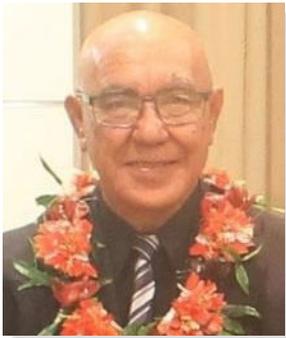


Governance

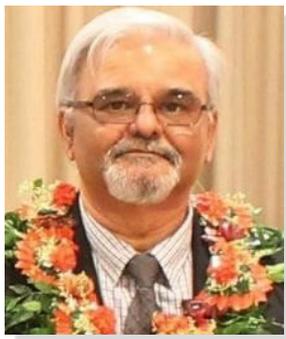
Board of Directors



Chairman
Mr. Steve Edwards



Director
HRH Princess Salote
Mafile'o Pilolevu Tuita
Resigned 1 February 2016



Director
Mr. Richard Prema



Director
Mrs. Sinaitakala Tu'itahi



Director
Mr. 'Uhila Liava'a
Appointed on 5 February 2016



Governor
Dr. Sione Ngongo Kioa



*Director (Secretary
for Finance)*
Mr. Tatafu Moeaki

Key Decision Makers

The Board of Directors comprises of the Chairman (non-executive Director), the Governor, Secretary for Finance, and 4 other non-executive Directors. The Governor, who is the Chief Executive Officer of the Bank, is responsible to the Board for the management and execution of the Bank's policy. Under the NRBT Act and the Amendment Acts, the Directors are appointed for terms of up to five years by the Minister of Finance and may be reappointed. During the year, one Director resigned and one new Director was appointed. As at the end of June 2016, one Director position remained vacant.

In accordance with the Act, the Board must meet at least 10 times during the calendar year to discuss and formulate the policies of the Bank and to monitor its operations. The Board Sub-Committee also met regularly to discuss and vet all Board matters well before every Board meeting and fulfill any requirements for further consideration at the Board. While the Board Sub-Committee met 13 times during the financial year, the Board met 16 times to formulate the policy of the Bank, monitor the Bank's operations and provided strategic direction and advice to the Governor.

The Board of Directors are responsible for the Reserve Bank's policy and affairs. This involves constantly reviewing the performance of the Reserve Bank in the conduct of its functions and its use of resources, and may give advice to the Governor not only to sustain the efficient and effective management of the Bank's operation but also to ensure that the Reserve Bank delivers its core functions in compliance with the NRBT Act and related Acts.

Section 9A of the NRBT Amendment Act 2014, which came into effect in October 2014, specifies the powers and functions of the Board which may not be delegated. During the year, the Board of Directors diligently carried out these powers and functions and defined and adopted the accommodative monetary policy stance which was published in the bi-annual Monetary Policy Statements in August 2015 and February 2016. The Directors also considered policy measures to stimulate economic growth in Tonga, they recognized the important role of Small and Medium Enterprises (SMEs) in job

creation, poverty alleviation, promotion of exports and investment. In this regard, the Directors endorsed the Reserve Bank's commitment to the Alliance for Financial Inclusion Maputo Accord 2015 to support the development of SMEs through access to finance. The Reserve Bank successfully applied and received grant funds for a project to enhance access to finance for SMEs by 20% in 2020.

To encourage banks to utilize the excess liquidity in the banking system to lend and thereby support economic development, the Directors also approved a new requirement for banks to maintain this loans/deposit ratio of 80% by December 2016, and progressively increase further.

The Directors also discussed the economic implications of the foreign exchange levy. The Directors then approved that the Reserve Bank absorb the foreign exchange levy and not pass it on to its customers. The Directors defined and adopted financial stability policies, foreign exchange policies and other policies of the Reserve Bank regarding the execution of its functions. These policies included the amendments to the Reserve Bank's Exchange Control Policy Guidelines as well as the Anti-money laundering Policy and Guidelines.

To ensure financial stability was maintained and the continuation of banking services to the people of Tonga the Directors also discussed the proposed changes to the payment system and reforms to implement an automated transfer system, reviewed the South Pacific Business Development (SPBD) Microfinance Ltd. operations, and considered ways to address de-risking by the commercial banks which had resulted in the closing of foreign exchange dealers accounts and some local bank's US dollar foreign correspondent bank accounts overseas. The Directors also continued to closely monitor one commercial bank and its compliance with the Reserve Bank directives, the Bank South Pacific (BSP's) compliance with the Reserve Bank requirements in its first year of operations, as well as the commercialization of the Tonga Development Bank and its new products. The Directors discussed the banking system developments which included the commercial banks liquidity, capital, credit growth and profitability as well as their exchange rates, interest rates and fees & charges. During the year,

the Board did not issue any new prudential statements to the banks. To monitor the implementation of the policies and the exercise of the functions of the Bank, the Directors were updated on the operations of the banks at the monthly Board meetings. The implementation of the Reserve Bank's functions by management was also discussed at the sub-committee meetings.

To ensure the operations of the Reserve Bank are carried out efficiently and effectively during the year, the Directors approved the review and changes to general policies and internal rules applicable to the administration and operations of the Reserve Bank. The endorsement of numismatic coin proposals to enhance the numismatic income of the Reserve Bank as well as the sale of the car park rental property to Bank South Pacific were approved by the Directors. During the year, the Board also approved changes to the Staff Remuneration Policy through changes to the Provident Fund Scheme Rules

and staff benefits including the Staff Loan Scheme Policy and Staff Travel Policy. These changes contributed to strengthening the Bank's Corporate Plan strategic priority of positioning the Reserve Bank as the employer of choice while maintaining a high staff retention rate.

The Directors also endorsed the 2016/17 annual budget of the Reserve Bank as well as the annual report for 2014/15. Monthly financial statements comparing the actual financial outcomes against the budget were also approved by the Directors and sent to the Minister of Finance and the Prime Minister's Office to be published in the Government Gazette. The Board also recommended the appointment of Price Waterhouse Coopers as the external auditors of the Bank to the Minister in accordance with section 53 of the National Reserve Bank Act. The Board met with the external auditor to discuss the external audit report and management letter for 2014/15 and monitored management's response and actions.



From Left to Right: Ms. Jessie Cocker (Deputy Governor/Secretary to the Board), Mr. 'Uhila Liava'a, Mr. Richard Prema, Mr. Steve Edward, Mrs. Sinaitakala Tu'itahi, Dr. Sione Ngongo Kioa (Governor), Absent: Mr. Tatafu Moeaki (Secretary for Finance)