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[Legal Notice No. 47]

**CENTRAL BANK OF SOLOMON ISLANDS ACT 2012
(NO. 6 OF 2012)****CENTRAL BANK OF SOLOMON ISLANDS REGULATIONS 2016**

IN exercise of the powers conferred upon the Central Bank by section 62 of the Central Bank of Solomon Islands Act 2012, the Central Bank hereby makes the following regulations:

Citation

1. These Regulations may be cited as the Central Bank of Solomon Islands Regulations 2016.

Commencement

2. These Regulations shall come into operation on the date published in the Gazette Notice.

Definitions

3. In these Regulations, unless the context otherwise requires –

“Act” when referred to in this regulation means the Central Bank of Solomon Islands Act 2012;

“Central Bank” means the Central Bank of Solomon Islands established by the Act;

“financial Institutions” means a financial institution as defined in the Act;

“bank” has the meaning assigned to it under the Act.

Consumer complaints

4. (1) In order to comply with the requirements of section 9(m) of the Act, Financial Institutions are required to establish a Consumer Complaint Unit within its organization to ensure that such established units are able to deal with customer complaints.
- (2) Financial institutions have a duty to ensure that they comply with the Prudential Guideline issued by the Central Bank on Complaints Management.

Custodial Facilities

5. (1) Subject to section 11 of the Act, Central Bank may provide custodial facilities upon payment of the conditions and fees for which the Central Bank provides custodial facilities to the following –
 - (a) Financial Institutions;
 - (b) Public Bodies; and
 - (c) Public at Large

shall be as published in the website or in other media.

- (2) For the purposes of this regulation –
 - (a) Public bodies mean any government department or body corporate, agency or any other legal entity.
 - (b) Public at large means and includes any individual member of the public.

Minimum Reserves

6. (1) Subject to section 13(3) of the Act, the method for the calculation of minimum reserves shall be as follows:
 - (a) the cash reserve requirement is set as an amount determinable by multiplying the average level of deposit liabilities for the previous maintenance period by the reserve ratio. Operationally, the average level of deposit liabilities shall be calculated by averaging the stated deposit liabilities in each Weekly Statement of Assets and Liabilities received in the previous maintenance period;

- (b) the Central Bank shall establish the reserve ratio applicable to deposit liabilities. The initial reserve ratio is set at 7.5% (seven and one half per cent.) This ratio shall be in effect until the Monetary Policy Committee of the Central Bank announces otherwise; and
 - (c) assets eligible to be included towards meeting the cash reserve requirement are restricted to cash held by commercial banks in their call accounts at the Central Bank (item 2(a) in accordance with the classifications under the Central Bank's Weekly Statement of Assets and Liabilities).
- (2) The maintenance of cash reserve is applicable to all banks covered by the Financial Institutions Act 1998.
 - (3) A bank is deemed in compliance with the cash reserve requirement if at the end-of-day the balance on its call account for each day of the respective maintenance period equals or exceeds the minimum cash requirement set for that maintenance period. Compliance is monitored by the Currency and Banking Operations Department of the Central Bank.
 - (4) In the event that a bank does not fulfill its cash reserve requirement as specified in sub regulation 2, the Central Bank will levy a penalty on the institution. This penalty is set out by section 33(4) of the Act at a rate of 0.1% of the deficiency.
 - (5) If a bank does not fulfill its cash reserve requirement the Central Bank shall, at the end of the maintenance period, provide the bank with written notice of the violation(s). The Central Bank shall make the transfer of penalty funds, described in sub regulation 2, after two (2) working days of the written notice issued. During this period banks may query or dispute any penalty with the Central Bank.
 - (6) Cash reserves are statutory requirements obliging banks to hold a designated minimum level of cash deposits at the Central Bank. In Solomon Islands, the cash reserve requirement is a tool for the monetary policy.

- (7) For the purposes of this regulation unless the context otherwise requires, the following terms shall have the following meanings assigned:
- (a) “business day” means any day on which the Central Bank is open for business.
 - (b) “deposit Liabilities” means (in accordance with the classifications under the Central Banks’ Weekly Statement of Assets and Liabilities) the total of –
 - i) Demand Deposits (items 11a + 11b)
 - ii) Savings Deposits (item 12)
 - iii) Time Deposits (items 13a + 13b)
 - iv) Non-resident Deposits (item 19a)
 - v) Resident Deposits (item 19c)
 - (c) “end-of-day” means the end of the Central Bank’s settlement day.
 - (d) “call account” means the cash deposit account of banks held at the Central Bank.
 - (e) “maintenance period” means the period over which compliance with cash reserve requirements is established. The first day of each calendar month shall be taken to be the first day of the maintenance period and the last day of the calendar month shall be taken to be the last day of the maintenance period.
 - (f) “reserve ratio” means a component of deposit liabilities expressed as a percentage.

Issuance of currency and legal tender

7. (1) Subject to section 19(5) of the Act, the limit on the amounts of banknotes and coins that shall be accepted as legal tender in payment for an obligation is restricted to the following -
- (a) in the case of notes for payment of any amount;
 - (b) in the case of gold coins; for payment of any amount;
 - (c) in the case of silver coins; for the payments of an amount not exceeding fifty dollars;

- (d) in the case of other coins of a denomination of one dollar or more, for payments of amount not exceeding twenty dollars;
 - (e) in the case of coins of a denominations of ten cents or more but less than one dollar, for payments of amounts not exceeding ten dollars; and
 - (f) in the case of coins of a denomination of less than five cents, for the payment of an amount not exceeding five dollars.
- (2) A person in breach of this regulation shall be liable to administrative penalties.
 - (3) The rounding rules to the nearest 10 cent for total purchases or sales settled in cash in Solomon Islands shall be as follows –
 - (a) Round down to nearest 10 cents for sales value ending in 1c, 2c, 3c, 4c, and 5c; and
 - (b) Round up to nearest 10 cents for sales ending in 6c, 7c, 8c, and 9c.
 - (4) Sub regulation 3(a) and 3(b) of this regulation shall not be required if a customer pay his purchase in cheques, Credit cards, Debit Cards or EFTPOS.
 - (5) Notwithstanding sub regulation (3), invoices for sales or purchase can still be issued without the rounding rules on the amounts for individual items; the rounding rules will only apply to the final total amount shown in the invoice and only when the customer settles the purchases in cash.
 - (6)
 - (1) Subject to section 22(1) of the Act, when any note or coin cease to be legal tender under section 22 (3) of the Act, an amount equivalent to the face value of any such notes or coin remaining in circulation five years after they have so ceased to be legal tender shall be transferred to the Consolidated Fund and the said amount shall be written off the liabilities of Central Bank.
 - (2) Where coins are present for payments under the proviso to sub regulation (1) more than five years after they have ceased to be legal the Central Bank may levy a handling charge of such amount as the Board may from time to time determined.

Administration Penalties

8. (1) Offences

Subject to section 63 of the Act, the offences in relation to which administrative penalties may be payable are those set out in Schedule A.

Schedule A

Offences in relation to which Administrative Penalties may be payable

<i>Provision of the Act and Regulation</i>	<i>Requirement</i>	<i>Administrative Penalty</i>
13(3) (b) Reg. 5	banks to hold a minimum requirement of reserves.	1/10 of 1% per day of the amount of deficiency prescribed reserves until deficiency is corrected.
19(5) Reg. 6	the amount of banknotes and coins that must be accepted as legal tender in payment for an obligation and restrict the denominations of such banknotes and coins in which payment may be made to specified amounts or a range of amounts.	Money penalty of \$10,000 per breach and \$1,000 daily until compliance is achieved.
21(5) Unfit Currency	Person who wilfully alters the external appearance of notes and coins.	Money penalty of \$10,000 or imprisonment of 1 year.
25 (2)	No person to issue currency notes and coins except Central Bank.	Fine not exceeding \$50,000 or 7 years imprisonment.
27	Licensing and oversight of payment system including imposition of administrative penalties.	as prescribed in section 63(2) of the Act.
28 (1)	Central Bank exclusively responsible for regulation, licensing, registration and supervision of banks and other financial institutions including imposition of administrative penalties.	As prescribed in section 63(2) of the Act.
30(1)(b)	Submission of prescribe statistical informatin required and the form in which such information is to be provided to the Central Bank.	As prescribed in section 63(2) of the Act.

Fees and Charges

9. (1) Subject to section 66 of the Act, the fees and charges for the service provided by the Bank to cover its cost shall be published in the website or in other media.

Made at Honiara this third day of July, 2016.

Denton Rarawa
Governor of Central Bank

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