

National Reserve Bank of Tonga
Public Notice
18 December 2009

The Governor of the Reserve Bank, Mrs Siosi Cocker Mafi, stated that at its meeting today, the Reserve Bank Board noted the continued slow-down in economic activity and the difficulties that the borrowers are facing in meeting their debt repayment obligations.

The Board of Directors, in collaboration with the Association of Banks in Tonga, has been considering ways to encourage the banks to assist their customers during this difficult time. The Board has adjusted its monetary policy and approved measures to assist with the aim of reducing interest rates by banks in order to assist those in financial difficulties and to encourage prudent lending for economic activity. This included the reduction of the SRD requirement from 10% to 5% and the reduction of the exchange rate spread which were effective in August 2009.

At its meeting on 24th November 2009, the Board revised its policy to enable a payment of 1% interest on the banks' exchange settlement account balances over T\$1 million with effect from the 4th of January 2010. This decision was again made to further reduce interest rates and stimulate economic activity. In response to this policy decision, the ANZ Bank and the Westpac Bank of Tonga have agreed to reduce their lending interest rates by 0.25% effective 4th January 2010. Both banks have indicated a willingness to work with customers who are experiencing difficulties with repayments. The Reserve Bank strongly recommends that customers who are in difficulty should contact their respective banks as soon as possible to discuss what options may be available.

Governor Siosi Mafi reiterated that the Reserve Bank will continue to focus on its objectives of maintaining internal and external monetary stability and promoting a sound and efficient financial system.

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