

Enclosure: 2



CENTRALE BANK VAN ARUBA

GUIDELINES ON THE CONDUCT OF BUSINESS OF PAWNSHOPS / COMPRA Y BENTA COMPANIES.

I. INTRODUCTION

1. In accordance with section 48, paragraph 3 of the State Ordinance on the Supervision of the Credit System (AB 1998 no.16) (SOSCS) the Centrale Bank van Aruba (the CBA) may dispense a company from the prohibition as mentioned in section 48, paragraph 1, of said ordinance insofar the interests said ordinance seeks to protect are sufficiently safeguarded otherwise. The CBA may also attach restrictions and stipulations to such exemption. Pawnshops/compra y benta companies fall under the prohibition pursuant to section 48, paragraph 1, of the SOSCS and as such are required to request for a dispensation as meant in section 48, paragraph 3, of the SOSCS in case they want to conduct pawn/compra y benta activities.

2. In regard of the aforementioned, the CBA has established guidelines on the conduct of business of pawnshops to which all pawnshops/compra y benta companies in the possession of a dispensation must continuously adhere to.

II. GENERAL PROVISIONS

1. In this guideline the following terms shall be defined as stated below:

- a. administrative organization: all of the measures relating to the systematic collection, recording and processing of data, the purpose of which is to provide information to enable the pawnshop to be managed and operated and in order to comply with the requirement to prepare financial accounts in respect of the pawnshop;
- b. internal controls: a process effected by the managing board and other personnel, designed to provide reasonable assurance regarding the achievement of effectiveness and efficiency of operations reliability of financial reporting and compliance with laws and regulations;
- c. reputable conduct of business: the management and control of the processes so that the risks in relation to integrity, organization and management are minimized by the timely and correct identification, measurement, monitoring and control of said risks;
- d. integrity risk: impairment of the reputation and the existing or future threat to the financial position or earnings as a result of inadequate compliance with obligations under private, administrative, fiscal or criminal law, or with regulations or reporting requirements of supervisory authorities, or with internal standards, rules or codes of conduct;
- e. incidents: events that represent a serious risk to the reputable conduct of the business insofar as they concern the conduct of a shareholder, a supervisory board member, a director or a member of staff, or of a third party, and events that represent a breach of the rules relating to the reputable conduct of business.

III. Guidelines relating to the management of a pawnshop/compra y benta company

Managing board

1. The managing board of a pawnshop/compra y benta company shall be charged with the day-to-day management of the activities of the company and shall be responsible for:
 - a. The organization and control of the business processes to ensure that the business is conducted in a reputable manner;
 - b. The adequate operation of a proper administrative organization; and
 - c. The adequate operation of the system of procedures and measures relating to internal controls.
2. As part of its day-to-day management, the managing board shall take measures to raise awareness of, and promote and maintain reputable conduct at all levels of the organization.

Policy plan

3. A pawnshop/compra y benta company shall have an up-to-date policy plan setting out the policy principles regarding the control of integrity risks. The policy principles shall be set out in further detail in procedures and measures that shall be made known to and complied with by all staff of the pawnshop/compra y benta company.

IV. Guidelines relating to the Administrative Organization and Internal Controls

Administrative Organization

1. A pawnshop/compra y benta company shall have an organizational chart showing the various positions in the organization and which members of staff occupy these positions.
2. A pawnshop/compra y benta company shall ensure that there is a proper segregation of duties for activities of a management, compliance and accounting nature.
3. The administrative organization of a pawnshop shall be set up in such a way that the following minimum requirements are satisfied:
 - a. the individual transactions that are carried out by the pawnshop/compra y benta company must be recorded in the financial accounts in a timely and accurate manner;
 - b. the aggregate outstanding amount of the transaction(s) per individual must not exceed Afl. 4.000 at any time;
 - c. there must be proper written procedures and measures in place to ensure that an adequate ratio is maintained between the value of the pledged security and the amount of credit granted for all pawn transactions;
 - d. there must be written procedures and measures in place to prevent and combat money laundering and terrorism financing;
 - e. there must be written procedures and measures in place to prevent and combat criminal offenses, breaches of law or any, according to generally accepted views, improper acts by the company or its employees, such as (participating in) handling of stolen goods (“heling”);
 - f. for each transaction, a consecutively numbered transaction note must be issued and provided to the customer while a copy thereof must be archived and maintained for a period of at least 10 years; and,
 - g. the transaction note must contain the information mentioned in the annex to these guidelines.

4. A pawnshop/compra y benta company must have a written manual of procedures in which the positions, tasks and powers of the members of staff of the pawnshop/compra y benta company, taking into account the minimum requirements laid down in respect of the administrative organization, are defined and recorded clearly and in writing, thus forming a framework for day-to-day management.
5. The manual of procedures shall be produced in Dutch or English and shall be updated periodically.
6. Each pawnshop/compra y benta company is required to appoint a compliance officer in charge with the compliance with laws, regulations and internal procedures of the pawnshop. This compliance officer must have sufficient knowledge, experience and skills and must have appropriate independence and authority. The compliance function may be outsourced; in such case the pawnshop must submit the draft outsourcing agreement to the CBA for its prior approval.
7. A pawnshop/compra y benta company shall form an opinion regarding the integrity of new and existing members of staff and shall in any event obtain information about the integrity of the person concerned from previous employers during the last five years. The pawnshop/compra y benta company shall request prior approval from the person concerned in order to obtain said information.
8. There must be written procedures and measures on the proper handling of incidents. A pawnshop/compra y benta company shall inform the CBA without delay of incidents if, taking into account the seriousness, the size or other circumstances of the incident, it is reasonable to expect that the CBA should be informed thereof.

Internal controls

9. The management of a pawnshop/compra y benta company shall be responsible for the internal control system and shall periodically evaluate its effectiveness and current relevance, and, if necessary, make adjustments thereto.
10. A pawnshop/compra y benta company must have written procedures and measures relating to internal control to ensure that there can be reasonable certainty that:
 - a. its activities are being carried out in accordance with the policy principles laid down and the procedures drawn up;
 - b. transactions and obligations are being entered into with due regard of the applicable authorization procedures;
 - c. the risks of loss from irregularities, fraud and errors are minimized;
 - d. assets and liabilities are properly managed;
 - e. risks are identified, properly evaluated and quantified in a timely manner; and
 - f. reports that are submitted to the CBA comply with the requirements laid down by the CBA in respect thereof and are delivered in a timely manner.
11. A pawnshop/compra y benta must have ledger records that are set up in accordance with the system of double-entry bookkeeping.
12. The administrative organization of a pawnshop/compra y benta company must be such that each transaction, liability and claim is recorded accurately and timely (see annex 1).

13. The financial accounts of a pawnshop/compra y benta company must enable it to draw up timely and proper reports for its managing board and the CBA.
14. The financial accounts must be kept in Dutch or in English and must be available at all times to the CBA.

V. Guidelines relating to the Annual External Audit and reporting to the CBA

External auditor

1. The book year of a pawnshop/compra y benta company must coincide with the calendar year.
2. Within six months after the end of each book year the pawnshop must submit its financial statements to the CBA. The statements must be accompanied by a review report issued by an external accountant registered at the NIVRA/NOVAA or at a similar internationally recognized professional organization.
3. The external auditor must also issue on an annual basis a statement that the guidelines on the conduct of business of pawnshops/compra y benta companies are complied with. A copy of the aforementioned statement must be submitted to the CBA within six months after the end of each book year.

Reporting to the CBA

4. All pawnshops/compra y benta company are required to file in-house (unaudited) financial statements to the CBA on a quarterly basis.

Aruba, March 14, 2012

Annex 1: Minimum requirements regarding the transaction notes

At the time of making any secured personal credit loan, the pawnshop / compra y benta company (lender) shall execute and deliver to the borrower/pledger a receipt for and describing the tangible personal property subjected to secure the payment of the loan. The transaction note shall at least contain the following information and must be accompanied by a copy of a valid identification of the borrower/pledger (valid passport, driver's license or cedula):

- a) The name and address of the pawnshop/compra y benta company;
- b) The name and address of the borrower/pledger;
- c) The date of the transaction;
- d) An identification and full description of the pledged goods, including if applicable, the manufacturer, year, model and serial number of any goods pawned or received, or any identifiable marks or title on an article.
- e) With respect to jewelry, the type, weight, karat, any engraving, the number and type of gemstones and whether the item is typically worn by a man or woman;
- f) The amount of cash advanced or credit extended to the borrower/pledger;
- g) The amount which must be paid to redeem the pledged goods on the maturity date;
- h) The maturity date of the pawn transaction;
- i) The applicable fees and effective interest rate;
- j) A statement to the effect that the borrower/pledger is not obligated to redeem the pledged goods and that the pledged goods may be forfeited to the pawnbroker/compra y benta company after the specified maturity date and
- k) A declaration from the client that the goods pawned are not stolen and belong to the person that pawns them.