegated.

## **19 Acting Governor**

- (1) Where the Governor is temporarily absent, incapacitated, or otherwise unable to perform his or her functions under this Act, the Governor may appoint a Deputy Governor to act as the Acting Governor.
- (2) If the Governor is unable to make such appointment due to sudden incapacity or other unforeseen circumstances, the Board is to appoint a Deputy Governor as the Acting Governor.
- (3) Where a vacancy occurs in the office of the Governor, the Board is to appoint a Deputy Governor as an Acting Governor.
- (4) The Acting Governor may perform and exercise all the functions and powers of the Governor under this Act.
- (5) The appointment of an Acting Governor under this section ceases when:
  - (a) the Governor resumes duty; or
  - (b) a new Governor is appointed.

## **20 Exclusivity of Service and Permitted External Roles of the Governor**

- (1) The Governor must devote the whole of his professional services to the Bank and must not while holding office, hold any other office, whether remunerated or not, without written permission of the Minister.
- (2) Despite subsection (1) and any other section in this Act, the Governor may:
  - (a) act as a nominee of the Reserve Bank; or
  - (b) be a member of any Board, Committee or Commission established by the Government or by or under any Act of Parliament; or
  - (c) be a Governor, Director or member of the Board of any regional or international institution of which Vanuatu or the Reserve Bank is a member.

### **Division 3                      Deputy Governor**

#### **21        Appointment of Deputy Governor**

- (1) The Governor, on the approval of the Board of Directors, is to appoint two Deputy Governors.
- (2) The appointment of the Deputy Governors must be based on merit and must follow a fair and transparent process.
- (3) The Governor, after consultation with the Board, is to determine the terms and conditions of the appointment of the Deputy Governors.
- (4) The Deputy Governors are to hold Office for a period of 5 years each and maybe reappointed for 1 additional term.
- (5) The persons appointed as Deputy Governors must:
  - (a) have at least 10 years of work experience in financial matters and in managing an organisation; or
  - (b) have a Master Degree or any higher qualifications in economics, banking, finance, commerce, or accounting.

#### **22        Disqualification of Deputy Governor**

A person is disqualified from being appointed or for continuing, as Deputy Governor:

- (a) if he or she is or becomes, a member of Parliament, or an officer or employee of the Government of Vanuatu or local Government or other public entity, or if he holds any other public office; or
- (b) if he or she is or becomes a member or official of a political party; or
- (c) if he or she is or becomes a shareholder, director, officer, or employee of a company other than the Reserve Bank, engaged wholly or mainly in banking business, or is regulated by the Reserve Bank; or
- (d) if he or she is or becomes an undischarged insolvent or bankrupt; or
- (e) if he or she is convicted of an offence involving moral turpitude; or
- (f) if he or she is convicted of a criminal offence, or he has engaged in serious misconduct in office as determined by a court of law; or

- (g) in the case of a person having professional qualifications, if he or she is disqualified or suspended from practising his profession by the order of any competent authority made in respect of him personally by reason of his misconduct.

## **Division 4 Administration**

### **23 Removal of an employee**

A person ceases to be an employee of the Reserve Bank if the Governor is satisfied that that employee is a disqualified person within the meaning of section 42 of the Financial Institutions Act [CAP 254].

### **24 Remuneration and Allowances**

- (1) The Governor and Deputy Governors must be paid such remuneration and be entitled to such other terms and conditions of employment as is specified in their letters of appointment and which may not be altered to their disadvantage during their term of office.
- (2) The member of the Board appointed under subsection 9(3) is to receive such allowances as may be determined by the Minister from time to time, including a sitting allowance, an amount of which may be prescribed by the Minister, by order.
- (3) The remuneration or allowance must not be computed based on the Reserve Bank's profits or any of its reserves.

### **25 Conflicts of interest**

- (1) A member of the Board or employee of the Reserve Bank or any person appointed under this Act must not act as a delegate of any commercial, financial, agricultural, industrial, or other interest or receive or accept directions from them in respect of duties to be performed under this Act.
- (2) All members of the Board, employees of the Reserve Bank and any person appointed under this Act must avoid any situation likely to give rise to a conflict of interest.
- (3) The persons under subsection (2) must fully disclose to the Board any personal, commercial, financial, agricultural, industrial, or other interest that they or any dependent member of their family may directly or indirectly have in any matter which becomes the subject of Board action, or which relates to their duties or functions under this Act.
- (4) A member of the Board with any such interest specified in subsection (3) must remove himself from any Board deliberations and voting related matter, provided that such an interest, if so disclosed, must not disqualify such Board member for the purpose of constituting a quorum.

- (5) A member of the Board, or any employee of the Reserve Bank or any person appointed under this Act must not accept any gift or advantage for him or herself, or on his or her behalf for persons with whom he or she may have family, business or financial connections which would result, or give the appearance of resulting, in a diminution of his impartiality in any matter relating to his duties under this Act.
- (6) Former members of the Board must neither have an equity participation, nor serve in any capacity in or for a bank or a financial institution or other financial entity regulated by the Reserve Bank for a period of two years immediately following the expiration of their active service for the Reserve Bank.
- (7) Any person who contravenes the provisions of this section is guilty of an offence and liable on conviction to a fine of VT10,000,000 or to imprisonment for 7 years, or to both.

## **Division 5 Committees**

### **26 Audit Committee**

- (1) The Board is to establish an Audit Committee of the Reserve Bank.
- (2) The Board is to appoint 3 non-executive members of the Board to be members of the Audit Committee, and at least one appointed member must possess substantial expertise in accounting, auditing, or financial reporting.
- (3) The Board must appoint from amongst the members the Chairperson of the Committee.
- (4) The Audit Committee has the following functions:
  - (a) to oversee the financial reporting and disclosure process; and
  - (b) to oversee the performance of the internal audit function; and
  - (c) to oversee the risk management adopted by the Reserve Bank.
- (5) The Audit Committee has the following duties:
  - (a) to monitor the implementation of recommendations made by the Manager internal audit and external auditors; and

- (b) to oversee compliance laws and policies, ethics, and whistleblower hotlines.
- (6) The Audit Committee has the power to make recommendations to the Board with respect to the external auditor selection, dismissal, and rotation policy.
- (7) In addition to subsections (4), (5) and (6), the Board may prescribe other functions, duties and powers of the Audit Committee in the Audit Committee Charter.

## **27 Meetings of the Audit Committee**

- (1) The Audit Committee is to meet at least once every 3 months.
- (2) The quorum at a meeting of the Audit Committee is two members present at a meeting.
- (3) If a decision cannot be reached by consensus in a meeting, the matter is to be determined by a majority vote of the members who are present and voting.
- (4) If the vote is equal, the Chairperson presiding at the meeting has a casting vote.
- (5) The Audit Committee may require any person within the Reserve Bank to provide any information to assist the Audit Committee to carry out its function under this section, and to attend meetings of the Audit Committee without the right to vote.
- (6) The Audit Committee may appoint external subject experts to assist them in carrying out any of their functions, duties, and powers.
- (7) The Minister may, by Order, prescribe the sitting allowance for each day in which the Audit Committee meets.

## **28 Management Committee**

- (1) A Management Committee is established.
- (2) The Management Committee is responsible for assisting the Governor on the day-to-day management of the Reserve Bank and the implementation of policies adopted by the Board.

- (3) The Management Committee consists of the Governor, the Deputy Governors, the Heads of Departments and senior staff who are to attend a meeting upon the instruction of the Governor.
- (4) For the purpose of this section, ‘Heads of Department’ or ‘Head of Department’ means a person appointed by the Governor to head a department within the Reserve Bank.

## **29 Monetary Policy Committee**

- (1) The Monetary Policy Committee of the Reserve Bank is established.
- (2) The Monetary Policy Committee is responsible for advising the Board on the formulation of the monetary policy of the Reserve Bank.
- (3) The Monetary Policy Committee consists of the following members:
  - (a) Governor, who is the chairperson; and
  - (b) a Deputy Governor appointed by the Governor, who is the Deputy Chairperson; and
  - (c) 4 other members appointed by the Governor.
- (4) The Members appointed under paragraph (3)(c) may be employees of the Reserve Bank or external individuals.
- (5) The Governor, on recommendation of the Evaluation Committee, is to appoint an external individual as member of the Monetary Policy Committee.
- (6) An external individual appointed under subsection (5) must:
  - (a) be a professional in the field of economics, banking, or finance with relevant experience of at least 10 years; and
  - (b) have a Master’s degree or any higher degree in the field of economics, banking, or finance from a recognised university; and
  - (c) not have been declared bankrupt.
- (7) If the Governor appoints an external individual as a member of the Monetary Policy Committee, the person is to hold office for a term of 5 years and may be reappointed for 1 additional term.

- (8) The criteria for disqualification of a board member under sections 10 and 11 applies to the external individual member.
- (9) To avoid doubt, subsections (6), (7) and (8) apply only to external members and do not apply to the Reserve Bank employees, if appointed under subsection (4).
- (10) A quorum at a meeting of the Committee consists of four (4) members, including the Chairperson or Deputy Chairperson.
- (11) The decisions of the Committee must be made by majority vote of members present and voting.
- (12) The Committee must submit written recommendations to the Board at such frequency as may be directed by the Board.
- (13) The Governor may request any senior staff member of the Reserve Bank to attend meetings of the Monetary Policy Committee, whether in an advisory capacity or to provide relevant information or expertise. These senior staff do not have the right to vote at that meeting.
- (14) For the purpose of the external individual appointed under this section, the Minister may, by Order, prescribe the sitting allowance for each day in which the external individual member attends a meeting of the Committee.

### **30 Governance Committee**

- (1) For the purpose of section 25, the Board may appoint on an-ad-hoc basis, 3 members of the board appointed under paragraph 9(2)(c) as members of the Governance Committee.
- (2) The Governance Committee is responsible to look into any allegation of conflict of interest within the Reserve Bank and must submit a written report of its findings and recommendations to the Board within 30 days of concluding its review.
- (3) A quorum at the meeting of the Governance Committee consists of two members. All decisions are to be made by majority vote.
- (4) The Governance Committee may request relevant documents, records, or testimony from any officer or employee of the institution to carry out its responsibilities.

- (5) All deliberations and documents reviewed by the Governance Committee must remain confidential, except where disclosure is required by law or authorized by the Board.
- (6) Each member of the Governance Committee must declare any personal interest in matters under review and excuse themselves where appropriate.
- (7) The Board must ensure the Governance Committee is provided with adequate administrative support and resources to fulfill its mandate.

### **31 Investment Committee**

- (1) An Investment Committee is established.
- (2) The Investment Committee is responsible to advise the Board on the formulation of investment policy and strategy of the Reserve Bank.
- (3) The Investment Committee consist of the following members:
  - (a) The Governor, who is the Chairperson; and
  - (b) a Deputy Governor appointed by the Governor, who is the Deputy Chairperson; and
  - (c) 3 other members appointed by the Governor.
- (4) The members referred to in paragraph (3)(c) must be employees of the Reserve Bank.
- (5) The objectives of the Investment Committee are to:
  - (a) assess current international economic conditions and foreign exchange markets; and
  - (b) discuss strategies for the investment of foreign reserves; and
  - (c) recommend appropriate investment actions for the upcoming months; and
  - (d) review and propose policy initiatives relating to the management of reserves.

- (6) The Investment Committee must ensure that investment decisions approved by the Board for the deployment of foreign reserves are implemented in a timely and effective manner.
- (7) The Investment Committee is to meet at least once per month, or more frequently as required.
- (8) A quorum at the meeting of the Investment Committee consists of four (4) members, including either the Chairperson or Deputy Chairperson.
- (9) All decisions of the Committee must be made by majority vote of members present and voting.
- (10) The members must declare any conflict of interest in relation to matters under consideration and excuse themselves where appropriate.
- (11) The Committee must submit a written report of its recommendations and activities to the Board on a quarterly basis or at such time as the Board may direct.
- (12) The Committee is to develop its own Investment Guidelines, which must be submitted to the Board for approval.

### **32 Secrecy**

- (1) A member of the Board, or any employee of the Reserve Bank or any person appointed under this Act, must not disclose to any person any information relating to the affairs of the Reserve Bank or of any bank or financial institution or other person which he or she has acquired in the performance of his or her duties under this Act.
- (2) Despite subsection (1), the member of the Board, or any employee of the Reserve Bank or any person appointed under this Act may disclose the information under subsection (1) if he or she is performing his or her duties provided that such disclosure is not done in a grossly negligent manner or when lawfully required to do so by any Court or other law.
- (3) Any person who contravenes this section is guilty of an offence and liable on conviction to a fine of VT5,000,000 or to imprisonment for 10 years, or to both.

### **33 Immunity for acts done in good faith**

The Board or any member of the Board, the Governor and any employee or person appointed under this Act, must not incur any liability or suffer any penalty as a result of anything done or for any omission made in good faith in the exercise of any power or the performance of any duty under this Act.

## **PART 4 CAPITAL, RESERVE AND PROFIT**

### **34 Capital**

- (1) The authorised capital of the Reserve Bank must be VT1,000,000,000 and fully paid-up.
- (2) The authorised capital may be increased from time to time by such amounts as may be proposed by the Board and approved by the Minister. It should be reviewed at least every five 5 years.
- (3) All capital stock of the Reserve Bank as and when issued must be for the sole account of the Government and must not be transferable or subject to any encumbrance.
- (4) The authorised capital must not be reduced except by an amendment to this Act.

### **35 General Reserve and Unrealized Revaluation Reserve**

- (1) The Reserve Bank must establish and maintain a General Reserve, which may not be used except for the purposes of increasing its capital or covering losses sustained by itself.
- (2) The General Reserve referred to under subsection (1) must not accumulate a balance of less than zero.
- (3) According to the latest audited annual financial statements of the Reserve Bank, if the General Reserve accumulates a balance of less than zero:
  - (a) the Reserve Bank must, within a period of no more than 30 calendar days of publication of the annual financial statements, assess the situation and prepare a report on the causes and extent of the shortfall; and
  - (b) in the event that the Board approves the above-mentioned report, the Reserve Bank must request the Government for a capital contribution to remedy the deficit with a view to restoring the General Reserve to at least zero; and
  - (c) upon receipt of this request the Government must, within a period of no more than 90 calendar days, transfer to the Reserve Bank the necessary amount in currency or in negotiable debt instruments with a specified maturity issued at prevailing market-related interest rates.

- (4) The Reserve Bank must establish unrealized revaluation reserve accounts to account for unrealized gains and losses arising from its exposure in foreign exchange or securities, gold, financial instruments, or other financial assets.

### **36 Profits, Losses, and Distributable Earnings**

- (1) The net profit of the Reserve Bank for any financial year is to be determined by applying the International Financial Reporting Standards and current best central bank practices.

- (2) The earnings available for distribution under section 37 must be determined as follows:

- (a) by deducting from the net profits the total amount of unrealized revaluation gains, and by allocating an equivalent amount to the respective unrealized revaluation reserve account; and
- (b) by deducting from the appropriate unrealized revaluation reserve account and adding to the distributable earnings as determined in paragraph (a) the amount of any unrealized profit that was deducted from the net profits for one or more previous years and was realized during the current financial year.

- (3) The unrealized revaluation losses must be transferred to the respective unrealized revaluation reserve account until such revaluation reserve account has a zero balance, after which the losses will be covered by the current year's profit, and subsequently by the General Reserve.

### **37 Allocation of Distributable Earnings**

- (1) Within 30 days after the Board's approval of the audited financial statements, the Reserve Bank is to allocate the distributable earnings in the following order:

- (a) at least 70 percent of the distributable earnings must be credited to the General Reserve until the sum of the authorised capital and General Reserve reaches 10 percent of monetary liabilities; and
- (b) thereafter, an amount as may be determined by the Board must be allocated to any special reserve established by the Board from time to time as it thinks fit for any of its specific, identified liability, contingency or expected diminution in the value of its assets; and
- (c) after the deductions under paragraphs (a) and (b), the Board is to determine such amount from the remaining balance of distributable earnings to be used to offset any outstanding balance at the end of

the financial year of the credit to the Government made pursuant to subsection 63(1); and

- (d) after the offset under paragraph (c), all remaining distributable earnings must be paid to the Government as dividends.
- (2) The distribution must not be made out of current income of the Reserve Bank except as permitted by subsection (1). To avoid doubt, there must be no distribution of any unrealized gains.
- (3) If in any financial year the Reserve Bank incurs a net loss, this loss must first be charged to the General Reserve, and subsequently applied against the authorised capital.

## **PART 5 CURRENCY**

### **38 Unit of Currency**

The monetary unit of the Republic of Vanuatu is to be known as the Vatu, abbreviated as VT.

### **39 Value of currency**

The value of the Vatu in terms of other currencies must be determined by the Reserve Bank, having due regard to the obligations that Vanuatu has assumed under any international monetary agreement to which it is a party or to which it has adhered.

### **40 Obligations of the Reserve Bank in respect of convertibility of currency**

- (1) The Reserve Bank must at its principal office:
  - (a) at its discretion buy and sell on demand convertible foreign currency, for immediate delivery outside Vanuatu against Vatu; and
  - (b) at its discretion, buy and sell against Vatu other currencies eligible for inclusion in the reserve of other external assets specified in section 46 Provided that,

the rate of exchange quoted by the Reserve Bank for spot transactions must not differ from any value determined by the Reserve Bank under section 39 by more than such margins as are permitted by any international monetary agreement binding on Vanuatu as may from time to time be prescribed.

- (2) The Reserve Bank is not required to buy or sell foreign currencies in amounts less than such minimum sum as the Board may prescribe from time to time.

### **41 Sole right of issue**

- (1) The Reserve Bank has the sole right of designing and issuing currency for, on behalf of, and throughout Vanuatu; and no other person is authorized:
  - (a) to issue currency; or
  - (b) to issue any documents having the appearance of currency; or

- (c) to issue tokens payable to bearer on demand or tokens having the appearance of currency.
- (2) A person must not, without the prior consent in writing of the Reserve Bank, produce or be in possession of, for any reason anything or design which bears words, figures, letters, marks, lines or devices the print of which resembles in whole or in part, or having the appearance of, or purporting to be, or which are likely to pass as or be confused with currency issued by the Reserve Bank.
- (3) The Reserve Bank holds and retains all intellectual property rights, including copyright, in any materials, designs, publications, software and currency designed, issued or commissioned by the Reserve Bank.
- (4) In addition to subsection (3), the intellectual property rights include copyrights in all visual elements, imagery, and artistic works featured on banknotes, coins, and digital currency representations.
- (5) The Reproduction, distribution, or commercial use of such works is strictly prohibited without the Bank's prior written consent.
- (6) Any person who contravenes this section is guilty of an offence and liable on conviction:
  - (a) in the case of an individual, to a fine of VT 15,000,000 or to imprisonment for 10 years or to both; or
  - (b) in any other case, to a fine of VT 20,000,000.

## **42 Printing and Minting**

The Reserve Bank must:

- (a) arrange for all matters related to the printing of notes and the minting of coin; and
- (b) issue, re-issue and redeem such notes and coin; and
- (c) arrange for the safe custody of unissued stocks of notes and coin and storage of digital currency; and
- (d) arrange for the preparation, safe custody, and destruction of plates for the printing of notes and of dies; and

- (e) arrange for the minting of coin; and
- (f) arrange for the safe custody and disposal of withdrawn currency; and
- (g) arrange for the safe preparation, distribution, commissioning or decommissioning of digital currency plates.

#### **43 Denominations and form of currency**

- (1) The currency issued by the Reserve Bank must be in such denominations, and of such composition weight, form and design as approved by the Board of the Reserve Bank.
- (2) The Reserve Bank, by notice published in the Gazette, is to specify the characteristics of any currency issued. In the case of coins, such notice must also include the permissible tolerances and variations from the standard weight and composition.

#### **44 Legal Tender**

- (1) Subject to the provisions of this section, currency issued by the Reserve Bank is legal tender in Vanuatu:
  - (a) in the case of notes or digital currency, for the payment of any amount; and
  - (b) in the case of each denomination of coin, for the payment of an amount not exceeding 20 times that denomination.
- (2) The currency that has been illegally dealt with must not be legal tender.
- (3) For the purpose of this Act, currency that has been illegally dealt with refers to currency that has been impaired, diminished or lightened otherwise than by fair wear and tear, or has been defaced by having a name, word, device or number printed, stamped, or engraved on it, whether it has or has not been diminished, or has been diminished by any other means.
- (4) The Reserve Bank is empowered, upon giving not less than 3 months notice published in the Gazette to call in any currency at its face value. Upon the expiration of such notice, the specified currency is deemed demonetised and cease to be legal tender, provided that:

- (a) subject to subsection (6), the holders of any such currency must be entitled at any time to claim payment of the face value from the Reserve Bank; and
  - (b) where a transfer of the currency has been made under subsection (5) to the Revenue Fund, from the Revenue Fund.
- (5) Where any currency has ceased to be legal tender under subsection (4), the Reserve Bank is to, after a period of five years from the date of demonetisation, transfer to the Revenue Fund an amount equivalent to the face value of such currency remaining in circulation. This amount must be written off the liabilities of the Reserve Bank.
- (6) Where coins are presented for payment under subsection (4) more than 5 years after they have ceased to be legal tender, the Reserve Bank may levy a handling charge of such amount as the Board may from time to time determine.
- (7) A certificate signed by an employee of the Reserve Bank, who is duly authorised by the Governor, as to the genuineness or otherwise of any Vanuatu currency must be conclusive evidence of such fact in any legal proceedings in Vanuatu.

#### **45 Certain currencies not redeemable**

- (1) A person is not entitled to recover from the Reserve Bank the value of any lost, stolen, mutilated or imperfect currency or of any currency which have been illegally dealt with.
- (2) If the Reserve Bank choose to refund the face value to the currency, then it is within its absolute discretion to do so.
- (3) If the Reserve Bank chooses to refund the value of such currency, it may do so as a goodwill gesture and only under conditions it decides at its sole discretion.

## **PART 6 EXTERNAL RESERVE, FOREIGN EXCHANGE OPERATIONS**

### **46 Reserve of External Assets**

- (1) The Reserve Bank must at all times maintain a reserve of external assets which are sufficient to meet its obligations, support monetary stability, and conduct foreign exchange operations. The reserve of external assets consist of all or any of the following:
  - (a) gold;
  - (b) foreign exchange in the form of currency or bank balance held abroad;
  - (c) any internationally recognised reserve asset;
  - (d) bills of exchange and promissory notes denominated in foreign currency and payable at any place outside Vanuatu;
  - (e) treasury bills issued by foreign governments specified from time to time by the Board;
  - (f) securities issued or guaranteed by foreign governments or international financial institutions specified from time to time by the Board.
- (2) The Reserve Bank must manage the reserve of external assets consistent with international best practices and the rules made by the Board having regard to the safety, liquidity and return in that order of priority.

### **47 Value of reserve of external assets**

- (1) The value of the reserve of external assets provided for in section 46 must be not less than an amount equivalent to 50 per cent of the total demand liabilities of the Bank, including currency in circulation, provided that:
  - (a) for the purpose of the calculation of the value of the assets of the reserve the value of any gold or silver content of coin issued under this Act may be recorded as an asset of the reserve and must be calculated by reference to the latest known London market price for gold and silver bullion respectively; and
  - (b) the value so calculated must not exceed the face value of such coin.

- (2) If in the opinion of the Board, the value of the reserve of external assets appears to be in danger of falling below the level required under subsection (1), the Board must submit to the Minister a report containing recommendations as it considers appropriate to remedy the situation.
- (3) The Board must make further reports at intervals that must not exceed 1 month until such time as, in the Board's opinion, the situation has been rectified.
- (4) If the value of the reserve of external assets falls below the level specified in subsection (1) for longer than 90 consecutive days the Board must take such measures as it considers appropriate to remedy the situation and must inform the Minister of the measures taken.

#### **48 Operations in gold and foreign exchange**

The Reserve Bank may:

- (a) buy, sell, or deal in gold coin or bullion; and
- (b) buy, sell, or deal in foreign exchange using for such transactions any of the instruments commonly used in those transactions; and
- (c) buy, sell, or deal in treasury bills and other securities issued or guaranteed by foreign governments or international financial institutions; and
- (d) maintain accounts with other central banks and financial institutions abroad; and
- (e) open and maintain accounts and act as agent or correspondent for foreign central banks, monetary authorities, banks, foreign governments and agencies, and international financial institutions.

## **PART 7 RELATIONS WITH BANK AND OTHER FINANCIAL INSTITUTIONS**

### **49 Opening of accounts for financial institutions**

The Reserve Bank may open accounts for and accept deposits from financial institutions doing business in Vanuatu under such terms and conditions as the Board may from time to time determine.

### **50 Operations with account holders**

The Reserve Bank may, where it is consistent with its objectives, functions, and other provisions of this Act:

- (a) issue drafts and effect other kinds of remittances payable at its own offices or at the offices of agents and correspondents; and
- (b) for its own account, issue bills, and notes from time to time in such amounts and on such terms as it is to decide, and purchase, sell, discount and re-discount such bills and notes,

provided that such transactions need not be restricted to account holders.

### **51 Liquidity Assistance to Financial Institutions**

- (1) In exceptional circumstances, the Reserve Bank may, as lender of last resort, on such terms and conditions as the Board determines, grant liquidity assistance to a solvent and viable financial institution experiencing temporary liquidity problems, against:
  - (a) a penalty interest rate higher than the current policy rate; and
  - (b) adequate collateral; and
  - (c) for periods not exceeding 180 calendar days that may be renewed following an explicit decision by the Board for another period not exceeding 180 calendar days.
- (2) The Reserve Bank must provide such liquidity assistance based on a programme specifying the remedial measures.
- (3) In the event that the solvency of the financial institution is uncertain, or insufficient, the Reserve Bank may provide the liquidity assistance to such financial institution:

- (a) insofar as such assistance is necessary to preserve the stability of the financial system; and
- (b) on the condition that the Minister has issued to the Reserve Bank a legally binding guarantee, in writing, securing the repayment of the loan.

## **52 Determination of rates**

The Reserve Bank must determine and publicly announce from time to time its minimum rates for discounts, rediscounts, advances, loans, or overdrafts, and may determine different rates for various classes of transactions or maturities.

## **53 Clearing and other services**

The Reserve Bank may:

- (a) in conjunction with banks organise facilities for the clearing of cheques and other instruments for effecting payments in Vanuatu;
- (b) organise facilities based on information furnished by financial institutions, for the centralisation of the date of:
  - (i) credit and banking risks; and
  - (ii) unpaid cheques and other payment instruments.

## **54 Provision of information by Financial Institutions**

- (1) The Reserve Bank may require any financial institution to provide, within such time and in such form any information as the Reserve Bank considers necessary to carry out its duties and functions, and to achieve its objectives under this Act, including the calculation of reserves which may be prescribed under section 57.
- (2) In addition to subsection (1), the Reserve Bank may require the following information:
  - (a) its operations in Vanuatu; or
  - (b) its related company; or
  - (c) in the case of a financial institution incorporated in Vanuatu, its operations overseas.

- (3) The Reserve Bank may require a financial institution to submit a certificate from its external auditor verifying the accuracy of any returns and information provided under subsection (1).
- (4) The Reserve Bank may impose administrative fines upon any financial institution or upon any director or officer of that financial institution for:
  - (a) failure to submit or for wilfully delaying the submission of any return or information required under subsection (1), or for wilfully submitting any false or inaccurate return or information required under subsection (1); or
  - (b) failure to submit the certificate of the external auditor, if required in accordance with subsection (3).
- (5) The administrative fines that maybe imposed by the Reserve Bank under subsection (4) are:
  - (a) for each violation under this section, a fine is not exceeding VT 5,000,000; or
  - (b) for a continuing violation of this section, the fine may not exceed VT150,000 for every day during which the violation continues, and must take into consideration the surrounding circumstances such as the nature and gravity of the violation.
- (6) The administrative fines imposed under subsection (4) is to be a civil debt and if not paid may be enforced by action in a court of competent jurisdiction.
- (7) A financial institution or any director or officer of a financial institution on whom an administrative fine is imposed pursuant to subsection (4) must, within 14 days of the date of notification of such fine, submit reasons to the Board why such fine should not be imposed. After consideration of such submission the Board may confirm, vary, or rescind such fine.
- (8) Any return or information provided by a financial institution under subsection (1), or obtained during an inspection carried out pursuant to section 56, must be regarded as confidential and must not be disclosed except in the performance of duties under this Act, or if lawfully required by any court or other law.
- (9) Despite subsection (8) and section 32:

- (a) disclosure is permitted in confidence to a supervisory authority in any other country for the purposes of the exercise of functions corresponding or similar to those conferred on the Reserve Bank under this Act;
- (b) publication by the Reserve Bank in aggregated or summary form is permitted, in such a manner as to prevent any information disclosed from being identified by any person as relating to any particular person.

## **55 Publication of financial statements**

(1) Every licensed financial institution together with its subsidiaries must:

- (a) in respect of its Vanuatu operations; and
- (b) in respect of its overseas operations,

published in the Official Gazette and in a newspaper published and circulating in Vanuatu and be exhibited in a conspicuous position in each of its offices and branches in Vanuatu, the audited balance sheet and profit and loss statements of the licensed financial institution and its subsidiaries in such form and at such time as the Reserve Bank may require.

- (2) The advance copies of the statements under subsection (1) must be forwarded to the Reserve Bank 30 days prior to the publication.
- (3) For the purpose of this section, a licensed financial institution include the Vanuatu branch operations of a licensed financial institution incorporated outside Vanuatu.

## **56 Inspection of financial institutions**

- (1) The Reserve Bank may cause inspections to be made by one or more of its employees or by other persons designated as examiners by the Reserve Bank of the books and accounts of any financial institution which in the opinion of the Reserve Bank is in danger of being unable to meet its obligations.
- (2) For the purpose of performing its duties under this Act, and if the information required by section 55 is not supplied, the Reserve Bank may:
  - (a) cause inspections to be made by one or more of its employees; or
  - (b) cause inspections by other persons designated by Reserve Bank as examiners to inspect books and accounts of any financial

institution and to ascertain the nature of its business and the conditions of its affairs.

- (3) The person or persons carrying out an inspection authorised under subsections (1) and (2) is empowered to require any director, officer or employee of the financial institution being inspected:
- (a) to provide such information as he or she may require for the purpose of such inspection; and
  - (b) to produce for inspection any books, records, or other documents in its possession containing such information.
- (4) If any information required to be provided under paragraph (3)(a) or if any item required to be produced under paragraph (3)(b) has either not been provided or produced or if provided or produced:
- (a) has been falsified with intent to defraud any person; or
  - (b) to deceive the person or persons authorised to inspect the financial institution,

the person responsible for such failure or for such falsification is guilty of an offence and liable on conviction to a fine not exceeding VT5,000,000 or to imprisonment for a term not exceeding 5 years or to both.

#### **57 Bank may prescribe reserves**

- (1) The Reserve Bank may from time to time by notice prescribe the maintenance by each financial institution of ordinary or special reserves, calculated relating to deposits or loans and other similar liabilities or assets which are denominated in Vatu or the depositor or beneficiary of which is a resident of Vanuatu.
- (2) A copy of the notice under subsection (1) is to be submitted or cause to be submitted to the principal place of business in Vanuatu of each financial institution.
- (3) To avoid doubt, the deposits, credits and other similar liabilities and assets referred to in subsection (1) must not include those relating to banking business carried on from within Vanuatu or by exempted companies, trusts and local companies that do no business in Vanuatu and exist solely for the benefit of non-residents of Vanuatu.

- (4) The reserves referred to in subsection (1) must be maintained in the form of holdings of Vatu currency or of deposits with the Reserve Bank or in such other manner as the Reserve Bank may prescribe or in such proportions of each of the foregoing as the Reserve Bank may from time to time prescribe.
- (5) The Reserve Bank may, at its discretion, fix a rate or rates of interest to be paid to financial institutions on all or part of any required reserves prescribed to be maintained under subsection (1).
- (6) Subject to subsection (7), the Reserve Bank may prescribe different reserve ratios for different classes of deposit or loan and other similar liability or asset and must prescribe the method of their computation.
- (7) In prescribing different reserve ratios under subsection (6), the Reserve Bank must take into account the following:
  - (a) the Reserve Bank must not require a financial institution to hold a total amount of reserves in excess of 25 per cent of that financial institution's total deposits or loans and other similar liabilities or assets in respect of which reserves have been prescribed under this section; and
  - (b) the prescribed ratios must be uniform for all financial institutions of the same class; and
  - (c) the initial prescription of, and any change in, the reserve ratios must only be effective after reasonable notice, being not less than 30 days, and must not relate to a period prior to the initial date of notice.
- (8) The Reserve Bank may impose on any financial institution which fails to maintain the appropriate prescribed level of reserves a levy of one-fifth of 1 percent per day of the amount of the deficiency in prescribed reserves until such time as the deficiency is corrected.

## **58 Regulation of interest and credit**

- (1) The Reserve Bank may issue official notices, published in the Gazette and sent directly to each financial institution in Vanuatu, setting rules for business conducted in Vatu. These rules may include:
  - (a) how interest rates are calculated, and the highest or lowest rates that can be paid on deposits or similar financial obligations;

- (b) types of loans or credit allowed, how much can be given before special approval is needed, how long the credit can last, and the highest or lowest interest rates that can be charged on loans, discounts, letters of credit, acceptances, and other credit arrangements.
- (2) The Reserve Bank may, prescribe by notice published in the Gazette and by written notice to the principal place of business in Vanuatu of each financial institution, the following in relation to all other business conducted with residents of Vanuatu:
  - (a) the permissible purposes for which credit may be extended; and
  - (b) the aggregate ceilings or maximum amounts beyond which the approval of the Reserve Bank is required; and
  - (c) the maximum maturities applicable to advances, discounts, letters of credit, acceptances, and other forms of credit.
- (3) Subsection (2) does not apply to companies, trusts, or local companies that do not carry on business in Vanuatu and exist solely for the benefit of non-residents of Vanuatu.
- (4) The Reserve Bank in its notices under subsections (1) and (2) may differentiate in respect of those items between banks, financial institutions other than banks and other creditors and, between individual financial institutions other than banks and individual other creditors.
- (5) The Reserve Bank may, prescribe by notice published in the Gazette and by written notice to the principal place of business in Vanuatu of each financial institution the minimum cash margin or security required in respect of the items specified in subsections (1) and (2).
- (6) Any financial institution which wilfully violates subsection (1), (2) or (5) is liable to a penalty not exceeding VT15,000,000 as may be determined by the Reserve Bank in consideration of the severity, duration, and impact of the violation.
- (7) The Board may decide to apply the rules in subsections (1), (2), and (5) to any person whose business, whether mainly or partly, involves giving credit. This decision must be published in the Gazette and delivered in writing to that person's main business location in Vanuatu.

- (8) The Reserve Bank is empowered to inspect the financial records of anyone it reasonably suspects of giving credit in breach of these rules. If that person refuses to provide their records, that refusal may be treated as *prima facie* evidence that they have broken the rules.
- (9) A person who has been made subject to the rules in subsections (1), (2), or (5) under subsection (7) commits an offence if:
- (a) that person breaches this section; or
  - (b) the person provides false information to the Reserve Bank or fail to provide required information within the required timeframe showing they are following the rules.
- (10) Any person is guilty of an offence under subsection (9) and is liable on conviction:
- (a) in respect of an offence under paragraph (9) (a) to a fine not exceeding VT15,000,000; or
  - (b) in respect of an offence under paragraph (9) (b) to a fine not exceeding VT150,000 for every day during which the offence is committed.
- (11) The Reserve Bank may specify in respect of any or all financial institutions by notice published in the Vanuatu Gazette and also by written notice to the principal place of business in Vanuatu of each financial institution affected the following:
- (a) either the minimum or the maximum, or both the minimum and maximum commissions; and
  - (b) margins; and
  - (c) service charges; and
  - (d) fees of any nature whatsoever which may be levied on any class of transactions by these financial institutions either with their customers, or the public, or with both the customers and the public whatsoever, for which may be levied.
- (12) Any notice under this section must come into effect on such date as is specified in it but in any case, not earlier than 30 days after the date of publication.

## **59 Fees and Charges**

The Reserve Bank may collect fees or charges for the services which it renders in the exercise, performance, and discharge of the powers, duties, and functions under this Act.

## **PART 8 RELATIONS WITH THE GOVERNMENT**

### **60 Reserve Bank to be banker, fiscal agent, depository, and adviser to the Government**

- (1) The Reserve Bank is:
- (a) the banker and fiscal agent of the Government and must be the depository of Government funds, provided that the Reserve Bank may act in such capacities for any Ministry or Constitutional Entity, Statutory Entity or Statutory Corporation; and
  - (b) to act as agent for the Government in the execution of the provisions of any banking legislation currently in force and generally otherwise where it can do so; and
  - (c) to undertake, as agent for the Government, the issue, placement and service of any Government securities and act as registrar for such issues of Government securities; and
  - (d) to serve, upon designation by the Minister, as the depository and fiscal agency of, and the institution through which dealings must be conducted with, international financial institutions of which Vanuatu is a member; and
  - (e) at the request of the Minister, to render advice to him or her and provide him or her with reports on matters relating to the objectives of the Reserve Bank set out in section 2; and
  - (f) to inform and advise the Minister on any matter which in the opinion of the Reserve Bank is likely to affect the achievement of its purposes; and
  - (g) to be consulted on any proposed Bill or Order concerning money and credit including:
    - (i) the value of the currency and any change of it; and
    - (ii) any matter relating to banking; and
    - (iii) the distribution and control of credit; and
    - (iv) the regulation of cheques and other financial instruments; and

- (v) the suppression of counterfeiting of currency; and
  - (vi) must assist in the enforcement of any law relating to this section.
  - (h) be advised of the estimated expenditures and revenues of the Government in foreign exchange and must be responsible for drawing up the national balance of payments and other economical statistics, to which end it may ask all public and private bodies for any necessary statistical information.
- (2) A person must not:
- (a) fails to comply with a request for information under this section; or
  - (b) knowingly supply any information under this section that is incomplete or false in any material particular; or
  - (c) fail to provide, within the time specified by the Reserve Bank, any information or documents requested by the Reserve Bank under this paragraph.
- (3) A person who contravenes subsection (2) commits an offence punishable, on conviction, by a fine not exceeding VT 1,000,000:
- (4) The Reserve Bank and the Ministry of Finance and Economic Management must keep each other informed of matters that affect the Reserve Bank.
- (5) The Reserve Bank may be reimbursed at market rates for its services as fiscal agent for the Government, including any Ministry or Constitutional Entity, Statutory Entity or Statutory Corporation.

## **61 Bi-annual Monetary Statement**

The Reserve Bank must publish a monetary policy statement of the Bank at least once in March and September of each Calendar year.

## **62 Restriction on Reserve Bank Financing of Government and Public Entities**

- (1) Unless otherwise specified in this Act, the Reserve Bank must not, directly, or indirectly, provide advances or financing to the Government or any public authority owned by the Government or to any other public entity.

- (2) The Reserve Bank must not purchase securities issued by the Government, any Government-owned entity, or any other public entity in the primary market. The Reserve Bank may purchase such securities in the secondary market for monetary policy purposes and provided that these purchases do not circumvent the prohibition laid down in this subsection.
- (3) The Reserve Bank is expressly authorised to make advances to the Government, on such terms and conditions as may be agreed, in respect of:
  - (a) subscriptions and other payments resulting from, or incidental to, the membership of Vanuatu in any international financial institution; and
  - (b) the participation of Vanuatu in any international financial institution; and
  - (c) any transactions and operations undertaken in connection the membership and participation of Vanuatu in international financial institution.

### **63 Temporary advances in the event of force majeure**

- (1) Subject to subsections (2) and (3), the Reserve Bank may, in the event of force majeure where there must be a temporary deficiency of current budget revenue, grant temporary advances to the Government.
- (2) The event of force majeure is one which is unforeseeable or unavoidable, and which consists of a state of emergency under Article 69 of the Constitution.
- (3) The total amount of advances granted under subsection (1) must not at any time exceed 5 percent of the average annual ordinary revenue of the Government as determined below:
  - (a) the ordinary revenue of the Government must include revenues from taxes, levies, duties and fees, rents, profits and income from any investment or undertaking by the Government and any contribution to the revenue of the Government from any statutory corporation but must not include loans, grants, or other forms of economic aid capital raised; and
  - (b) the average of the annual ordinary revenue must mean the average of the annual ordinary revenues for the 3 financial years immediately preceding for which accounts are available.

- (4) The terms and conditions of the temporary advances to the Government must be determined by the Board in a Memorandum of Understanding with the Minister, and the Minister must submit a report on this to the Parliament. The terms and conditions must include but are not limited to amount of advances, duration and interest rate.

## **PART 9 ACCOUNT, AUDIT AND REPORTS TO ACCOUNTING AND AUDITING**

### **64 Financial year and approval of budget**

- (1) The financial year of the Reserve Bank is the same as the financial year of the Government.
- (2) The Board is to approve the annual Reserve Bank budget and may publicly report the actual and budgeted data if it thinks appropriate.

### **65 External Audit**

- (1) The accounts of the Reserve Bank must be audited annually in accordance with international standards on auditing, by an independent external auditor appointed by the Board on the recommendation of the Audit Committee.
- (2) The appointment made under subsection (1) is for a period of 5 years and the auditor is not eligible for reappointment.
- (3) The auditor appointed under subsection (1) must be of good reputation and have recognized international experience in the auditing of major international financial institutions or other central banks or have affiliations with audit firms that have such experience.
- (4) All audits done to the accounts of the Reserve Bank must be completed by April of each year.

### **66 Internal Audit**

- (1) The Board is to appoint a Manager Internal Audit of the Reserve Bank on the recommendation of the Audit Committee.
- (2) The Manager internal audit is an employee of the Reserve Bank and must have extensive professional experience in the field of accounting or audit.
- (3) The Manager internal audit is appointed for a term of five years and may be reappointed for an additional five-year term.
- (4) The Board, on advice of the Audit Committee, must:
  - (a) define the criteria, terms and conditions for the appointment and removal of the Manager internal audit; and
  - (b) define the scope, terms, and conditions of the Internal Audit in the Audit Charter of the Reserve Bank.

**67 Publication of financial statements and annual report**

- (1) The Reserve Bank must, within 4 months after the end of each financial year, cause to be made and transmit to the Minister:
  - (a) a report of the operations of the Reserve Bank during that year; and
  - (b) a copy of the financial statements of the Reserve Bank certified by external auditors appointed under subsection 65(1).
- (2) The financial statements of the Reserve Bank must be prepared in line with internationally recognized accounting standards.
- (3) The Minister must as soon as practicable after receiving a copy of the report and financial statements:
  - (a) cause a copy of the report and financial statements to be laid before Parliament; and
  - (b) cause a copy of the financial statements to be published in the Gazette.

## **PART 10 MISCELLANEOUS**

### **68 Delivery of documents**

The service of document must be delivered to the Reserve Bank or if the documents be sent by post, it must be registered to the Governor.

### **69 Prohibited activities**

- (1) Unless expressly authorised by this Act, the Reserve Bank must not:
  - (a) engage in trade, purchase the shares of any corporation or company, including the shares of any banking company or otherwise have an ownership interest in any commercial, agricultural, industrial, and other undertaking, unless such interest is acquired by the Reserve Bank may acquire in the course of satisfaction of debts due to it; or
  - (b) make loans or guarantees to any person; or
  - (c) purchase, acquire or lease real property except in so far as the Board considers necessary or expedient for the provision or future provision of business premises for the Reserve Bank or its branches, or of residences for employees of the Reserve Bank or of any other requirement incidental to the performance of its functions under this Act; or
  - (d) grant any credit or make monetary or financial gift to any natural or legal person; or
  - (e) conduct any transactions that create economic or commercial advantages for the public sector, legal entities of specific institutions, or for specific economic sectors.
- (2) Interests referred to under paragraph 69(1)(a) must be disposed at the earliest suitable opportunity.
- (3) Despite subsection (1), the Reserve Bank may establish a subsidiary, or acquire an equity participation in any legal person provided that such participation is directly linked to, and necessary, for the proper discharge of the Reserve Bank's functions listed in section 5.
- (4) Any activity mentioned in subsection (3) must be published by the Reserve Bank in a report that is available on its website.

## **70 Prohibited names**

No bank is authorized to be licensed under any banking legislation in Vanuatu by a name which includes any of the words "Vanuatu", "Central", "Reserve", "Republic" or "State", or their equivalent in any other language unless the Minister, acting on the recommendation of the Reserve Bank, has granted prior written consent.

## **71 Exemption from banking laws**

The Reserve Bank must not be subjected to any of the banking laws in Vanuatu.

## **72 Regulation**

The Minister may by Order, and on the recommendation of the Board, prescribe anything which is necessary or convenient to be prescribed for the better carrying out or giving effect to the provisions of this Act.

## **73 Repeal**

The Reserve Bank Act [CAP 125] is repealed.

## **74 Savings and Transitional**

- (1) A person holding the office of the Governor, Deputy Governor, a member of the Board of Directors and a Special Advisor immediately before the commencement of this Act is to continue as the Governor, Deputy Governor, a member of the Board of Directors and a Special Advisor:
  - (a) for the remainder of his term as set out under his or her existing employment contract; and
  - (b) on the same terms and conditions of employment with the same accrued and accruing entitlements.
- (2) The employees of the Reserve Bank who were employed immediately before the commencement of this Act are to continue in office as employees of the Reserve Bank on the same terms and conditions of employment with the same accrued or accruing entitlements.
- (3) Any order or directives made under this Act as in force immediately before the date of commencement of this Act and which was in force immediately before that date continues to be in force after the commencement of this Act.

- (4) Any obligation pursuant to any operations with account holders under paragraphs 27(b), (c) and (d) or 28 of the repealed RBV Act, or dealings in shares under section 44 of the repealed RBV Act must continue to remain in force until the obligation is discharged.
- (5) Despite subsection 62(1), any grants provided by the Reserve Bank under formal agreements with external Government institutions will remain in effect for the duration specified in those agreements.

**75 Transitory advances to the Government**

- (1) The prohibition set out in subsections 62(1) and (2) must take effect five years from the date of enactment of this Act.
- (2) For a period of five years after the date of enactment of this Act:
  - (a) the Reserve Bank may grant temporary advances to the Government in respect of temporary deficiencies of current budget revenue, subject to such terms and conditions as may be determined by the Reserve Bank, including:
    - (i) repayment in cash by the Government within 6 months after the date on which they are granted, and in any event no later than the end of the financial year in which such advance was extended; and
    - (ii) at such rates of interest as the Reserve Bank may determine, which must not be lower than prevailing policy rates; and
  - (b) the total amount of such advances outstanding under paragraph (a) must not at any time exceed 40 per cent of the average ordinary annual revenue of the Government as determined in paragraph (d); and
  - (c) if at the end of any financial year, any advance granted under paragraph (a) remains unpaid within the period provided for, such advance must be taken into account when determining the maximum advances that may be made under paragraph (a) in the following year; and
  - (d) for the purposes of paragraph (b):
    - (i) the ordinary revenue of the Government must include revenues from taxes, levies, duties and fees, rents, profits

and income from any investment or undertaking by the Government and any contribution to the revenue of the Government from any statutory corporation but must not include loans, grants, or other forms of economic aid capital raised; and

- (ii) the average of the annual ordinary revenue must mean the average of the annual ordinary revenues for the 3 financial years immediately preceding for which accounts are available.

## **76 Commencement**

This Act commences on the date on which it is published in the Gazette.