



**Tuvalu**

**PROVIDENT FUND (SMALL LOANS  
INVESTMENT SCHEME) REGULATIONS**

**2008 Revised Edition**

**CAP. 32.08.9**





Tuvalu

## PROVIDENT FUND (SMALL LOANS INVESTMENT SCHEME) REGULATIONS

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Tuvalu

# PROVIDENT FUND (SMALL LOANS INVESTMENT SCHEME) REGULATIONS<sup>1</sup>

MADE BY THE MINISTER UNDER SECTION 5(3) OF THE PROVIDENT  
FUND ACT

Commencement [1st day of June 2004]

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## 1 Short title

These Regulations may be cited as the Provident Fund (Small Loans Investment Scheme) Regulations.

## 2 Commencement

The Minister appoints 1st day of June 2004 to be the date the Regulations shall come into force.

## 3 Interpretation

- (1) All words and phrases defined in the Act shall bear the same meaning in these Regulations unless the context otherwise requires —
- (a) the “**Fund**” means the Tuvalu National Provident Fund;
  - (b) an “**eligible member**” means a member —
    - (i) who has paid contribution to the Fund and who has a credit balance of more than \$400; and
    - (ii) who has no arrears on any loan from the Fund greater than 3 months during the last 12 months; and
    - (iii) who is an unemployed, provided he or she is 6 months away from the minimum voluntary retiring age of 45 years.

#### **4 Purpose**

- (1) Loans granted under these regulations may be for the purposes to meet personal obligations or housing obligations or a combination of both.
- (2) The Fund may at its own discretion accept or refuse any application made under these regulations.

#### **5 Loan**

- (1) Subject to the following an eligible member may:
  - (a) for the first year after the enforcement of these regulations obtain a loan from the Fund of not more than 15% of the members' personal account balance with the Fund;
  - (b) for the second year after the enforcement of these regulations obtain a loan from the Fund of not more than 24% of the members' personal account balance with the Fund;
  - (c) for the third year after the enforcement of these regulations obtain a loan from the Fund of not more than 30% of a members' personal account balance with the Fund.

#### **6 Security**

- (1) A member who is eligible for a loan under these regulations shall entrust his or her personal account balance held by the Fund as security to the loan.
- (2) Notwithstanding other security commitments pledged to other existing banks, the member's personal account balance shall always be given first security priority towards any loan made under these regulations.

#### **7 Default**

- (1) Loan repayments under regulation 9, shall in the case of a default be subject to the following:
- (2) For loan repayments in default for more than 12 months and where contributions are current, the Fund may on specific instructions from the member write off the default portion on the loan from the members personal account balance.
- (3) For loan repayments in default for more than 12 months and where contributions are not made to the Fund during the period of default, such loan balance may be written-off to members personal account balance.

The Fund shall consider each case on its merits and on whether the member is unemployed.

## **8 Term**

- (1) The maximum term for any loan period is 10 years and the loan period shall be subject to regulations 9 and 11.
- (2) Notwithstanding regulation 8(1) if a member takes out a loan before he or she reaches retirement, then the period left to retirement will automatically become the loan period.

## **9 Repayment**

- (1) Loan repayments shall be calculated in the manner provided under Schedule 1.
- (2) The Minister after recommendation by the Board, may by notice amend Schedule 1.

## **10 Mode of Repayment**

- (1) All loan repayments shall be made in the following manner, either by:
  - (a) Direct Bank Transfer; or
  - (b) Employer asked to pay the loan directly to the Fund.

## **11 Interest Rate**

- (1) The interest charged on any loan under these regulations shall be 8.75 % per annum.
- (2) The Minister after recommendation by the Board, may by notice amend the interest rate under this part from time to time.

## **12 Reducing Balance Method**

- (1) All loans shall be charged interest on the reducing balance basis, with interest calculated:
  - (a) daily and debited to the account monthly; or
  - (b) monthly on the highest balance and debited to the account monthly.

## **13 Loan Fee<sup>2</sup>**

- (1) For the first year after the enforcement of these regulations a fee of \$10 per approved loan application shall be debited into the members' respective loan at the time of loan processing.

- (2) For the second year after the enforcement of these regulations a fee of \$15 per approved loan application shall be debited into a members' respective loan at the time of loan processing.
- (3) For the third year after the enforcement of these regulations a fee of \$20 per approved loan application shall be debited into a members' respective loan at the time of loan processing.

#### **14 Dishonoured Cheques**

A fee of \$10 shall be charged for Dishonoured Cheques and debited to the clients loan account.

#### **15 Loan Rescheduling Policies**

The Minister on advice from the Board may by notice make loan policies which shall without prejudice form part of these regulations.<sup>3</sup>



## **SCHEDULE 1**

### **REPAYMENT OF LOANS**

(Regulation 9)

- (1) The loan repayment shall be calculated in the following manner:
  - (a) the minimum repayment shall be \$20.00 a fortnight or 10% of net fortnightly pay;
  - (b) the maximum repayment shall be 40% of net fortnightly salary;
  - (c) subject to regulation 3(1)(b)(iii), the loan repayment of an unemployed member shall upon reaching retirement be settled in a one-off lump sum payment from the member's personal account balance with the Fund.

## ENDNOTES

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<sup>1</sup> LN 6/2004

Amended by LN 4/2005, commencement 1 June 2005

<sup>2</sup> Substituted by LN 4/2005

<sup>3</sup> Amended by LN 4/2005