BANK OF PAPUA NEW GUINEA

PRUDENTIAL STANDARD 1/2003

CAPITAL ADEQUACY

Arrangement of Paragraphs

PART I: PRELIMINARY

1: **<u>Short Title</u>** - Capital adequacy.

2: **<u>Authorization</u>** – The Bank of Papua New Guinea (Bank) is authorized to issue prudential standards under Section 27 of the Banks and Financial Institutions Act 2000 (Act) in relation to prudential matters to be complied with by all Authorized Institutions.

3: **<u>Application</u>** – All banking institutions licensed by the Bank to conduct banking business in Papua New Guinea (PNG).

4: **<u>Definitions</u> –** Terms used within this prudential standard are as defined in the Act, as defined below, or as reasonably implied by contextual usage:

1) **"bank"** – means all banks and other licenced financial institutions authorized under the Act to carry on banking business.

2) "encumbered asset" – means a bank asset that is pledged to secure a loan, advance or other repayment obligation to a lender that is no longer available to meet obligations to the bank's depositors and general creditors. For purposes of capital deductions, the amount required to be deducted is the <u>lesser</u> of 1) the book value of the asset pledged or 2) the outstanding balance of the loan or advance secured by such asset.

3) **"leverage (equity) capital" –** means Tier 1 Capital for purposes of calculating the Leverage Capital Ratio. The Leverage Capital Ratio is calculated by dividing Tier 1 Capital (as reported on Form BFC-5 Capital Adequacy) by Total Assets (as reported on Form BFC-1 Balance Sheet) <u>less</u>: goodwill and other intangible assets, future income tax benefits, operating losses carried forward and encumbered assets, all of which are also excluded from Tier 1 Capital.

4) **"loan or investment of a capital nature" –** means a loan, advance or other obligation to repay extended directly or indirectly to a counter-party, whether secured or not, for the purpose of purchasing, investing in or to finance the holding of shares or other capital instruments of the lending bank.

5) **"Tier 1 (core) capital" –** includes permanent shareholders' equity (issued and fully paid-up ordinary shares and non-cumulative perpetual preference shares) plus disclosed reserves (additional paid-in share premium plus retained earnings or undistributed profits) and minority interests in the equity of consolidated subsidiaries which are less than wholly owned, <u>less</u>: goodwill and other intangible assets, future income tax benefits, operating losses carried forward and encumbered assets. The Tier 1 Risk-Based Capital Ratio is calculated by dividing Tier 1 Capital by Total Risk-Weighted Assets. All assets required to be deducted from Tier 1 capital are also to be deducted from Total Risk-weighted Assets.

A capital instrument will not qualify as Tier 1 capital if it is subject to any condition, covenant, term, restriction, or provision that:
(a) unduly interferes with the ability of the bank to conduct normal banking operations;

(b) requires unjustified dividends or interest payments relative to the financial condition of the bank or permits redemption by the holder in the event of financial deterioration;
(c) impairs the ability of the bank to comply with regulatory requirements regarding the disposition of assets or incurrence of additional debt; or
(d) limits the ability of a regulatory authority to take any actions for the purpose of resolving a problem or failing bank.

6) **"Tier 2 (supplementary) capital"** – includes current year's interim profits[1] (or losses), undisclosed reserves, asset revaluation reserves[2] (if allowed by the Bank and consistent with applicable accounting standards), general loan loss provisions (not exceeding 1.25% of total risk-weighted assets), subordinated term debt, and hybrid debt-equity capital instruments. Tier 2 capital is limited to a maximum of 100% of Tier 1 capital.

To qualify for Tier 2 capital, a hybrid debt-equity instrument must:
(a) be unsecured, subordinated, and fully paid-up;
(b) not be redeemable at the initiative of the holder or without prior consent of the Bank;
(c) be available to participate in losses without the bank being obliged to cease trading (unlike conventional subordinated debt);
(d) allow debt service obligations to be deferred (as with cumulative preference shares) where profitability of the bank does not support payment even though the capital instrument may carry an obligation to pay interest that cannot permanently be reduced or waived (unlike dividends on ordinary shareholders' equity).

Cumulative preference shares and mandatory convertible debt instruments having the above characteristics will normally be eligible for Tier 2 capital.

Subordinated term debt includes conventional, unsecured subordinated term debt instruments (also called debt equity or loan capital) having an original minimum maturity of five years. It also includes limited life redeemable preference shares. During the last five years to maturity, a cumulative discount amortization factor of 20% per annum will be applied to reflect the diminishing value of these instruments as a continuing source of strength. Since subordinated debt is normally not available to participate in losses, the amount included for capital adequacy calculations is limited to 50% of Tier 1 capital.

7) **"Total Assets" –** means Total Assets as reported on Form BFC-1 (Balance Sheet) in the financial returns required to be submitted to the Bank. Total Assets must be reported net of suspended interest, general and specific provisions for loan losses and the excess of assets classified Loss but not fully provisioned for.

8) **"Total Risk-Weighted Assets"** – means Total Risk-Weighted assets as calculated and reported on Form BFC-5 (Capital Adequacy) in the financial returns required to be submitted to the Bank.

9) **"Total Capital"** – means Tier 1 capital plus Tier 2 capital, less: investments in and loans to unconsolidated banking and other financial subsidiary companies and

[1] Must be net of adequate provisions for taxes, loan and other asset losses and cash dividends declared or paid.
[2] Asset revaluation reserves which take the form of latent gains on unrealized equity securities are subject to a discount of 55% on the difference between historic cost book values and current market values.

associates; investments in the capital of other banks and financial institutions licensed to do business in PNG; and loans or investments of a capital nature. The Total Risk-Based Capital Ratio is calculated by dividing Total Capital by Total Risk-Weighted Assets. All assets required to be deducted from Total Capital are also to be deducted from Total Risk-weighted Assets.

PART II: STATEMENT OF POLICY

1: **Purpose** – This prudential standard is intended to ensure that each bank maintains a level of capital which (i) is adequate to protect the interests of depositors and creditors, (ii) is commensurate with the risk profile and activities of the bank, and (iii) promotes public confidence in the bank and the overall banking system.

2: **Scope** – This prudential standard applies to all banks licensed and operating in PNG.

3: **Responsibility** – It is the responsibility of the board of directors of each bank to establish and maintain at all times an adequate level of capital. The capital levels required herein are the minimums acceptable for banks that are fundamentally sound, well-managed, and have no material financial or operational weaknesses. Higher capital levels may be required for individual banks based on circumstances listed under ¶3, Part II, below.

PART III: IMPLEMENTATION AND SPECIFIC REQUIREMENTS

1: **Minimum Requirements** – the following minimum ratios shall apply (unless higher ratios are set by the Bank for an individual bank based on criteria set forth in ¶3 below):

(a) Leverage Capital: the minimum Leverage Capital Ratio shall be 6.0%. However, if a bank is pursuing or experiencing significant growth, has inadequate risk management systems, an inordinate level of risk, or less than satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required.

(b) Tier 1 Risk-Based Capital: the minimum Tier 1 Risk-Based Capital ratio shall be 8.0%. However, if a bank is pursuing or experiencing significant growth, has inadequate risk management systems, an inordinate level of risk, or less than satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required.

(c) Total Risk-Based Capital: the minimum Total Risk-Based Capital ratio shall be 12.0%. However, if a bank is pursuing or experiencing significant growth, has inadequate risk management systems, an inordinate level of risk, or less than satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required.

2: **Restriction on Cash Dividends and Redemption of Capital Shares** – a bank shall not declare or pay cash dividends to its shareholders or redeem any of its capital shares or other capital instruments if the resulting reductions of its capital ratios are below the minimum capital ratios in ¶1 above without the prior written consent of the Central Bank. Cash dividends declared or paid from interim profits are subject to auditor's prior review. Prior to the declaration and payment of cash dividends from year-end profits, the accounts must be subject to financial statement audit and publication.

3: **Capital Measures and Categories –** for purposes of evaluating capital adequacy, the following measures and capital categories shall apply:

(a) Capital measures – the ratios used for measuring capital adequacy are:

- Leverage (equity) capital ratio – Tier 1 Capital (see Form BFC-5 Capital Adequacy) divided by Total Assets (see Form BFC-1 Balance Sheet) less: goodwill and other intangible assets, future income tax benefits, losses carried forward and encumbered assets, all of which are also excluded from Tier 1 capital.
- Tier 1 risk-based capital ratio – Tier 1 Capital divided by Total Risk-Weighted Assets (see Form BFC-5 Capital Adequacy).
- Total risk-based capital ratio – Total Capital divided by Total Risk-Weighted Assets (see Form BFC-5 Capital Adequacy)

(b) Capital categories – for applying supervisory response and regulatory enforcement actions, banks will be grouped into the following five capital adequacy categories:

(1) Well capitalized –

- adequate and fully funded loan loss provisions account;
- leverage capital ratio $\geq$ 8%;
- Tier 1 risk-based capital ratio $\geq$ 10%;
- Total risk-based ratio $\geq$ 14%;
- not subject to any written agreement, corrective order, or capital directive issued by the Bank;
- at least three years have passed since commencing operations; and
- not pursuing or experiencing rapid growth in deposits, loans or assets.

(2) Adequately capitalized –

- adequate and fully funded loan loss provisions account;
- leverage capital ratio 6% < 8%;
- Tier 1 risk-based capital ratio 8% < 10%;
- Total risk-based ratio 12% < 14%;
- not subject to any written agreement, corrective order, or capital directive issued by the Bank; and
- not "well capitalized" as defined above.

(3) Undercapitalized –

- inadequate or not fully funded loan loss provisions account;
- leverage capital ratio 4%<6% (or between 6%-8% and pursuing or experiencing rapid growth);
- Tier 1 risk-based capital ratio 4% < 8%;
- Total risk-based ratio 8% < 12%; and
- not in compliance with any capital-related provision of any written agreement, corrective order, or capital directive issued by the Bank.

(4) Significantly undercapitalized –

- inadequate or not fully funded loan loss provisions account;
- leverage capital ratio 2%<4% (or between 4%-6% and pursuing or experiencing rapid growth;
- Tier 1 risk-based capital ratio <4%;

- Total risk-based ratio <8%; and
- not in compliance with any capital-related provision of any written agreement, corrective order, or capital directive issued by the Bank.

(5) Critically undercapitalized –
- inadequate or not fully funded loan loss provisions account;
- leverage capital ratio < 2%
- Tier 1 and Total RBC ratios no longer relevant; and
- not in compliance with any capital-related provision of any written agreement, corrective order, or capital directive issued by the Bank.

(c) Reclassifications – if there is risk of existing capital becoming impaired due to the activities, growth trends, or risk profile of a bank, a bank may be downgraded from 'well-capitalized' to 'adequately capitalized' and required to comply with a corrective order if:

(1) the bank is engaging in undesirable practices or is conducting its business in a manner that threatens the interests of depositors or the general public; or

(2) the bank has not corrected previously identified weaknesses in asset quality, management, earnings, liquidity or sensitivity to market risk.

4: **Criteria for Higher Minimum Ratios –** the Bank may require higher minimum ratios for an individual bank if any of the factors below apply. The bank –

1) has been operating less than three years;
2) has, or is expected to have, losses resulting in a capital deficiency;
3) has significant exposure to risk, whether credit, concentrations of credit, market, interest rate, liquidity, operational, or from other non-traditional activities;
4) has a high, or particularly severe, volume of poor quality assets;
5) is growing rapidly, either internally or through acquisitions;
6) may be adversely affected by the activities or condition of its parent holding company, associates or subsidiaries; or
7) has deficiencies in its ownership or management (shareholding structure; composition or qualifications of directors or officers; or risk management policies or procedures.)

5: **Risk Weights –** the risk weights applicable to on-balance-sheet assets are:

0% - cash (notes and coin) held in the bank's vault and in transit;
- claims on and balances with the Bank of PNG;
- claims, or portions thereof, on, guaranteed by, or fully secured by securities issued by the Government of PNG (Govt.)[3];
- claims on central governments and central banks denominated in national currency and funded in that currency;
- other claims on OECD central governments and central banks;
- claims, or portions thereof, collateralized by securities of, or guaranteed by, OECD central governments; and
- claims, or portions thereof, fully secured by cash or pledged deposits in the same bank.

20% **-** claims on multilateral development banks (IBRD, IADB, AsDB, AfDB, EIB or others as may be approved by the Bank) and claims, or portions thereof, guaranteed by, or collateralized by, securities issued by such banks;

[3] For a guarantee to qualify for 0% weighting, it must be affirmed, irrevocable and unconditional.

- claims on, and loans, or portions thereof, guaranteed by, banks incorporated in the OECD countries;
- claims on, and loans, or portions thereof, guaranteed by, domestic commercial banks and other banks incorporated in countries outside the OECD with a residual maturity of up to one year;
- claims on, and loans, or portions thereof, guaranteed by, non-domestic OECD public-sector entities, excluding the central government, subject in all cases to prior approval of the Bank; and
- cash items in process of collection, both domestic and foreign.

50% - loans fully secured by mortgages on residential property that are or will be occupied by the borrowers or that are rented[4]; and
- claims on, and loans, or portions thereof, guaranteed by, provincial governments of PNG; and
- claims on the following public enterprises: Post PNG Ltd, Telikom PNG Ltd, PNG Power Ltd, Pangtel Ltd, Water Board and Harbours Board, or others as may be approved by the Bank.

100% - claims on the private sector;
- claims on, or loans guaranteed by, domestic commercial banks and other banks incorporated outside the OECD with a residual maturity of over one year;
- claims on central governments outside the OECD (unless denominated in national currency and funded in that currency);
- claims on public sector entities not listed above and claims on commercial companies owned by public sector entities;
- claims on local governments in PNG;
- premises, plant and equipment and other fixed assets;
- real estate owned and other investments (including non-consolidated investment participations in other companies);
- capital instruments issued by other banks (unless deducted from capital); and
- all other assets, excluding those deducted from capital.

6: **Credit Conversion Factors** – the credit conversion factors listed below shall apply for off-balance-sheet items and shall be multiplied by the weights applicable to the corresponding on-balance sheet asset category. The Bank will, in its discretion, allocate particular instruments into the categories listed below based on the characteristics of the instrument.

(a)

Factor	Off-balance sheet instrument
100%	Direct credit substitutes[5] (e.g. general guarantees of indebtedness including standby letters of credit serving as financial guarantees for loans and securities; and acceptances including endorsements similar to acceptances)
50%	Transaction-related contingent items (e.g. performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions)

[4] Exclude loans for speculative development of residential property and loans to companies or persons to finance housing developments.

[5] Include items where the risk of loss is equivalent to a direct claim on the counterparty. If, however, the risk depends on a future event which is independent of the creditworthiness of the counterparty, the items should be subject to a 50% conversion factor.

20% Short-term self-liquidating trade-related contingencies (e.g. documentary credits collateralized by the underlying shipments)
100% Sale and repurchase agreements and assets sales with recourse where the credit remains with the bank
100% Forward asset purchases, forward deposits and partly-aid shares and securities which represent commitments with certain drawdown
50% Note issuance facilities and revolving underwriting facilities
50% Other commitments (e.g. formal stand-by facilities and credit lines) with an original maturity of over one year
0% Similar commitments with an original maturity of up to one year, or which can be unconditionally canceled at any time

(b) **Credit Risk: Forwards, swaps, purchased options and similar derivative contracts** - the treatment of forwards, swaps, purchase options and similar derivative contracts require special attention because banks are not exposed to credit risk for the full face value of their contracts, but only to the potential cost of replacing the cash flow (on contracts showing positive value) if the counterparty defaults. The credit equivalent amounts will depend inter alia on the maturity of the contract and on the volatility of the rates and prices underlying that type of instrument. Instruments traded on exchanges may be excluded where they are subject to daily receipt and payment cash variation margin. Options purchased over the counter are included with the same conversion factors as other instruments.

Interest rate contracts – defined to include single-currency interest rate swaps, basis swaps, forward rate agreements, interest rate futures, interest rate options purchased and similar instruments.

Foreign exchange rate contracts – defined to include cross-country interest rate swaps, forward foreign exchange contracts, currency futures, currency options purchased and similar instruments. Exchange rate contracts with an original maturity of 14 calendar days or less may be excluded.

Gold contracts – Gold contracts are treated the same as exchange rate contracts for the purpose of calculating credit risk except that contracts with original maturity of 14 calendar days or less are included.

Precious metals (other than gold) contracts – defined to include forwards, swaps, purchased options and similar derivative contracts that are based on precious metals (e.g. silver, platinum and palladium), and such contracts receive separate treatment.

Other commodities contracts – these contracts are also treated separately and include forwards, swaps, purchased options and similar derivative contracts based on energy, agriculture, base metals (e.g. aluminum, copper and zinc) and any other non-precious metal commodity contracts.

Equity contracts – defined to include forwards, swaps, purchased options and similar derivative contracts based on individual equities or on equity indices.

(c) Current exposure method. Banks that engage in any of the types of instruments defined in (b) above must calculate the credit equivalent amounts by (i) adding the total replacement cost of all contracts with positive value (obtained by "marking-to-market"), thus capturing the current exposure, and then (ii) adding an amount (called the "add-on") for potential future credit exposure calculated on the basis of the total notional principal amount[6] of its book, split by residual maturity as follows:

Residual Maturity	Interest Rate	Exchange Rate	Equities	Precious Metals	Other Commodities
One year or less	0.0%	1.0%	10.0%	8.0%	10.0%
Over one year, but not more than five years	0.5%	5.0%	12.0%	10.0%	12.0%
Over five years	1.5%	10.0%	15.0%	12.0%	15.0%

Notes to exposure methods:
1. For contracts with multiple exchanges of principal, the conversion factors are to be multiplied by the number of remaining payments in the contract.
2. For contracts structured to settle outstanding exposures after specified payment dates and where the terms are reset such that the market value of the contract is zero on the specified dates, the residual maturity must be set equal to the time until the next reset date. In the case of interest rate contracts with remaining maturities of more than one year and which meet the above criteria, the add-on factor is subject to a floor of 0.5%.
3. Forwards, swaps, purchased options, and similar derivative contracts not covered by any of the columns in this matrix are to be treated as "other commodities".
4. No potential future credit exposure shall be calculated for single currency floating/ floating interest rate swaps; the credit exposure on such contracts shall be evaluated solely on the basis of its mark-to-market value.

Once credit equivalent amounts have been calculated using either method above, the amounts shall be multiplied (i.e. weighted) by the weight applicable to the corresponding on-balance-sheet asset category.

(d) **<u>Bilateral netting</u>.** (1) Subject to Bank discretion, banks may net transactions if subject to valid and binding bilateral netting agreements, i.e. novation (an agreement under which an obligation of a bank to deliver a specified amount of currency on a given value date to a counterparty is combined with all other obligations for the same currency and value date, legally substituting one single amount for the previous gross obligations) and (2) banks may also net transactions subject to any legally valid form of bilateral netting not covered in (1) above, including other forms of novation. In both cases (1) and (2), a bank must satisfy the Bank that it has:

(i) a netting contract or agreement with the counterparty which creates a single legal obligation, covering all included transactions, such that the bank would have either a claim to receive or obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions in the event a counterparty fails to perform due to any of the following: default, bankruptcy, liquidation or similar circumstances;

(ii) written and reasoned legal opinions that, in the event of a legal challenge, the relevant courts and administrative authorities would find the bank's exposure to be such a net amount under:

- the law of the jurisdiction in which the counterparty is chartered and, if the foreign branch of a counterparty is involved, then also under the law of the jurisdiction in which the branch is located;

[6] In the event that the stated notional amount is leveraged or enhanced by the structure of the transaction, banks must use the effective notional amount when determining potential future exposures to ensure that the add-ons are based on effective rather than apparent notional amounts.

- the law that governs the individual transactions; and
- the law that governs any contract or agreement necessary to effect the netting.

(iii) procedures in place to ensure that the legal characteristics of netting arrangements are kept under review in the light of possible changes in relevant law.

Contracts containing walk-away clauses will not be eligible for netting for the purpose of calculating a bank's capital requirements. A walk-away clause is a provision which permits a non-defaulting counterparty to make only limited payments, or no payment at all, to the estate of the defaulter, even if the defaulter is a net creditor.

Credit exposure on bilaterally netted forward transactions must be calculated as the sum of the net mark-to-market replacement costs, if positive, plus an add-on based on the notional underlying principal. The add-on for netted transactions (A_{Net}) is equal to the weighted average of the gross add-on (A_{Gross})[7] and the gross add-on adjusted by the ratio of net current replacement cost to gross current replacement cost (NGR). This is expressed through the following formula:

$$A_{Net} = 0.4*A_{Gross} + 0.6*NGR*A_{Gross}$$

where

NGR = level of net replacement cost/level of gross replacement cost for transactions subject to legally enforceable netting agreements[8]

(e) **<u>Risk weighting</u>** – Once banks have calculated the credit equivalent amounts, the amounts should be **weighted** according to the category of counterparty in the same way as regards to on-balance sheet claims, including concessionary weighting in respect of exposures backed by eligible guarantees and collateral (e.g. 0% for cash and guarantees or securities issued by central governments and central banks, both domestic and foreign; 20% for securities issued by multilateral development banks or public sector entities of OECD countries; and 50% for provincial government guarantees). Cash collateral must be held by the bank and subject to legal right of setoff at all times, and guarantees must be explicit, irrevocable, unconditional and legally enforceable in order to attract the lower weighting factors. In addition, since most counterparties in these markets, particularly for long-term contracts, tend to be first-class names, a 50% weighting may be applied in respect of counterparties which would otherwise attract a 100% weight.

(f) **<u>Market risk: derivative contracts</u>** – the risk of market volatility adversely affecting <u>unhedged</u> positions with respect to the full range of derivative contracts is included in the calculation of the risk-weighted capital ratio by allocating a 100% weight. With respect to foreign exchange rate contracts, banks must apply this

[7] A_{Gross} equals the sum of individual add-on amounts (calculated by multiplying the notional principal amount by the appropriate add-on factors set out above) of all transactions subject to legally enforceable netting agreements with one counterparty.

[8] Banks must calculated the NGR on an aggregate basis for all transactions subject to legally enforceable netting agreements. Under the aggregate approach, net negative current exposures to others, i.e. for each counterparty the net current exposure used in calculating the NGR is the maximum of the net replacement cost or zero. Note that under the aggregate approach, the NGR is to be applied individually to each legally enforceable netting agreement so that the credit equivalent amount will be assigned to the appropriate counterparty risk weight category.

weighting factor to the higher of the sum of all long foreign exchange positions or the sum of all short positions. This figure is already being calculated by banks using spot rates into Kina equivalent in the daily FX returns.

7: **Plan to comply with minimum capital requirements –** Any bank which fails to comply with the minimum ratios set forth in ¶2 above, or with any higher minimum ratio that may be required by the Bank under ¶3) above, shall submit to the Bank a detailed plan stating how and when the bank will comply with the required minimum capital ratios. Such plan must be submitted within 60 days of written request from the Bank unless a shorter time is specified due to the severity of the capital deficiency.

8: **Reporting Requirements** – Each bank shall submit to the Bank such returns as the Bank may require and in the form and frequency as the Bank may prescribe.

PART IV: CORRECTIVE MEASURES

1: **Remedial measures and sanctions** – If a bank breaches any provision of this standard in a flagrant manner which results, or threatens to result, in an unsafe or unsound condition, or fails to comply with the instructions and reporting requirements, or if there is risk that the existing capital funds will be impaired and result in a condition that threatens the interests of depositors or the general public, the Bank may pursue appropriate corrective actions and sanctions by imposing or varying conditions on the bank's licence as provided in Section 14 of the Act.

Such conditions imposed on a bank's licence under Section 14 may include, but are not limited to, the following –

a) Require the bank to take certain steps or to refrain from adopting or pursuing a particular course of action or to restrict the scope of its business in a particular way, including a prohibition from engaging in any further foreign exchange activities for a specified period of time;
b) Impose limitations on the acceptance of deposits, the borrowing of money, the granting of credit or the making of investments;
c) Prohibit the bank from soliciting deposits, either generally or from persons who are not already depositors;
d) Prohibit the bank from entering into any other transaction or class of transactions;
e) Suspend access to the credit facilities of the Bank; or
f) Suspend or require the removal of any directors, chief executives or managers.

PART V: EFFECTIVE DATE

1: **Effective date –** The effective date of this standard shall be 1st October 2003.

2: **Supersedence** – This standard supersedes and replaces Prudential Standard 1/2000 "Capital Adequacy" which was issued in August 2000.

Questions relating to this prudential standard should be addressed to The Manager, Financial System Supervision Department, Bank of PNG, Tel: 322-7200.