Part III

Supervisory Directives

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III.1 Supervisory Requirements

All credit institutions have to comply continuously with the stipulations of the State Ordinance on the Supervision of the Credit System (SOSCS), as well as the Bank’s supervisory directives.

SOLVENCY (section 13 of the SOSCS)

Risk - weighed capital ratio

Test capital

\[
\text{Risk - weighed capital ratio} = \frac{\text{Total risk value balance sheet and off-balance sheet items}}{\text{(minimum} = 16\%)}
\]

(Refer to Appendix 7: Risk-weighted solvency test for further details.)

LIQUIDITY (section 14 of the SOSCS):

Liquidity ratio

\[
\text{Liquidity ratio} = \frac{\text{Liquid assets}}{\text{Total assets (excluding goodwill)}} \quad (\text{minimum} = 20\%)^1
\]

Liquid assets \(\bullet\) is the sum of the following monthly statement items:
1. Cash
2.a Centrale Bank van Aruba, current account
2.b Centrale Bank van Aruba, time deposits (excluding the reserve requirement)
3.a Due from deposit money banks, demand deposits
3.b.1 Due from deposit money banks, time deposits, time to maturity: one year and below
4.a Investments, treasury bills
4.b.1 Government bonds, time to maturity: one year and below
4.b.2 70\% of the value reported under “Government bonds with a maturity over one year
4.c 50\% of the reported value under “Other marketable securities”

\(\bullet\) Liquid Assets pledged may not be included in the calculation of the prudential liquidity ratio. Furthermore, liquid assets encumbered by liens, or in any way committed to third parties and not available in the normal operations of a bank, may not be included in the calculation of the prudential liquidity ratio.

\[^1\] The minimum prudential liquidity ratio as of January 1, 2019: 18 percent and as of January 1, 2021: 20 percent.
For “Total Assets”, refer to monthly statement item with same description. Insofar applicable, the goodwill may be deducted from the “Total Assets”.

**Loan-to-deposit ratio**

\[
\frac{\text{Total loans (Net)}}{\text{Total deposits (Liabilities)}} \leq 0.8 \quad (\text{maximum} = 80\%)
\]

For “Total loans (Net)” and “Total Deposits”, refer to the monthly statement items with the same description.

**IMMOBILIA-RULE (section 13 of the SOSCS)**

**Fixed-assets-to-capital ratio**

\[
\frac{\text{Fixed assets}}{\text{Test capital}} \leq 1 \quad (\text{maximum} = 100\%)
\]

“Fixed assets” is the sum of the following monthly statement items:

6. Premises and equipment
7. Other real estate owned
8.a Other investments and advances to subsidiaries, banks
8.b Other investments and advances to subsidiaries, banklike institutions
8.c Other investments and advances to subsidiaries, other companies
8.d Other investments and advances to subsidiaries, advances to subsidiaries

For “Test capital”, refer to Appendix 7: Risk-weighted solvency test.

**Other-real-estate-to-capital ratio**

\[
\frac{\text{Other real estate owned}}{\text{Test capital}} \leq 0.25 \quad (\text{maximum} = 25\%)
\]

For “Other real estate owned”, refer to the monthly statement item 7 with the same description.

For “Test capital”, refer to Appendix 7: Risk-weighted solvency test.

The immobilia-rule, which is partly a liquidity requirement, envisages to ensure that assets which are in principle illiquid are completely financed by funds which are permanently available (Test capital).
LARGE EXPOSURES (Section 13 of the SOSCS)

Large exposure rule

Large exposures to one client or a group of connected clients
_________________________________________________________ (maximum = 25%)
Test capital

For further guidance on this issue refer also to III-2.

For “Test capital”, refer to Appendix 7: Risk-weighted solvency test.

Based on the Large exposure rule exposures to any one client or a group of connected clients may not exceed 25% of the institution’s “Test Capital” (Tier 1 + Tier 2 capital). Only in exceptional cases and under the strict conditions that 1. it concerns an A-1 client with an excellent financial position and track record, and 2. the loan is well collateralized, the management of a credit institution may decide to exceed this limit. However, under no circumstances the individual exposure to a client or a group of clients may exceed 35% of a credit institution’s test capital.

Exposures to the local Government, as well as short term (< 1 year) investments with financial institutions are exempted from this rule, under the conditions that subject financial institutions have a solid financial position and fall under effective supervision. The banks are required to periodically evaluate the financial position of these institutions.

Large loans, that comprise credits which equal 15% of a credit institution’s test capital are to be reported in Appendix 3: “Monthly report of large loans”. The total of the loans reported under appendix 3 (excluding the loans to local Government) may not exceed 600% of a credit institution’s test capital.

CREDIT EXTENSIONS TO INSIDERS (Section 13 of the SOSCS)

The aggregate amount of all credit extensions to insiders may not exceed 2% of the credit institution's test capital, or 1% thereof in case of any individual credit extension. The Bank reserves the right to deduct any amount in excess of the 2% limit from the credit institution’s test capital.

For further guidance on this issue refer also to III-3.

For “Test capital”, refer to Appendix 7: Risk-weighted solvency test.
III.2 Large exposures to a Group of Connected Clients

Directive on large exposures to a group of connected clients by virtue of Section 13 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba (the Bank).

1. Introduction
The objective of the “large exposure rule” is to limit the concentration of risk, i.e., the risk - on a consolidated basis - incurred in respect of a single client, or a group of connected clients or in respect of other (non-client-driven) business, such as investments in bonds, stocks, participating interests etc. Exposures are understood to be the assets, as well as the off-balance sheet items of the credit institutions.

2. Definitions
A group of connected clients consists of:

- either two or more natural or legal persons who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other(s); or

- two or more natural or legal persons between whom there is no relationship of control as referred to above but who are to be regarded as constituting a single risk because they are so inter connected that, if one of them were to experience financial problems, the other or all of the others would be likely to encounter repayment problems.

Interconnection may be evident in the case of:

- common shareholders or partners;
- common director(s);
- cross-guarantees;
- direct commercial interdependence which cannot be undone at short term.

3. Directive
Exposures to any one client or a group of connected clients may not exceed 25% of the institution’s “Test Capital” (Tier 1 + Tier 2 capital). Only in exceptional cases and under the strict conditions that 1. it concerns an A-1 client with an excellent financial position and track record, and 2. the loan is well collateralized, the management of a credit institution may decide to exceed this limit. However, under no circumstances the individual exposure to a client or a group of clients may exceed 35% of a credit institution’s test capital.

Exposures to the local Government, as well as short term (≤ 1 year) investments with financial institutions are exempted from this rule, under the conditions that subject financial institutions have a solid financial position and fall under effective
supervision. The banks are required to periodically evaluate the financial position of these institutions.

As of January 1, 2003 the Bank’s prior approval is no longer required for exceeding the 25% limit, because the responsibility for granting large loans should explicitly remain with the management of the credit institution, who is also accountable for keeping within the limits as indicated in this directive. To enable the Bank to make an evaluation of the credit institution’s policy in this respect, all loans exceeding the 25% limit should be tagged with the letter A in appendix 3.

Moreover, the total of all large loans reported under Appendix 3 of the monthly statement, comprising of loans in excess of 15% of a credit institution’s test capital, may not exceed 600% of a credit institution’s test capital.
III.3 Credit extensions to Insiders

Definitions

For purposes of this Directive:

(a) "Bank" means Centrale Bank van Aruba;

(b) "credit extensions" means: loans, overdraft facilities, guarantees and all other forms of credit, irrespective form or collateral;

(c) "insiders" means any manager, director and/or qualifying shareholder including partners or relatives in the first and second degree and related/affiliated companies;

(d) "manager" means any person conducting the day-to-day management of the credit institution and whose function as such has been laid down in the articles of incorporation or any other regulation of the institution and whose appointment has been approved by the Bank;

(e) "director" means a member of the Supervisory Board of the credit institution or a body with a similar task;

(f) "qualifying shareholder" means a natural person/legal entity who/that:
1) holds a direct or indirect interest of more than 10% of the issued share capital of the bank; or
2) can exercise directly or indirectly more than 10% of the voting rights in the bank; or
3) can exercise directly or indirectly a similar control in the bank;

(g) "majority shareholder" means a shareholder as defined under (f) with an interest or voting rights of more than 50%;

(h) "capital base" means "test capital" (refer to Appendix 7: “Risk-weighted solvency test”).

Lending limits

The aggregate amount of all credit extensions to insiders may not exceed 2% of the institution’s capital base, or 1% thereof in case of any individual credit extension. The Bank reserves the right to deduct the amount in excess of the 2% limit from the credit institution’s test capital.

Related companies

Credit extensions to enterprises in which insiders are a majority shareholder are included in the calculation of credit extensions to insiders. The terms and conditions of credit extensions to insiders may not be more favorable than those granted to non-related borrowers under similar circumstances.

Staff loans

Credit extensions to staff members of the credit institution are excluded from the lending limits to insiders, provided they can be considered fringe benefits and are granted in accordance with the guidelines of the credit institution. The credit institution should seek the redemption of such credits or the conversion thereof into regular terms upon or immediately after the resignation of the relevant staff member. The bank is to establish a written comprehensive policy with regard to credit extensions to staff members.
III.4 Loan Loss Provisioning

Directive on loan loss provisioning by virtue of Section 13, paragraph 1 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba (the Bank).

1. Introduction
The objective of this directive is to provide the credit institutions with guidelines for the establishment of effective policies and criteria for loan loss classification and provisioning. It deals with both the general (unallocated) and allocated loan loss provisions.

2. General (Unallocated) Loan Loss Provision

2.1 Purpose and definition
The unallocated loan loss provision should be considered as a special form of a dynamic determined provision related to the general risk a credit institution runs, directly or indirectly, originating from granting loans and conducting other banking activities. This provision serves as a buffer for losses, which cannot be foreseen and therefore cannot be quantified, (e.g. frauds, contingent liabilities and severe (loan) losses caused by a deterioration in the general economic situation).

2.2 Required minimum
Additions to the general provision have to be made systematically, thereby aiming at a minimum size, which stands in a reasonable relation to the possible risks involved. When deciding on this minimum management should take, amongst other things, into account:

- the domestic and international economic situation;
- (change in) character and composition of the balance sheet;
- past loss experience and relevant expectations;
- contingent liabilities.

Due to the one-sided structure of the Aruban economy and the ensuing modest opportunities for an adequate diversification of the loan portfolio and other bank activities, the Bank requires, for prudential reasons, that each bank should build up a general provision of at least 3% of the net loan portfolio plus other risk items on the asset side of the balance sheet. The net portfolio is calculated as gross loans minus allocated provisions.

2.3 Exceptions
Only in the case of local branches, whereby this provision is built up for the whole banking group by the parent company abroad, the absence of an unallocated loan loss provision may be justified.
3. Allocated Loan Loss Provision

3.1 Purpose and Definition
The allocated loan loss provision is a specific provision for loans for which it is foreseen that full repayment will not take place. As part of its on-site examinations, the Bank performs credit reviews at the supervised institutions. These reviews result in the following classifications: good, special mention, substandard, doubtful and loss. Below an outline is provided of the Bank’s loan classification and its provisioning policy. All credit institutions should review their own classification and provisioning policies and bring these in line with the policies mentioned below.

3.2 Loan Classification

**Good**
The loan is sound and all principal and interest payments are current. Repayment difficulties are not foreseen under current circumstances and full repayment is expected.

**Special mention**
The loan is subject to conditions that, if left uncorrected, could raise concerns about full repayment. These loans require more than normal attention.

**Substandard**
Full repayment is in doubt due to inadequate protection (e.g. obligor net worth or collateral), and/ or interest or principal or both are more than 90 days but less than 180 over due. These loans show underlying, well-defined weaknesses that could lead to probable loss if not corrected and, thus, may become impaired assets. A specific provision of 10 - 20% of the uncollateralized amount is required.

**Doubtful**
Assets for which collection/ liquidation in full is determined by bank management to be improbable, due to current conditions, and/ or interest or principal or both are overdue more than 180 days but less than one year. Assets in this category are impaired, but are not yet considered total losses, because some pending factors may improve the asset’s quality (via new financing or capital injection). A specific provision of at least 50% of the uncollateralized amount is required under these circumstances.

**Loss**
An asset is downgraded to loss when management considers the facility to be virtually uncollectible, and/ or when interest or principal or both are overdue more than one year. A specific provision of 100% of the uncollateralized amount is required under these circumstances.
III-5 Appointment of an External Auditor

Directive on the appointment of an external auditor by virtue of article 15, paragraph 1, in conjunction with article 21a of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Centrale Bank van Aruba (the CBA).

1. Introduction

It is important that supervisors obtain the information they need to properly form an opinion on the financial strength of the operations of each credit institution. This information is obtained, amongst others, from the financial reports that are filed, supported by information obtained through communication with the external auditor. As such, supervisors have a clear interest in ensuring that external audits performed are acceptable and that an adequate relationship between them and the credit institutions’ external auditors exists, essentially based on the principles and guidance formulated by the Basel Committee on Banking Supervision in its paper of January 2002. In this respect, high standards of auditing are indispensable. As such, the audit performed should be carried out by external auditors who:

- are properly licensed and in good standing;
- have relevant professional experience and competence;
- are subject to a quality assurance program;
- are independent in fact and in appearance;
- are objective and impartial; and
- comply with all ethical requirements.

As defined under article 1 of the SOSCS an external auditor is: ‘a person who is not employed by the company or institution, being a “registeraccountant” or an “accountant-administratieconsulent” registered pursuant to article 36, paragraph 2, item i, of the Dutch Law on the accounting profession (Stb. 2012, 680)’.

2. Directive

Any appointment of or change in external auditor needs the CBA’s prior written approval. In order to assess the intended appointment or change, the institution concerned and the external auditor are required to complete the “Questionnaire External Auditor” (Annex 3). Reference is also made to the Guidance notes associated with the Questionnaire External Auditor.

In case of a change of external auditor, the CBA should also be informed on the reason(s) for the intended change.

The CBA will grant its approval if the external auditor complies with the requirements as stipulated in article 1 of the SOSCS and if there are no circumstances that, in the opinion of the CBA, would make the external auditor unfit for the assignment.
With regard to the independence in fact and appearance, there may not be any material financial interest, loans and guarantees, business relationships, and family and personal relationships between i) the credit institution, its Managing Board or a member thereof, its Supervisory Board or a member thereof, its direct or indirect shareholder(s), and (ii) the external auditor, the audit firm of the external auditor or a member/partner thereof.

The CBA maintains at all times the right to revoke its approval if there are circumstances that in the opinion of the CBA justify such an action.

The provision of information to the CBA by the external auditors of credit institutions is covered in article 23, paragraph 2, of the SOSCS. This section states that when granting the auditor the assignment to audit the annual accounts, the credit institution shall instruct its auditor in writing to:

a. after consultation with the credit institution that granted the assignment, provide the CBA forthwith with a copy of the auditor’s report to the Supervisory Board, of the management letter and of the correspondence that relates directly to the auditor’s report, in so far as these documents are considered to be necessary in reason for the proper fulfillment of the CBA’s supervisory tasks;

b. after consultation with the credit institution, inform the CBA in writing forthwith of circumstances that could hinder the issue of an auditor’s report stating that the annual accounts give a true and fair view of the financial position of the credit institution;

c. after consultation with the credit institution that granted the assignment, inform the CBA in writing forthwith of circumstances which could endanger the continuity of the credit institution, or from which it appears that there is a serious suspicion of an extensive fraud; and

d. furnish the CBA, if required, with additional information on the documents referred to under a. and on the circumstances referred to under b. and c.

Subject provisions should be included in the engagement letter. A copy of the draft engagement letter must be attached to the request for the appointment of an external auditor.

Upon the CBA’s approval of the external auditor, the final and signed engagement letter must be submitted to the CBA.

This directive enters into force as of AUGUST 2019.
III.6 Directive on the publication of the Audited Annual Financial Statements

Directive on the publication of the Audited Annual Financial Statements by virtue of article 15, paragraph 1, of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) for credit institutions licensed by the Centrale Bank van Aruba (CBA).

1 Introduction

In order to promote the soundness and integrity of the financial sector, it is necessary that all stakeholders have sufficient information to evaluate the financial position and performance of a credit institution. The importance of transparency is also underscored in the Basel III capital standards and the Core Principles for Effective Banking Supervision, issued by the Basel Committee on Banking Supervision.

According to article 73, paragraph 7, of the Aruban Code of Commerce (AB 1990 no. GT 50), all credit institutions incorporated under Aruban law should, within 8 days after their financial statements have been approved, file complete transcripts of these documents and the accompanying notes with the Aruban Chamber of Commerce. ¹

2 Directive

With due regard to the aforementioned, a credit institution must, within six (6) months after the end of each financial year:

a) publish its audited financial statements, by filing subject statements with the Aruban Chamber of Commerce and by posting these statements on its website; and

b) publish abbreviated audited financial statements including (at a minimum) its certified balance sheet, income statement², accounting and valuation principles, and the auditor’s opinion in one (1) or more local newspapers.

Branches of credit institutions must publish the audited annual financial statements of the legal entity of which they form part and must also post these statements on their website and comply with point (b) above.

This directive enters into force as of January 2019.

¹ If a credit institution is incorporated as a ‘Vennootschap met beperkte aansprakelijkheid’, article 37, paragraph 4, of the State Ordinance on Limited Liability Company (AB 2008 no. 62) is applicable.
² Credit institutions are allowed to exclude information on the compensation of management and Supervisory Board from the information that is made public, in consideration of the sensitivity of this information.
The day—to-day policy of a credit institution must be determined by at least two persons, while it should have a Supervisory board or a comparable body of at least three natural persons.

In order to safeguard the good reputation of the financial sector of Aruba, the Centrale Bank van Aruba (the Bank) in its licensing procedure, applies certain requirements as to the integrity, knowledge and experience of directors of the credit institutions. These criteria are also applied in cases where new directors are appointed. In view of these requirements, the Bank may object to the appointment of one or more persons who determine the day-to-day policy of a supervised institution because his, her or their knowledge is considered inadequate to engage in the business of a credit institution. Likewise, the Bank may object one or more persons accepting a post involving the (co-) determination of the policy of a supervised institution if, based on the intentions or the past history of that person or those persons, the Bank holds the opinion that the interests of the creditors or future creditors of the institution could be jeopardized.

Pursuant to section 9 of the SOSCS any appointment of a new Managing Director and/or member of the Supervisory Board, needs the Bank’s prior written approval. In order to assess the intended appointment in the light of the criteria above, the candidate is required to complete the Bank’s questionnaire (Annex 2), sign and return it to the Bank via the institution concerned. A formal request together with the filled-out questionnaire and requested documents should be send to the Bank. Reference is made to paragraph 2 of the Directive on Sound Business Operations for further information on the integrity and suitability assessment conducted by the Bank.

The questions must be answered truthfully and as fully as possible. Questions relating to legal proceedings, convictions, refusal of licenses, supervision of payment or bankruptcy must be answered regardless of whether these facts occurred in Aruba or elsewhere and regardless of the nature of the facts (economic or other offenses).

The Bank's decision is taken on the basis of all available information, including that about the nature of the position and of the institutions. The answers to the questionnaire are merely one among many considerations.

Together with the filled out questionnaire the applicant must submit a declaration of good conduct.

The Bank informs the institutions concerned of its decision.

The information obtained is covered by the secrecy obligation provided for in Article 35 of the State Ordinance on the Supervision of the Credit System.
III-8 Prospective (In-) Direct Shareholders- Natural Persons

CHANGE IN SHAREHOLDING (section 17 of the SOSCS)

Pursuant to section 17 sub 1a of the SOSCS any natural person or legal entity needs the Bank’s prior written approval to hold, acquire or increase a qualifying holding in a credit institution or to exercise any control attaching to a qualifying holding. The prospective shareholder should fill in the Bank’s questionnaire for prospective shareholders (Annex 2). A formal request together with the filled-out questionnaire and requested documents should be send to the Bank. Reference is made to paragraph 2 of the Directive on Sound Business Operations for further information on the integrity and suitability assessment conducted by the Bank. If such an interest or control could lead to any influence on the credit institution, which is contrary to sound banking policy, the Bank may refuse authorization.

According to section 1 of the SOSCS a qualifying holding is defined as: a direct or indirect holding of more than 10 per cent of the issued share capital of an enterprise or institution or the ability to exercise directly or indirectly more than 10 per cent of the voting rights or the ability to excise directly or indirectly a comparable degree of control in an enterprise or institution.
III-9 Internal Audit in banks

Internal Audit in banks¹

Directive by virtue of section 15 of the State Ordinance on the Supervision of the Credit System on the Internal Audit in banking organizations.

1. General

Within the meaning of this directive internal audit is defined as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

Adequate internal controls within banking organizations must be supplemented by an effective internal audit function that independently evaluates the control systems within the organization. Strong internal control, including an internal audit function and an independent external audit are part of sound corporate governance, which in turn can contribute to an efficient and collaborative working relationship between bank management and bank supervisors.

Some banks have chosen to introduce control self-assessments. These can be described as a formal and documented process whereby management and/or a staff team analyze their activity or function and evaluate the efficiency and effectiveness of the related internal control procedures. These self-assessments may be a useful technique for evaluating the efficiency and effectiveness of internal control without being a substitute for internal audit.

The principles discussed below should be followed when designing and implementing internal audit in banking organizations.

2. Objectives and tasks of the internal audit function

Principle 1
The bank’s board of directors has the ultimate responsibility for ensuring that senior management establishes and maintains an adequate and effective system of internal controls, a measurement system for assessing the various risks of the bank’s activities, a system for relating risks to the bank’s capital level, and appropriate methods for monitoring compliance with laws, regulations, and supervisory and internal policies. At least once a year, the board of directors should review the internal control system and the capital assessment procedure.

The board of directors should regularly verify whether the bank has established an adequate system of internal controls to ensure a well-ordered and prudent conduct of business (with reference to clearly defined objectives). The board should also regularly verify whether the bank has developed a system for relating risks to the bank’s capital level. Finally, the board should ensure that the bank has processes for identifying and adequately controlling the risks incurred in

¹ This directive is largely based on the paper ‘internal audit in banks and the supervisory relationship with auditors’ issued by the Basel Committee on Banking Supervision in August 2001.
From a general point of view, the scope of internal audit includes:

- the examination and evaluation of the adequacy and effectiveness of the internal control systems;
- the review of the application and effectiveness of risk management procedures and risk assessment methodologies;
- the review of the management and financial information systems, including the electronic information system and electronic banking services;
- the review of the accuracy and reliability of the accounting records and financial reports;
- the review of the means of safeguarding assets;
- the review of the bank’s system of assessing its capital in relation to its estimate of risk;
- the appraisal of the economy and efficiency of the operations;
- the testing of both transactions and the functioning of specific internal control procedures;
- the review of the systems established to ensure compliance with legal and regulatory requirements, codes of conduct and the implementation of policies and procedures;
- the testing of the reliability and timeliness of the regulatory reporting; and
- the carrying-out of special investigations.

Senior management should ensure that the internal audit department is kept fully informed of new developments, initiatives, products and operational changes to ensure that all associated risks are identified at an early stage.

Principle 2
The bank’s senior management is responsible for developing processes that identify measure, monitor and control risks incurred by the bank. At least once a year, senior management should report to the board of directors on the scope and performance of the internal control system and of the capital assessment procedure.

Senior management should maintain an organizational structure that clearly assigns responsibility, authority and reporting relationships and ensures that delegated responsibilities are effectively carried out. Senior management is also responsible for developing risk management processes that identify measure, monitor and control risks. The risk management process must also include a systematic analysis of integrity risks, as defined in the Directive on Sound Business Operations. Reference is made to article 7 of the Directive on Sound Business Operations. Finally, senior management sets appropriate internal control policies and monitors the adequacy and effectiveness of the internal control system.

Principle 3
Internal audit is part of the ongoing monitoring of the bank’s system of internal controls and of its internal capital assessment procedure, because internal audit provides an independent assessment of the adequacy of, and compliance with, the bank’s established policies and procedures. As such, the internal audit function assists senior management and the board of directors in the efficient and effective discharge of their responsibilities as described above.

From a general point of view, the scope of internal audit includes:

- the examination and evaluation of the adequacy and effectiveness of the internal control systems;
- the review of the application and effectiveness of risk management procedures and risk assessment methodologies;
- the review of the management and financial information systems, including the electronic information system and electronic banking services;
- the review of the accuracy and reliability of the accounting records and financial reports;
- the review of the means of safeguarding assets;
- the review of the bank’s system of assessing its capital in relation to its estimate of risk;
- the appraisal of the economy and efficiency of the operations;
- the testing of both transactions and the functioning of specific internal control procedures;
- the review of the systems established to ensure compliance with legal and regulatory requirements, codes of conduct and the implementation of policies and procedures;
- the testing of the reliability and timeliness of the regulatory reporting; and
- the carrying-out of special investigations.

Senior management should ensure that the internal audit department is kept fully informed of new developments, initiatives, products and operational changes to ensure that all associated risks are identified at an early stage.
3. Principles of internal audit

3.1 Permanent Function – Continuity

Principle 4

Each bank should have a permanent internal audit function. In fulfilling its duties and responsibilities, the senior management should take all necessary measures so that the bank can continuously rely on an adequate internal audit function appropriate to its size and to the nature of its operations. These measures include providing the appropriate resources and staffing to internal audit to achieve its objectives.

Only in very exceptional cases (e.g. if due to the size of a bank the establishment of an own internal audit department is not economically feasible) it is allowed to outsource this function to a third party vendor other than the bank’s own external auditor. Senior-Management and Board of Directors remain also in such cases fully responsible for the adequacy and effectiveness of the internal audit function. In case the necessary expertise for parts of the audit to be performed is not available inhouse, a bank can hire outside vendors other than the bank’s own external auditor to execute part of the audit work.

3.2 Independent function

Principle 5

The bank’s internal audit function must be independent of the activities audited and must also be independent from the every day internal control process. This means that internal audit is given an appropriate standing within the bank and carries out its assignments with objectivity and impartiality.

The internal audit department must be able to exercise its assignment on its own initiative in all departments, establishments and functions of the bank. It must be free to report its findings and appraisals and to disclose them internally. The principle of independence entails that the internal audit department operates under the direct control of either the bank’s chief executive officer or the board of directors or its audit committee (if one exists), depending on the corporate governance framework.

The head of the internal audit department should have the authority to communicate directly, and on his/her own initiative, to the board, the chairman of the board of directors, the members of the audit committee (if one exists) or the external auditors where appropriate, according to rules defined by each bank in its audit charter.

Independence also requires that the internal auditors should not have a conflict of interest with the bank. The compensation scheme for internal auditors should be consistent with the objectives of the internal audit. The internal audit function should be subject to an independent review. This review can be carried out by an independent party like an external auditor, or it can be done by the audit committee, if one exists.

3.3 Audit charter

Principle 6

Each bank should have an internal audit charter that enhances the standing and authority of the internal audit function within the bank.

An internal audit charter establishes at least:

- the objectives and scope of the internal audit function;
The internal audit department’s position within the organization, its powers, responsibilities and relations with other control functions; and the accountability of the head of the internal audit department.

The charter should be drawn up - and reviewed periodically - by the internal audit department; it should be approved by senior management and subsequently confirmed by the board of directors as part of its supervisory role. The audit committee, if one exists, can also provide this confirmation.

In the charter, the bank’s senior management gives the internal audit department the right of initiative and authorizes it to have direct access to and communicate with any member of staff, to examine any activity or entity of the bank, as well as to access any records, files or data of the bank, including management information and the minutes of all consultative and decision-making bodies, whenever relevant to the performance of its assignments.

The charter should state the terms and conditions according to which the internal audit department can be called upon to provide consulting or advisory services or to carry out other special tasks and should be communicated throughout the organization.

3.4 Impartiality

Principle 7

The internal audit function should be objective and impartial, which means it should be in a position to perform its assignments free from bias and interference.

Objectivity and impartiality entails that the internal audit department itself seeks to avoid any conflict of interest. To this end, staff assignments within the internal audit department should be rotated periodically whenever practicable. Internally recruited auditors should not audit activities or functions they performed within the last twelve months.

Impartiality requires that the internal audit department is not involved in the operations of the bank or in selecting or implementing internal control measures. Otherwise it would have to assume responsibility for these activities, which would impair its judgmental independence.

However, the need for impartiality does not exclude the possibility that senior management may request from the internal audit department an opinion on specific matters related to the internal control principles to be complied with. For instance, senior management may for the sake of efficiency request an opinion when considering important reorganizations, the start of important or risky new activities, new establishments which are to carry out risky activities, and the setting up or reorganization of risk control systems, management information systems or information technology systems. However, the eventual development and introduction of these measures should remain the responsibility of management. Indeed, such a consultative function constitutes an ancillary task which should in no way impede the basic tasks or the responsibility and independence of the internal audit department. Subsequent internal audit reports can contain recommendations relating to deficiencies and weaknesses and suggestions for improving internal controls.

3.5 Professional competence

Principle 8

The professional competence of every internal auditor and of the internal audit function as a whole is essential for the proper functioning of the bank’s internal audit function.
The professional competence of each internal auditor as well as his/her motivation and continuing training are prerequisites for the effectiveness of the internal audit department. Professional competence must be assessed taking into account the nature of the role and the auditor’s capacity to collect information, to examine, to evaluate and to communicate. In this respect, account should also be taken of the growing technical complexity of banks’ activities and the increasing diversity of tasks that need to be undertaken by the internal audit department as a result of developments in the financial sector.

Professional competence, and particularly knowledge and experience, within the internal audit department itself also deserve special attention. The main implication of this is that the department as a whole must be competent enough to examine all areas in which the bank operates.

Continuously performing similar tasks or routine jobs may negatively affect an internal auditor’s capacity for critical judgment. It is therefore recommended, whenever practicable, to rotate staff within the internal audit department. This rotation must be accomplished in a manner that does not jeopardize the independence of the internal auditors.

Professional competence should be maintained through systematic continuing training of each member of the staff. All staff members of the internal audit department should have sufficient up-to-date knowledge of auditing techniques and banking activities.

3.6 Scope of activity

Principle 9

Every activity and every entity of the bank should fall within the scope of the internal audit.

None of the bank’s activities or entities - including the activities of branches and subsidiaries as well as outsourced activities - may be excluded from the internal audit department’s scope of investigation. The internal audit department should have access to any records, files or data of the bank, including management information and the minutes of the consultative and decision-making bodies, whenever it is relevant to the performance of its assignments.

From a general point of view, the scope of internal audit should include the examination and evaluation of the appropriateness and effectiveness of the internal control system and of the manner in which assigned responsibilities are fulfilled. In many respects, this represents a risk analysis of the bank’s internal control system.

In particular, the internal audit department should evaluate:
- the bank’s compliance with policies and risk controls (both quantifiable and non-quantifiable);
- the reliability (including integrity, accuracy and comprehensiveness) and timeliness of financial and management information;
- the continuity and reliability of the electronic information systems; and
- the functioning of the staff departments.

The internal audit department should give adequate consideration to the legal and regulatory provisions covering the bank’s operations, including the policies, principles, rules and guidelines issued by the supervisory authority with regard to the manner in which banks are organized and managed. However, this does not imply that the internal audit department should assume the compliance function.
3.7 The bank’s internal capital assessment procedure

Principle 10

Within the framework of the bank’s internal capital assessment process, internal audit should carry out regularly an independent review of the risk management system developed by the bank to relate risk to the bank’s capital level and the method established for monitoring compliance with internal capital policies.

A bank’s risk recognition and capital assessment processes differ from the risk management process, which typically focuses more on the review of business strategies developed to maximize the risk/reward trade-off within the different areas of the bank.

The bank should clearly identify the individual or department responsible for reviewing the capital assessment procedure. This might be done by the internal audit department or by another individual or department that is sufficiently independent from the operations of the bank.

4. Functioning of internal audit

4.1 Working methods and types of audit

Principle 11

Internal audit includes drawing up an audit plan, examining and assessing the available information, communicating the results, and following up on recommendations and issues.

There are different types of internal audit, which may include but are not limited to:

- the financial audit, the aim of which is to assess the reliability of the accounting system and information and of resulting financial reports;
- the compliance audit, the aim of which is to assess the quality and appropriateness of the systems established to ensure compliance with laws, regulations, policies and procedures;
- the operational audit, the aim of which is to assess the quality and appropriateness of other systems and procedures, to analyze the organizational structures with a critical mind, and to evaluate the adequacy of the methods and resources, in relation to the assignment; and
- the management audit, the aim of which is to assess the quality of management’s approach to risk and control in the framework of the bank’s objectives.

The internal audit department examines and evaluates the whole of the bank’s activities in all its entities. Therefore, it should not focus on one single type of audit, but should use the most appropriate type, depending on the audit objective to be achieved. Furthermore, the internal audit department should not limit itself in this respect to auditing the bank’s various departments. Rather, it should also pay special attention to auditing a banking activity through all engaged entities within the bank.

4.2 Risk focus and audit plan

The management of the internal audit department prepares a plan for all the assignments to be performed. The audit plan includes the timing and frequency of planned internal audit work. This audit plan is based on a methodical control risk assessment. A control risk assessment documents the internal auditor’s understanding of the institution’s significant activities and their associated risks. The management of the internal audit department should establish the principles of the risk assessment methodology in writing and regularly update them to reflect changes to the system of internal control or work process, and to incorporate new lines of business. The risk analysis examines all of the bank’s activities and entities, and the complete internal control system.
basis of the results of the risk analysis, an audit plan for several years is established, taking into account the degree of risk inherent in the activities. The plan also takes into account expected developments and innovations, the generally higher degree of risk of new activities, and the intention to audit all significant activities and entities within a reasonable time period (audit cycle principle - for example, three years). All those concerns will determine the extent, nature and frequency of the assignments to be performed.

The department’s audit plan must be realistic, i.e., it must include a time budget for other assignments and activities such as specific examinations, opinions to be given, and training. The plan includes a statement detailing the necessary resources in terms of personnel and other resources. As for personnel, not only their number but also the necessary professional competence shall be considered. The audit plan should be regularly reviewed and updated whenever necessary.

The audit plan should be established by the internal audit department and approved by the bank’s chief executive officer or by the board of directors or its audit committee (if one exists). This approval implies that the bank will make the appropriate resources available to the internal audit department.

4.3 Procedures

For each audit assignment an audit program should be prepared. The audit program describes the objectives as well as an outline of the audit work that is considered necessary to achieve them.

All audit procedures forming part of the assignment should be documented in working papers. These must reflect the examinations that have been made and emphasize the evaluations formulated in the report. The working papers must be drawn up according to a well-determined method. Such method must provide sufficient information to verify whether the assignment was duly performed and to enable others to check the manner in which it was performed.

A written audit report of each assignment is to be issued as quickly as possible. It is transmitted to the auditee and to senior management.

The audit report presents the purpose and scope of the audit and includes the internal audit department’s findings and recommendations, as well as the auditee’s responses.

The internal audit department follows up on its recommendations to see whether they are implemented. The status of the recommendations is communicated at least every half year to senior management, to the board of directors or to the audit committee (if one exists).

4.4 Management of the internal audit department

Principle 12

The head of the internal audit department should be responsible for ensuring that the department complies with sound internal auditing principles.

The head of the internal audit department should ensure compliance with sound internal auditing standards, such as the Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing. In particular, the head of the internal audit department should ensure the establishment of an audit charter, an audit plan, and written policies and procedures for his/her staff. He/she must continuously ensure the professional competence and training of his/her staff.
and that the necessary resources are available. He/she should also give particular consideration to his/her staff’s motivation and to its quality consciousness.

The internal audit department should regularly report to and advise senior management and to the board of directors or audit committee (if one exists) on the performance of the internal control system and on the achievement of the internal audit department’s objectives. In particular, it should inform senior management and/or the board or audit committee about the progress of the audit plan. As part of its supervisory tasks the board of directors or audit committee should regularly discuss the organization and resources (both in terms of personnel and otherwise) of the internal audit department, the audit plan, activity reports, and a summary of internal audit’s recommendations and the status of their implementation.

4.5 The relationship of the internal auditors and the external auditors

Principle 13
There should be regular consultation between internal and external auditors in order to make their cooperation as efficient and effective as possible.

External auditors have an important impact on the quality of internal controls through their audit activities, including discussions with management and the board of directors or audit committee and recommendations for improvement of internal controls.

It is generally accepted that the internal audit may be useful in determining the nature, timing and extent of external audit procedures. However, the external auditor has the sole responsibility for the audit opinion on the financial statements. The external auditor should be advised of and have access to relevant internal auditing reports and be kept informed of any significant matter that comes to the internal auditor’s attention which may affect the work of the external auditor. Similarly, the external auditor would normally inform the internal auditor of any significant matters which may affect internal auditing.

The head of the internal audit department should ensure that work performed by the internal auditor does not unnecessarily duplicate the work of external auditors. Coordination of audit efforts involves periodic meetings to discuss matters of mutual interest, the exchange of audit reports and management letters and a common understanding of audit techniques, methods and terminology.
III.10 The Issuance of Multipurpose Prepaid Money Cards

1. Introduction
Developments in electronic money schemes have been evoking considerable interest over the last few years, although their use is still very modest compared to cash and traditional non-cash payment instruments. Traditional (retail) payments are generally low-value, consumer payments that do not require immediate settlement (examples: checks, demand drafts, cashier checks, money orders traveler’s checks and other related bank drafts). Supplementing these traditional retail payments are newer payment products, or non-traditional retail payments. These are often referred to as electronic money (e-money) or new payment methods. A number of innovative products for making payments have been developed in recent years, taking advantage of rapid technological progress and financial market development. Implementation of these innovative products also entails potential money laundering and terrorist financing risks.

The purpose of this directive is to elaborate on the characteristics and potential money laundering and terrorist financing risks of prepaid money card and to outline the Centrale Bank van Aruba (the Bank)’s policy stance with respect to the issuing of multipurpose prepaid money cards by commercial banks in Aruba.¹

2. Characteristics of multipurpose or open-system prepaid money cards
Prepaid money cards provide access to monetary funds that are paid in advance by the purchaser of the card. While there are many different types of prepaid cards that are used in a variety of ways, they typically operate in the same way as a debit card and ultimately rely on access to an account. There may be an account for each card that is issued or, alternatively, there may be a pooled account that holds the funds prepaid for all cards issued. Prepaid cards can be issued for limited or multiple purposes:

- **Limited purposes** or **closed system** prepaid cards can be used for only a limited number of well-defined purposes and their use is often restricted to specific points of sale or specific services.
- **Multipurpose** or **open-system** prepaid cards can be used across a broad range of locations for a wide range of purposes. Such cards may be used on a national or international scale but may sometimes be restricted to a certain geographical area. Open-system cards function more like traditional debit cards, and can be used via ATM networks to access cash, and to make purchases at retailers with PIN-based point of sales terminals.

This directive regulates the issuance of multipurpose prepaid money cards (MPC’s) issued by the commercial banks in Aruba.

¹ See also report on New Payment Methods, Financial Action Task Force dated 13 October 2006
Characteristics of open-system cards are:
- Most open-system cards feature a MasterCard or Visa logo and can be used anywhere Visa or MasterCard may be used.
- Some cards can be reloaded with value by the cardholder.
- Generally a bank account or face-to-face verification of the cardholder identity is not required.
- Prepaid cards do not involve credit and are therefore popular with those people who cannot obtain credit.
- These cards are ideal for immigrants sending cash to family abroad.

3. Multipurpose prepaid cards risk assessment

The potential Money Laundering (ML) or Terrorist Financing (TF) risks posed by MPC’s can vary from one service to another. Table 1 summarizes the ML/TF potential risk factors with respect to MPC’s.

<table>
<thead>
<tr>
<th>Potential Risk Factors</th>
<th>Risk Mitigants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anonymous card holder</td>
<td>Verify cardholder identification</td>
</tr>
<tr>
<td>Anonymous funding (inflow) and anonymous access to funds (outflow)</td>
<td>Limit funding options</td>
</tr>
<tr>
<td>High card value limit and/or no limit on the number of cards an individual can acquire</td>
<td>Limit card value and/or the number of cards that an individual can acquire and/or value per transaction</td>
</tr>
<tr>
<td>Access to cash globally through ATM’s</td>
<td>Limit cross-border access to cash</td>
</tr>
<tr>
<td>Offshore issuers may not observe laws in all jurisdictions</td>
<td>Monitor transactions and report suspicious activity</td>
</tr>
<tr>
<td></td>
<td>Implement a card/account block</td>
</tr>
<tr>
<td></td>
<td>Limit access to network by undesirable merchants and ATM providers/networks</td>
</tr>
</tbody>
</table>

**MPC’s ML/TF risks:**
- MPC’s may be used to support anonymous cross border funds transfer. When cards are issued without a bank account and applications are accepted online, by telephone, via fax or via the counter at retailers, insufficient customer due diligence in the application process may increase the potential ML/TF risk.
- Methods of account funding, such as cash and money orders, are anonymous and leave no paper trail, increasing the potential ML/TF risk independent of other risk factors.
- The more money that can be moved through a card account, either at one time or through a series of ATM transfers, the greater the ML/TF risk.
- MPC’s that have the capability to provide access to cash at automated ATM’s increases the potential ML/TF risk. Access to cash via the ATM networks, however, usually requires the use of a personal identification number (PIN) that must be pre-set with the issuing institution. The requirement of the PIN may not,
however, provide sufficient information within the transaction record to identify with full certainty the recipient.

- Cards that can provide access to cash via ATM’s on a global basis may increase the potential ML/TF risk independent of other risks.

4. Bank’s policy on the issuing of MPC’s

Commercial banks are allowed to issue personalized and non-personalized (bearer) MPC’s under the following minimum conditions:

Identification

*Personalized/bearer cards*
Proper identification procedures have to be in place.

*Bearer cards*
Additionally, in case a person wishes to purchase more than one card, the reasons thereof have to be disclosed by this person in writing. The bank in question has to review whether the reasons given are plausible and, if not, file an unusual transaction report with the “Meldpunt Ongebruikelijke Transacties”.

Value limits

*Personalized cards*
Maximum value held in the card account is set at Afl. 1,800 (US$ 1,000)

*Bearer cards*
Maximum value held in the card account is set at Afl. 900 (US$ 500)

Methods of funding

*Personalized cards*
Reloading is allowed at the issuing commercial bank, but needs to be monitored strictly.

*Bearer cards*
Reloading option is not allowed.

Geographical limits

*Personalized/bearer cards*
The usage of MPC’s outside the Kingdom of the Netherlands is only allowed for cards that feature a MasterCard, Visa or other logo from a well-established international credit card company.
Usage limits

*Personalized cards*
Usage is restricted to point-of-sale (POS), secured internet purchases and ATM networks. A card/account block feature is required.

*Bearer cards*
Direct cash access via ATM is not allowed. A card/account block feature is required.

**Customer Due Diligence Directive**

Finally, also the requirements laid down in the Bank’s Customer Due Diligence directive, insofar applicable, have to be observed.

5. **Bank’s policy on the issuing of Prepaid Debit Cards for salary payments**

The purpose of the prepaid debit card is to pay salaries to non-accountholders.

Commercial banks are allowed to issue prepaid debit card for salary payments under the following conditions:
- One card per person;
- The card is issued in name of the employer and the employee;
- The card is valid for a maximum of 24 months;
- AML/CFT risk assessment to be performed for this product (before issuing the card);
- Policies and Procedures must be in place for monitoring the transactions on the card (before issuing the card);
- No deposits permitted other than from the employer;
- The maximum value held per card is set at Afl. 10,000; and
- The usage of prepaid debit cards for salary payments outside the Kingdom of the Netherlands is only allowed for cards that feature a MasterCard, Visa or other logo from a well-established international credit card company.

**Identification**

*Prepaid debit cards for salary payments*
Proper identification procedures have to be in place.

**Value Limits**

*Prepaid debit cards for salary payments*
Maximum value held per card is set at Afl. 10,000 (US$ 5,555.56).
Methods of funding

Prepaid debit cards for salary payments
Uploading of debit cards is allowed only through salary payments.

Geographical limits

Prepaid debit cards for salary payments
The usage of prepaid debit cards for salary payments outside the Kingdom of the Netherlands is only allowed for cards that feature a MasterCard, Visa or other logo from a well-established international credit card company.

Usage

Prepaid debit cards for salary payments
Usage is restricted to point-of-sale (POS) and ATM networks.

June 25, 2018
III.11 Publication of the Effective Interest Rate (or Annual Percentage Rate (APR)) on Consumer Credit

1. Introduction
This directive on the Publication of the Effective Interest Rate (or Annual Percentage Rate (APR)) on Consumer Credit is aimed at enhancing transparency in the local credit market and providing the public with adequate information on the costs of consumer credit.

It is issued pursuant to article 12, paragraph 1, of the State Ordinance on the Supervision of the Credit System (AB 1998, no. 16) (SOSCS).

2. Definitions
For the purpose of this directive, the following definitions shall apply:

- **Effective interest rate or APR**: reflects the total cost of the credit to the consumer, expressed as a percentage on an annual basis of the total amount of credit, taking into consideration the amortization of loans balances through periodic payments and additional costs charged to the consumer.

- **Nominal interest rate**: reflects the stated rate of interest, ignoring compounding interest or other factors.

- **Consumer credit**: comprises credit extended to individuals for personal or household use (e.g. personal loans and car loans).

- **Total cost of the credit to the consumer**: comprises of all the costs (fees) related to the credit and included in the credit agreement, such as interest charges, commission, fees, taxes and any other directly related costs which, in accordance with the credit agreement, are required to be paid by the consumer, regardless whether these costs concern services delivered by third parties; insurance premiums must be included in case the insurance is compulsory to obtain the credit on the terms and conditions marketed.

- **Relevant Party**: means the licensed credit institution or the (legal) person with an exemption pursuant to article 48 of the SOSCS to extend consumer credit to the public (together hereafter referred to as “the relevant parties”).

- **Advertisement**: Any form of communication intended to persuade an audience (viewers, readers or listeners) to purchase or take some action upon products, services or ideas.

3. Disclosure of Effective Interest Rate or APR
When a relevant party offers consumer credit products to the public, for example through advertising, whereby a direct or indirect reference is made to any pricing element of this type of credit, then the relevant party must adhere to the following:

1. Disclose the “effective interest rate” or APR, in the same format as the nominal interest rate.
2. It is strictly forbidden to publish other types of interest rates, for example the add-on interest rate.

3. Insofar applicable, disclose the insurance contracts and security that need to be established in order for a person to become eligible for this type of credit.

4. Insofar applicable, disclose the penalty interest or fees applicable in case of early repayment of the loan.

If the advertisement refers to an interest rate which will be offered for a limited period or an interest rate with a variable component that will differ for a limited period from normal rates, then the financial institution must also provide the following information:

1. The specific time frame in which the offered interest rates will be applicable.

2. The effective interest rate or APR applicable upon expiration of the aforementioned specific time frame.

3. In case of a grace period, the weighted average effective interest rate or APR during the entire term of the loan.

Furthermore, both the effective interest rate or APR and the nominal interest rate must be disclosed in applicable advertisements or credit agreements in the same format.

4. Calculation of Effective Interest Rate or APR
The effective interest rate or APR must be calculated according to the method outlined in the appendix to this directive.

This directive enters into force as of July 1, 2019.
Method to calculate the effective interest rate or APR

The calculation of the effective interest rate or APR must be done systematically in accordance with the method set out in this appendix.

The method and assumptions applied for the calculation of the APR are based on the directives 2008/48/EC and 2011/90/EU on consumer credit agreements issued by the European Commission, which apply the following main equation for the calculation of the APR:

$$\sum_{k=1}^{m} c_k (1 + x)^{-t_k} = \sum_{l=1}^{m'} D_l (1 + x)^{-s_l}$$

This equation establishes the total present value of drawdowns on the left side, while on the right side, the total present value of repayments and payments of charges is presented. The elements within the equation represent the following:

- \(X\) : the APR,
- \(m\) : the number of the last drawdown,
- \(k\) : the number of a drawdown, thus \(1 \leq k \leq m\),
- \(C_k\) : the amount of drawdown \(k\),
- \(t_k\) : the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each subsequent drawdown, thus \(t_1 = 0\),
- \(m'\) : the number of the last repayment or payment of charges,
- \(l\) : the number of a repayment or payment of charges,
- \(D_l\) : the amount of a repayment or payment of charges,
- \(s_l\) : the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each repayment or payment of charges.

Main assumptions

The calculation of the APR is based on the following main assumptions:

- The loan will run its full term and the credit agreement is to remain valid for the period agreed between the relevant party and the consumer.
- The relevant party and the consumer will fulfill their obligations under the terms and by the dates specified in the credit agreement.
- The APR and other charges will remain fixed in relation to the initial level of the loan amount and this will remain applicable during the term of the loan.
- Loan-related fees, either financed by the relevant party or paid by the consumer, must be included in the APR calculation.
Assumptions for overdrafts and credit cards (in accordance with Directive 2011/90/EU)

- In the case of an overdraft facility, the total amount of credit shall be deemed to be drawn down in full and for the whole duration of the credit agreement. If the duration of the overdraft facility is not known, the annual percentage rate of charge shall be calculated on the assumption that the duration of the credit is 3 months.

- In the case of an open-end credit agreement, other than an overdraft facility, such as a credit card, it shall be assumed that:
  - the credit is provided for a period of 1 year starting from the date of the initial drawdown, and that the final payment made by the consumer clears the balance of capital, interest and other charges, if any;
  - the capital is repaid by the consumer in equal monthly payments, commencing 1 month after the date of the initial drawdown. However, in cases where the capital must be repaid only in full, in a single payment, within each payment period, successive drawdowns and repayments of the entire capital by the consumer shall be assumed to occur over the period of 1 year. Interest and other charges shall be applied in accordance with those drawdowns and repayments of capital and as provided for in the credit agreement.

For the purposes of this point, an open-end credit agreement is a credit agreement without fixed duration and includes credits which must be repaid in full within or after a period but, once repaid, become available to be drawn down again.

Reference is made to the aforementioned directives 2008/48/EC and 2011/90/EU for additional assumptions not mentioned under this directive, but may be applicable for a particular credit product and/or credit situation.

Examples

The calculation of the APR is illustrated with the examples below.

<table>
<thead>
<tr>
<th>Client</th>
<th>Example A</th>
<th>Example B</th>
<th>Example C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan amount (Afl.)</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Annual nominal interest rate</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Number of years</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Number of (monthly) payments</td>
<td>36</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>One-time administrative costs</td>
<td>Afl. 0,-</td>
<td>Afl. 750,- (financed)</td>
<td>Afl. 750,- (paid by consumer)</td>
</tr>
</tbody>
</table>

The effective interest rate or APR can be calculated as follows:

---

1 Rounding differences may occur.
2 Whereby possible, the MS Excel functions PMT and EFFECT are applied for the calculation of the monthly annuity payment and the APR.
SUPERVISORY DIRECTIVES

Example A: Loan excluding any additional fees

Step 1: Calculation of the monthly annuity payment
The monthly annuity payment for example A can be calculated with the MS Excel PMT function as follows:

A monthly annuity payment amount of Afl. 322.67 is calculated for example A.

Step 2: Calculation of the APR
For example A, the APR (10.47%) is calculated through the following equation:

\[
10,000 = 322.67 \cdot \frac{1}{(1 + X)^{36/12}} - 1
\]

\[
X = 10.47\%
\]

There are no additional costs applicable in example A. In such case, the MS Excel EFFECT function can alternatively be used for the calculation of the APR as follows:
The MS Excel EFFECT function calculates the APR at 10.47%.

Total repayment costs and total cost of the credit are calculated as follows:
- Total repayment costs: 322.67*36 = Afl. 11,616.19
- Total cost of the credit: (322.67*36) – 10,000 = Afl. 1,616.19

Example B: Loan including additional fees (fees financed by the relevant party)

Step 1: Calculation of the monthly annuity payment
Example B includes additional costs in the form of a one-time administrative fee that is financed at the closing of the loan and that is amortized according to the corresponding repayment schedule. The monthly annuity payment for example B is calculated with the MS Excel PMT function as follows:

A monthly annuity payment amount of Afl. 346.87 is calculated for example B.

Step 2: Calculation of the APR
For example B, as financed costs are applicable, the APR (16.13%) is calculated through the following equation:

\[ 10,000 = 346.87 \frac{1}{(1 + X)^{36/12}} \]
\[ X = 16.13\% \]

Alternatively, the APR for example B can be calculated in MS Excel by using the RATE function with the following formula:

\[ = (1+\text{RATE}(36,346.87,-10750+750))^{12}-1 = 16.13\% \]
Total repayment costs and total cost of the credit are calculated as follows:

- Total repayment: 346.87*36 = Afl. 12,487.40
- Total cost of the credit: (346.87*36) – 10,000 = Afl. 2,487.40

**Example C: Loan including additional fees (fees paid by the consumer upfront)**

Example C includes additional costs in the form of a one-time administrative fee that is not financed by the relevant party and will be paid by the consumer at the closing of the loan.

**Step 1: Calculation of the monthly annuity payment**

The calculation of the monthly annuity payment for example C is identical to that of example A as the additional fees are not financed by the relevant party. The monthly annuity payment is Afl. 322.67.

**Step 2: Calculation of the APR**

In this case, the APR (16.59%) is calculated through the following equation:

\[
10,000 = 750 + 322.67 \left( \frac{1}{(1 + X)^{36/12}} - 1 \right)
\]

\[
X = 16.59\%
\]

Alternatively, the APR for example C can be calculated in MS Excel by using the RATE function with the following formula:

\[
= (1+\text{RATE}(36,322.67-10,000+750))^{12}-1 = 16.59\%
\]

Total repayment costs and total cost of the credit are calculated as follows:

- Total repayment: (322.67*36) + 750 = Afl. 12,366.19
- Total cost of the credit: (322.67*36) + 750 – 10,000 = Afl. 2,366.19
PREAMBLE

This document – which replaces the 2009 policy rule banking licence requirements and admission requirements for credit institutions operating in or from Aruba – outlines the Bank’s policy with respect to the licence and admission requirements of credit institutions. The position of the Centrale Bank van Aruba (CBA) on shareholding in credit institutions has remained the same. The soundness of the banking industry is best served by admission of credit institutions with strong ties to existing banks, bank holding companies or financial conglomerates subject to comprehensive and effective consolidated supervision by the supervisor(s) in the country where the parent bank, bank holding company or financial conglomerate is established (the "home country supervisor(s)"). In situations where this is no longer the case “ring-fencing” measures are necessary to protect the interests of the depositors and to maintain the stability of the banking sector. This to prevent any “spill-over” effects of the possible consequences of ineffective consolidated supervision to the bank subsidiary in Aruba.

1. Introduction

The most relevant sections of the State Ordinance on the Supervision of the Credit System (AB1998 No 16) (the Ordinance) relating to the application for a banking licence are set out below. However, it remains necessary to take fully into account the complete Ordinance in order to have a full overview of the conditions and requirements stipulated in this ordinance. The ordinance (including the unofficial English translation hereof) is also available at the website of the CBA: www.cbaruba.org

2. General licence requirements for credit institutions

In accordance with section 4 of the Ordinance, a company or institution established in Aruba is prohibited from pursuing the business of a credit institution, unless it has obtained a banking licence to that end from the CBA. Furthermore, in accordance with section 24 of the Ordinance a company or institution established outside Aruba is prohibited from pursuing the business of a credit institution through a branch in Aruba, unless it has obtained a banking licence to that end from the CBA. Sections 5, 6, 7(1) and (2), and 8 to 11 of the Ordinance apply to a branch office of a credit institution established outside Aruba.

Pursuant to section 5 sub 1 of the Ordinance, the application for a licence as referred to in section 4 shall at least contain information about:
a) The number, the names, and the past history of the persons who determine the day-to-day policy of the enterprise or institution.
b) The number, the names, and the past history of the members of the supervisory board of the enterprise or institution or of the body of the enterprise or institution having a task comparable with that of a supervisory board.
c) The names of those who have a qualifying holding in the enterprise or institution, as well the size of any such qualifying holding.
d) Annual accounts or an opening balance sheet certified by an auditor.
e) A program of operations which the enterprise or institution intends to carry on.
f) The envisaged administrative organization and organizational structure, including the financial administration and internal controls.

In accordance with section 6 sub 1 of the Ordinance the CBA shall grant the licence as referred to in section 4, unless:

a) the enterprise or institution does not fulfill the requirements provided for in or under sections 7 and 8 of the Ordinance.
b) The CBA is of the opinion that the expertise of one or more persons who determine or co-determine the policy of the company or institution is insufficient in connection with the pursuit of the business of a credit institution.
c) The CBA is of the opinion that the integrity of one or persons who determine or co-determine the policy of the company or institution is not beyond doubt in connection with the pursuit of the business of a credit institution.
d) Without prejudice to section 17 of the Ordinance, the CBA is of the opinion that, as a result of a qualifying holding in the company or institution, the sound banking policy of the company or institution is or could be subject to an undesirable influence.
e) The auditors opinion referred to in section 5 sub 1d of the Ordinance is not an unqualified opinion.
f) On the grounds of information as referred to in section 5(1), under d, e, or f of the Ordinance, the CBA is of the opinion that the company or institution will not be capable to meet the supervisory requirements.
g) The CBA is of the opinion that granting a licence would or could lead to an undesirable development of the credit system.

When assessing whether the granting of a licence would or could lead to an undesirable development of the credit system, as specified in section 6 (1) sub g of the Ordinance, the Bank will consider, inter alia, the existence of
comprehensive and effective consolidated supervision by the home country of the
group as a whole, the solvency and liquidity of the institution that requests the
licence, the stability and reputation of its parent company and the effect the
granting of licence has or could have on:

a) The financial solidity and integrity of the credit system.
b) The adequate functioning of the financial markets.
c) The interest of creditors and depositors.
d) The soundness and stability of the financial sector.
e) The financial reputation and integrity of Aruba.

All credit institutions have to comply continuously with all requirements and
conditions pursuant to the ordinance and other relevant laws and regulations
governing credit institutions.

3. **Licence and admission policy for credit institutions**

3.1 **Licence and admission requirements applicable to all credit institutions**

In order to ensure a sound development of the banking industry (refer also to section
6(1), sub d and g of the Ordinance), a credit institution will, in principle, only be
considered for admission if all of the following conditions are met:

a) The applicant will be a branch or a majority owned subsidiary of an existing
bank, bank holding company or, as the case may be, financial conglomerate,
subject to comprehensive and effective consolidated supervision by the home
country supervisor(s).
b) The applicant's parent bank, bank holding company or, as the case may be,
financial conglomerate has adequate financial strength and a solid reputation.
c) The supervision conducted by the home country supervisor(s) on the parent
bank has an adequate level and is of a comprehensive nature.
d) The home country supervisor(s) of the parent bank, has adopted and
implemented the international standards issued by the Basel Committee on
Banking Supervision in its laws, regulations, and supervisory practices,
including but not limited to the revised Core Principles for Effective Banking
Supervision.
e) The home country supervisor(s) has adopted and implemented a strict
enforcement policy that meets international standards.
f) The home country supervisor(s) is able to exchange information with the
CBA in accordance with the requirements of section 34 of the Ordinance.
g) The parent bank maintains an adequate communicative and cooperative
relationship with its home country supervisor(s).

h) The CBA will reject licence applications of shell banks. Shell banks are banks that have no physical presence (i.e., meaningful mind and management) in the country where they are incorporated and licenced, and are not affiliated to any financial services group that is subject to effective consolidated supervision.¹

i) The “mind and management” of the Aruba subsidiary or branch office are in Aruba.

The CBA may set, depending on the circumstances, additional requirements and may also attach conditions and restrictions to a licence pursuant to section 2(2) of the Ordinance.

3.2 Additional licence requirements and admission policy with respect to branch offices of credit institutions not established in Aruba

In view of the changing market conditions and in order to be able to better protect the interest of depositors, the CBA deems the following admission policy necessary with respect to foreign credit institutions operating via branch offices.

In order to ensure a sound development of the banking industry (refer also to section 6(1), sub d and g of the Ordinance), branches of credit institutions not established in Aruba will, in principle, only be considered for a licence as referred to in section 24 of the Ordinance, if it will be a branch office of an international bank that is active in the major financial markets around the world and has a balance sheet total of at least US$ 10 billion and an “A” rating issued by Standard & Poors or a comparable rating agency. Furthermore, the international bank must be subject to comprehensive and effective consolidated supervision by the home country supervisor(s).

It is a prerequisite that the applicant provides certified financial statements over the last three years to prove the financial soundness of the (parent) company. Important elements in the Bank’s assessment of the financial strength are, among other things, capitalization, profitability, and liquidity. Furthermore, the (parent) company must have in principle at least 30 years experience in banking and an excellent track record.

The CBA may set, depending on the circumstances, additional requirements and may also attach conditions and restrictions to a licence pursuant to section 2(2) of

¹ Reference is made to the paper on ‘Shell banks and booking offices’ issued by the Basel Committee on Banking Supervision in January 2003.
3.3 **Parallel-owned banking**

The CBA will reject applications for a licence that would result in the creating or expanding of a parallel-owned banking structure, e.g., banks operating in different jurisdictions that, while not being part of the same financial group for regulatory consolidation purposes, have the same beneficial owner(s) and consequently, often share common management and interlinked businesses. The owner(s) may be an individual or a family, a group of private shareholders or a holding company or other entity that is not subject to banking supervision.²

3.4 **Shareholding in credit institutions established in Aruba**

In order to ensure a sound banking policy of the banking industry in Aruba (refer also to section 6(1) d and g of the Ordinance), the shareholding in a credit institution established in Aruba must, in any event, comply with the following condition: the credit institution shall have as a major shareholder³ a financial institution with solid financial strength and reputation subject to comprehensive and effective consolidated supervision by the home country supervisor(s).

In the event that the CBA is of the opinion that the condition of comprehensive and effective consolidated supervision by the (ultimate) home country supervisor(s) is no longer met or that there are significant doubts on the adequacy of the solvency or liquidity position of the parent bank, the shares in the Aruban bank must be transferred to a pure bank holding company⁴ ("zuivere houdstermaatschappij"). The shares in the Aruban bank may no longer be held, directly or indirectly, by a bank in a country where, according to the CBA, the condition of comprehensive and effective consolidated supervision conducted by that country’s supervisor(s) is no longer met. This to prevent any negative spill-over effects on the Aruba banking entity.

² Reference is made to the paper on ‘Parallel-owned banking structures’ issued by the Basel Committee on Banking Supervision in January 2003.
³ A major shareholder is considered by the CBA as a shareholder that either has a majority of the shares outstanding or a portion of the shares that in view of the Bank is significant enough to allow him to exert a material influence over the institution’s decisions and its decision making bodies.
⁴ Pure holding company: a company that has the sole purpose of being the shareholder of the Aruban bank.
4. **Procedure**

In accordance with section 5 sub 2 of the Ordinance, the CBA will make a decision on the application within thirteen weeks upon receipt of all relevant documents for its evaluation.

5. **Required documents**

The following documentations are required for evaluation of the application for a licence:

a) A business plan for a five-year period, including the projected balance sheets and income statements.
b) A (certified) opening balance sheet.
c) The (draft) articles of incorporation.
d) The annual reports over the last three fiscal years of the parent company.
e) A list of correspondent banks.
f) The completed Personal Questionnaire of the prospective managing and supervisory directors including the required documentation.
g) A written statement from the home country supervisor(s) stating that the parent bank complies with the regulatory requirements of the home country.
h) A written statement from the home country supervisor(s) that it has adopted and effectively implemented the international standards in the area of banking supervision issued by the Basel Committee on Banking Supervision.
i) A written statement from the home country supervisor(s) that it has adopted a strict enforcement policy that meets international standards.
j) Expert external reports evidencing a high degree of compliance with the Basel Core Principles.
k) A detailed description of the intended administrative organization and internal controls.
l) A list of, and the completed Personal Questionnaire of the prospective ultimate beneficial owner(s) of the credit institution with a qualifying holding as referred to in section 1 of the Ordinance.

The CBA maintains the right to request additional information.

6. **Entry into force and transition period**

This revised policy rule will enter into force as of January 1, 2018
Banks whose shareholders’ structure is not in compliance with the condition mentioned under paragraph 3.4 above are granted a grace period of one (1) year to comply with the requirements set forth in said paragraph. The CBA may extend this period, to be decided on a case by case basis.

In the event that a major shareholder of an already licenced bank wants to sell (all or part of) its shares the CBA will only give its approval if the requirements with regard to the shareholder structure set forth in paragraphs 3.3. and 3.4 are met to the Bank’s satisfaction.

Aruba, November 23, 2017
PERSONAL QUESTIONNAIRE

&

ASSOCIATED GUIDANCE NOTES

(updated on January 2015)
PURPOSE AND SCOPE

The Centrale Bank van Aruba (‘CBA’) is, amongst other things, responsible for the integrity and suitability testing of prospective Key Persons (Candidates) in relation to an entity under its supervision pursuant to:

- the State Ordinance on the Supervision of the Credit System (\textit{Landsverordening toezicht kredietwezen} or ‘SOSCS’);
- the State Ordinance on the Supervision of the Insurance Business (\textit{landsverordening toezicht verzekeringenbedrijf} or ‘SOSIB’);
- the State Ordinance Supervision Money Transfer Companies (\textit{Landsverordening toezicht geldtransactiebedrijven} or ‘SOSMTC’); and
- the State Ordinance on the Supervision of Trust Service Providers (\textit{Landsverordening toezicht trustkantoren} or ‘SOSTSP’);
- the State Ordinance Company Pension Funds (\textit{Landsverordening ondernemingspensioenfondsen} or ‘SOCPF’).

(henceforth referred to as the ‘Supervisory Laws’)

These guidance notes seek to assist Applicants and Candidates by clarifying areas of uncertainty that may arise when completing or answering questions contained within this Personal Questionnaire (‘PQ’).

The Supervisory Laws allow the CBA to request information necessary to assess any applications submitted. This involves gathering information on any Candidate in order that the necessary determination of Key Person status can be made.

When assessing integrity the CBA looks at facts and circumstances that are relevant to ascertain if the behaviour of the Candidate is in line with a sound execution of the key position. When assessing suitability the CBA looks at the knowledge, experience and professional conduct of the Candidate as evident from, for instance, education, work experience, competences and their practical application. Suitability testing takes into account the key position, the nature, scope, complexity, and risk profile of the Regulated Entity, and the composition and functioning of the respective managing or supervisory body as a whole. If the integrity of the Candidate is not beyond doubt and/or the suitability is not sufficient to fulfil the function in question, the CBA can refuse the request for approval of the Candidate in a key position.

For the purpose of this PQ and associated guidance notes:

\textbf{Applicant} includes the Regulated Entity which has filed an application for approval to appoint a Key Person or, in case the application relates to a (qualifying) holding in a Regulated Entity, the person who holds or will hold the (qualifying) holding.

\footnotesize{1}\footnotesize{ Article 5, paragraph 1, subsections a, b and c; and article 9 of the SOSCS.}  
\footnotesize{2}\footnotesize{ Article 6, paragraph 1, subsections a and b; and article 17 of the SOSIB.}  
\footnotesize{3}\footnotesize{ Article 4, paragraph 1, subsections a, b and c; and article 5, paragraphs 2 and 3 of the SOSMTC.}  
\footnotesize{4}\footnotesize{ Article 3, paragraph 1, subsections b, c and d; and article 5; and article 5a of the SOSTSP.}  
\footnotesize{5}\footnotesize{ Article 4 of the SOCPF.
Candidate means the prospective Key Person.

CBA means Centrale Bank van Aruba.

**Key Person** is

a. a person who is a managing director or a person who otherwise (co)-determines the policy of a Regulated Entity;
b. a person who is a member of the supervisory board or a comparable body of a Regulated Entity;
c. a holder of a qualifying holding\(^6\) in a Regulated Entity (excluding company pension funds) or, in case the holder of the qualifying holding is a legal person, the persons who determine the policy of this legal person.

PQ means this Personal Questionnaire.

Regulated Entity includes an entity that is regulated under any of the Supervisory Laws and supervised by the CBA.

Supervisory Laws are the SOSCS, the SOSIB, the SOSMTC, the SOSTSP and the SOCPF.

SOSCS means State Ordinance on the Supervision of the Credit System (*Landsverordening toezicht kredietwezen*).

SOSIB means State Ordinance on the Supervision of Insurance Business (*landsverordening toezicht verzekeringenbedrijf*).

SOSMTC means State Ordinance Supervision Money Transfer Companies (*Landsverordening toezicht geldtransactiebedrijven*).

SOSTSP means State Ordinance on the Supervision of Trust Service Providers (*Landsverordening toezicht trustkantoren*).

SOCPF means State Ordinance Company Pension Funds (*Landsverordening ondernemingspensioenfondsen*).

If you have any further questions concerning the completion of this form, you can contact the Integrity Supervision Department of the CBA.

**PRIOR APPROVAL**

Pursuant to the Supervisory Laws, the CBA’s prior approval is required to appoint or become a Key Person. In this respect, relevant information must be submitted to enable the CBA to assess the integrity and suitability of the Candidate. The PQ has been designed solely to assess Key Persons, being natural persons. For legal or other entity applications please contact the CBA.

\(^6\) A qualifying holding is a direct or indirect holding of ten percent or more of the issued share capital or the ability to exercise directly or indirectly ten percent or more of the voting rights or comparable control.
PROCESS FOR APPROVAL

The process for approval usually involves at least three parties:
- the Regulated Entity (“Applicant”) that intends to appoint a person in a Key Person position;
- the Candidate;
- the CBA.

After the Candidate has completed the PQ, the Applicant submits the PQ and all other requested documents to the CBA for approval.

Upon completion of the assessment and after the CBA has reached a conclusion on the integrity and suitability of the Candidate (which may take up to thirteen weeks once all requested information and documents are in the CBA’s possession), the CBA sends its decision to the Applicant. It is very important that the CBA be informed of the proposed commencing date. In this regard it is noteworthy to mention that the Candidate may not exercise the proposed function without the CBA’s prior approval. The CBA’s decision is subject to objection and appeal by both the Applicant and the Candidate in accordance with the provisions of the State Ordinance on Administrative Proceedings (Landsverordening administratieve rechtspraak). The CBA will to the fullest extent possible substantiate its decision, but with regard to certain information and documents it may be bound by statutory secrecy provisions or confidentiality agreements with third parties.

Notwithstanding legal procedures regarding the CBA’s decision, the Candidate concerned may not become a Key Person until the CBA has given its written approval.

It should be noted that approval by the CBA always concerns a specific position in relation to a specific Regulated Entity in specific circumstances. If circumstances change (e.g. the Regulated Entity becomes active in a new field of business), or the person concerned is to be appointed in a new Key Person position or in a Key Position at a different Regulated Entity, a new application must be filled out and submitted to the CBA.

The CBA reserves the right to request a PQ to be completed if, in the CBA’s opinion, the person is considered to be a Key Person.

REQUIRED INFORMATION

In addition to the PQ, the following documents must be submitted to the CBA as part of the application:
- a certified true copy of the photograph and signature page(s) of the Candidate’s passport ensuring that the photograph is clear and the signature legible. This copy must be certified by a Key Person approved by the CBA or a civil notary. The Key Person certifying the copy of the passport should state, “I certify that this is a true copy of the original page(s) of the passport of [individual’s name] presented to me on [date].” The Key Person certifying should also sign and date the copy and print their name and capacity in which they have signed.
- an extract (uittreksel) from the Civil Registry (Bevolkingsregister) regarding the Candidate not older than two (2) months.
- a Declaration of Good Conduct (verklaring van goed gedrag) or an equivalent declaration from the relevant judicial authority from where the Candidate is domiciled, not older than three (3) months;
- Copies of the test results of any assessment with respect to the Candidate’s integrity or suitability by a regulator (in Aruba or elsewhere) in charge with financial supervision.
- Copies of the Candidate’s certificated qualifications.
- The Candidate’s curriculum vitae.
- The Regulated Entity’s recruitments and selection policy and procedures. This concerns in any case the actual assessment that was followed for the recruitment and selection of the Candidate. If a suitability matrix of the body at which the Candidate will become a member is available this must also be submitted.
- The profile of the function concerned. This profile must at least contain information on the tasks and responsibilities (focus areas) and the expected time expenditure, the required knowledge, experience and competences for the function concerned.
- The Regulated Entity’s decision-making process regarding the selection of a Candidate and the considerations that led to the outcome of the selection process. The considerations must indicate the extent to which the Candidate meets the function profile, in terms of knowledge, experience, competences and professional conduct, taking into account the composition and functioning of the body of which the Candidate will become a member.

If the CBA deems it necessary, it may ask the Applicant for additional information on the Candidate. Furthermore, the CBA may invite the Candidate for an interview. The CBA may also consult with third parties, such as the references provided by the Candidate, the Chamber of Commerce and Industry Aruba, law enforcement agencies, foreign regulators in charge with financial supervision, and any other agencies or persons that may be able to provide relevant information on the Candidate. By submitting and signing this PQ both the Applicant and the Candidate provide their consent to the information gathering by the CBA from third parties.

CONTINUING OBLIGATION TO ADVISE THE CBA OF CHANGES

On an on-going basis, the CBA is to be informed of any changes to information previously submitted in the PQ and all other circumstances that can reasonably be considered relevant to the CBA’s assessment of the Key Person involved. This obligation lies with the Applicant. On the basis of the new information, or other new facts or circumstances, the CBA may decide to conduct a reassessment of the Key Person’s integrity and suitability.

RESIGNATIONS

Should a Key Person cease to fulfil this role, the CBA should be advised by the Regulated Entity of the date that the Key Person ceased acting in this capacity and the reason for such cessation. However, should a person be a Key Person by way of his or her qualifying holding in the Regulated Entity, the CBA should be informed of any change in the qualifying holding by the person holding the (qualifying) holding.

COMMUNICATION WITH KEY PERSONS

The CBA will in principle communicate with the Applicant. However, the CBA may invite the Candidate for an interview and thus have direct contact with this person.
GENERAL POINTS

This PQ comprises of 13 sections and each section contains a number of questions. All questions contained in the PQ must be answered.

All responses should be typed or written in blue ink.

Incomplete PQs will be returned to the Applicant for completion and resubmission. The Key Person should initial all amendments to confirm they are correct.

All (other) facts and circumstances that can reasonably be considered relevant to the CBA’s assessment must be disclosed in the application. Withholding such information may be considered as providing misleading information and as such may have consequences for this application and future applications.

SUBMISSION OF THE PQ

After completion, the PQ including additional attachments and annexes should be submitted to the CBA in hardcopy and in an electronic readable version via email archief@cbaruba.org

The hard copy version must be submitted to:

Centrale Bank van Aruba
J.E. Irausquin Boulevard 8
Integrity Supervision Department
Oranjestad
ARUBA
PERSONAL QUESTIONNAIRE

All questions must be answered.

Please refer to the Guidance Notes to aid completion of this Personal Questionnaire.

All responses should be typed or written in blue ink.

Any attachments should be clearly referenced to the relevant question(s) and signed by the individual completing the Personal Questionnaire, as confirmation that they are complete and accurate.

The CBA reserves the right to seek references from organizations and individuals named in this Personal Questionnaire, including foreign regulatory authorities. It is important, therefore, to ensure that full and accurate names, addresses, and contact information are provided.

J.E. Irausquin Boulevard 8 P.O. Box 18 Oranjestad Aruba
www.cbaruba.org
Information to be provided by the Applicant

All responses should be typed or written in blue ink.

SECTION 1

1.1 Name and address of the Regulated Entity at which the Candidate will become a Key Person:


1.2 In which function will the candidate become a Key Person:


Please provide the job title and a brief description of the role to be undertaken. If the candidate is to fulfil more than one role, please specify.

1.3 Please state the main tasks and responsibilities in respect of the function in which the Candidate will become a Key Person:


1.4 Proposed commencement date of the Key Person’s duties:
Please note that the proposed commencement is a date in the future and cannot be the same date as the Application form due to the fact that only after the CBA’s approval the Key Person is allowed to exercise the proposed function.

| Day: | Month: | Year: |
1.5 Mark the relevant boxes to indicate the legislation under which you are seeking approval:

<table>
<thead>
<tr>
<th>Legislation</th>
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<tbody>
<tr>
<td>State Ordinance on the Supervision of the Credit System</td>
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<td>State Ordinance on the Supervision of the Insurance Business</td>
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<td>State Ordinance Supervision Money Transfer Companies</td>
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<tr>
<td>State Ordinance on the Supervision of Trust Service Providers</td>
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<tr>
<td>State Ordinance Company Pension Funds</td>
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</tbody>
</table>
Information to be provided by the Candidate

All responses should be typed or written in blue ink.

Please refer to the Guidance Notes to aid completion of this PQ.

If you need more writing space to answer a question than provided by this PQ, please provide the requested details on a clearly referenced attachment. The answers provided must be legible.

SECTION 2 – Personal Details

2.1 Surname:

| Title(s): |

2.2 Given name(s):

2.3 Place of birth:

| Town/City: | Country |

2.4 Date of birth:

| Day: | Month: | Year: |

2.5 Nationalities and how acquired:

| Nationality: | Acquired: |

2.6 Private address (including, if applicable, postal code):
### Home telephone number:

<table>
<thead>
<tr>
<th>Country/area code:</th>
<th>Number:</th>
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### Personal mobile number:


### Private email address:


### Business telephone number:

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<th>Country/area code:</th>
<th>Number:</th>
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### Business fax number:

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<th>Country/area code:</th>
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### Business email address:


### Passport:

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<th>Expiry date:</th>
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<th>Issuing country:</th>
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</table>
2.9 Have you ever changed your name?

*YES / NO

*If YES, please list all previous names (given names and surnames), the dates on which they were changed and reasons for the change.

<table>
<thead>
<tr>
<th>Previous full name(s) &amp; title</th>
<th>Date changed</th>
<th>Registry at which details are recorded</th>
<th>Reason for change</th>
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Please include details of any changes to your name, including forenames and surnames, e.g. through marriage.

2.10 Have you changed your private address at any time in the previous ten years?

*YES / NO

*If YES, please give details of each address and the date (mm/yy) on which it changed.

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<th>Previous address(es)</th>
<th>Date changed</th>
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2.11 Have you ever changed your nationality?

*YES / NO

*If YES, please list all previous nationalities, the date, how they were acquired/lost.

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<thead>
<tr>
<th>Previous nationalit(y)(ies)</th>
<th>Date changed</th>
<th>Acquired by</th>
<th>Lost through</th>
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2.12 Please provide the name(s) and address(es) of all banks where you hold accounts.

<table>
<thead>
<tr>
<th>Name(s) of bank(s)</th>
<th>Address(es)</th>
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SECTION 3 – Experience

3.1 Please state the number of contracted hours per week or month that you anticipate dedicating to this position.

Not applicable in case the application relates to a (qualifying) holding in a Regulated Entity.

If this position is not full-time, please explain what other roles and activities will be occupying your time. Answers such as ‘as much time as is necessary’ or similar are not acceptable and actual indicative hours are required.

3.2 Will you be acting as a Managing Director or Supervisory Board Member?

*YES / NO

*If YES, please provide full details on your role and what particular contribution you will bring. Please use clearly referenced attachments if needed.

*If YES, please also give details of your current day-to-day employment position(s).

3.3 Employment history

Please provide details of your current employment position and your employment history. Your reasons for leaving should be categorised as follows:

1. Resignation;
2. Redundancy;
3. Retirement;
4. Termination/dismissal;
5. End of contract; and
6. Other (please provide details).
Please provide as much contact information as possible on any relevant regulator in order to accelerate the inter-regulatory checks process undertaken by the CBA.

Should you, or the Regulated Entity in relation to whom you will become a Key Person, maintain or have previously maintained a business relationship with any of your previous employers listed, please give details using a clearly referenced attachment.

<table>
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<tr>
<th>Name / address of employer and nature of business</th>
<th>Name of regulator</th>
<th>Position(s) held</th>
<th>Relevant dates (mm/yy)</th>
<th>Reason(s) for leaving</th>
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3.4 Please provide details of any employment or otherwise important positions, whether paid or unpaid, including memberships of a board or a committee, which you will not resign from when you will become a Key Person.

<table>
<thead>
<tr>
<th>Name / address of organization and nature of business or activities</th>
<th>Name of regulator</th>
<th>Position(s) held</th>
<th>Relevant dates (mm/yy)</th>
<th>Task and responsibilities</th>
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3.5 Please provide details of relevant professional qualifications, degrees, etc.

Please state the awarding body (to include full name and address), the date the qualification was obtained and provide a copy of the awarding certificate.

<table>
<thead>
<tr>
<th>Qualification(s)</th>
<th>Date awarded (dd/mm/yy)</th>
<th>Name &amp; address of awarding body</th>
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</table>
3.6 Please provide details of past and current membership of any relevant professional body or organization and the year of admission.

If applicable, please provide details of why your membership ceased.

<table>
<thead>
<tr>
<th>Membership details</th>
<th>Date of admission (dd/mm/yy)</th>
<th>Name and address of professional body or organization</th>
</tr>
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</table>

A relevant professional body or organization would in any case include an organization of fellow professionals.

3.7 Please provide details of your specific experience (knowledge, capabilities, competences, etc.) relevant to the position.

3.8 Please provide three independent references and further details, including their names, positions, addresses, telephone numbers, e-mail addresses and relationship to you (not applicable in case the application relates to a (qualifying) holding in a Regulated Entity).

The references should preferably have affinity with the financial or trust sector and (used to) work as your direct superior(s) or fellow (co-)policymaker(s). At least one of them should have worked for your previous employer. If you are to continue with your current employer, for whom you have worked for 8 years or more, then at least one of your references should work for your current employer.

Persons who cannot act as references include persons related by consanguinity in a direct or indirect line up to and including relations in the third degree, your (former) spouse or partner, and persons who, in respect of your affairs, have an obligation of professional secrecy.
Listed references must be notified in advance and be prepared to act in such a capacity.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Address, telephone number(s), e-mail address(es)</th>
<th>Relationship to you</th>
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</table>


SECTION 4 – Criminal antecedents

4.1 At any time, have you been considered a suspect in a criminal investigation in Aruba or elsewhere, or do you expect to be considered as such?

*YES / NO

*If YES, please specify and explain the criminal offence, the state of affairs and the outcome of each case, e.g. still under investigation, conviction, acquittal, discharge from further prosecution, a settlement or (conditional) dismissal of charges. For each case, please provide details, including relevant dates, courts, current status of the proceedings (if still pending), etc.

Please include traffic offences (minor traffic violations may be excluded).

Traffic offences include:
• joyriding;
• driving under the influence of alcohol or drugs;
• hit-and-run driving;
• driving while under a disqualification order;
• driving during suspension of driving license;
• involuntary manslaughter;
• driving with false license plates.

4.2 Has any institution whose policy is or was (co-)determined by you, e.g. as a managing director or supervisory board member, ever been a suspect in a criminal investigation?

*YES / NO

*If YES, please specify and explain the criminal offence, state of affairs and the outcome of each case, e.g. still under investigation, conviction, acquittal, discharge from further prosecution, a settlement or (conditional) dismissal of charges. For each case, please provide details, including relevant dates, courts, whether or not proceedings are pending or final, etc. Where applicable, please explain how you were involved or how the offence related to your responsibilities.

This question includes the indirect (co-)determination of policies of companies through the provision of trust services as defined in Article 1 of the SOSTSP.
SECTION 5 – Personal financial antecedents

5.1 Do your personal financial liabilities stand in a sound relationship, by general standards, to your income and/or personal assets?

*YES/NO

*If NO, please explain.

5.2 Have you been in any major financial problems or personal financial difficulties?

*YES/NO

*If YES, please explain if these problems have led to any legal, debt collecting or debt recovery proceedings and how this situation was resolved (e.g. suspension of payments petition filed/declared, bankruptcy petition filed/declared, debts rescheduled, agreement with creditors).

5.3 Do you expect, within a year from today, to run into financial difficulties leading to legal, debt collecting or debt recovery steps?

*YES/NO

*If YES, please explain.
SECTION 6 – Supervisory antecedents

6.1 Have you, or has any institution whose policy is or was (co-)determined by you, ever had a permission, an authorization, a license, an exemption, a dispensation or a registration withdrawn or refused by a (financial) regulator or other authorization-granting entity?

*YES/NO

*If YES, please provide details.

6.2 Have you, or has any institution whose policy is or was (co-)determined by you, ever had a conflict with a foreign or domestic (financial) regulator that led to a regulatory measure, or do you expect such a situation to develop within the next twelve months?

*YES/NO

*If YES, please explain.

SECTION 7 – Tax related antecedents

7.1 Have you ever received a tax punitive fine (*fiscale vergrijpboete*) that became irrevocable?

*YES/NO

*If YES, please provide details.
7.2 Are you currently involved in a procedure that might lead to the imposition of a tax punitive fine?

*YES/NO

*If YES, please provide details (including the current status of the proceedings).

7.3 Has a tax subject whose policy is or was (co-)determined by you ever received a tax punitive fine that became irrevocable?

This question includes the indirect (co-)determination of policies of companies through the provision of trust services as defined in Article 1 of the SOSTSP.

*YES/NO

*If YES, please provide details.

7.4 Is a tax subject whose policy is or was (co-)determined by you currently involved in a procedure that might lead to the imposition of a tax punitive fine?

This question includes the indirect (co-)determination of policies of companies through the provision of trust services as defined in Article 1 of the SOSTSP.

*YES/NO

*If YES, please provide details (including the current status of the proceedings).
SECTION 8 – Business related financial antecedents

8.1 Do you have a direct or indirect interest or relationship with the Regulated Entity as referred to under section 1.1, other than your proposed Key Person position?
A direct or indirect interest may in this case be related by consanguinity or affinity in a direct or indirect line up to and including relations in the third degree, your (former) spouse or cohabitant.

*YES/NO

*If YES, please provide details.

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8.2 Has any institution whose policy is or was (co-)determined by you experienced major financial difficulties?

This question includes the indirect (co-)determination of policies of companies through the provision of trust services as defined in Article 1 of the SOSTSP.

*YES/NO

*If YES, please explain (legal procedure, suspension of payments, bankruptcy, or other).

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8.3 Is there currently a judicial inquiry concerning, or were you ever ordered by a court of law to pay, (unpaid) debts because of liability for the bankruptcy of a legal entity pursuant to the applicable provisions of the Bankruptcy State Ordinance (Faillissementsverordening), the Civil Code of Aruba (Burgerlijk Wetboek van Aruba) or any similar provisions elsewhere?

*YES/NO

*If YES, please provide details.

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8.4 If you answered question 8.2 or 8.3 affirmatively, please provide any particulars if you were directly involved with the financial difficulties, or with the legal proceedings, suspension of payments, bankruptcy or other, and if you were found liable on what grounds.

8.5 Of which other institutions are you currently a (co-)policymaker?

8.6 Do you hold any direct or indirect financial and/or controlling interest of ten percent or more in an other institution?
Financial interest entails: the equity share or other similar capital providing interest which you have in an institution other than the one you work for or intend to join.
Controlling interest entails: voting rights or another similar type of controlling power at the highest level in an institution other than the one you work for or intend to join.

*YES/NO

*If YES, please provide details.

8.7 Do these other institution(s), referred to under sections 8.5 and 8.6, maintain a commercial interest with the Regulated Entity as referred to under section 1.1?

*YES/NO

*If YES, please provide details.
SECTION 9 – Other antecedents

9.1 If you are now, or have ever been, a member of a relevant professional body or organization (refer to section 3.6), have any disciplinary or similar measures ever been taken against you?

*YES/NO

*If YES, please explain (the measures, the organization by which, when, and the reason why).

9.2 Have you ever been involved in a conflict with an employer?

*YES/NO

*If YES, please provide the name of the employer(s) and explain.

9.3 Relating to any conflict specified under question 9.2, where there any sanctions imposed on you under employment law (e.g., a warning, a reprimand, or dismissal)?

*YES/NO

*If YES, please explain.
SECTION 10 – holders of a qualifying holding

Complete this section only if you intend to become (a director of) a holder of a qualifying holding in a Regulated Entity.

Pursuant to the Supervisory Laws, the CBA assesses the integrity of the holders of a qualifying holding in the Applicant. In case a holder of a qualifying holding is a legal person, all natural persons determining the day-to-day policy of this legal person (in any case: the legal person’s directors), must complete this PQ.

10.1 Please provide the following information concerning the prospective qualifying holding in the applicant.

<table>
<thead>
<tr>
<th>Name(s) qualifying holder (s)</th>
<th>Address(es) qualifying holder(s)</th>
<th>Shares (%)</th>
<th>Preferred shares (Yes/No)</th>
<th>Priority shares (Yes/No)</th>
<th>Share certificates (Yes/No)</th>
<th>Voting rights (%)</th>
<th>Other form of control (%)</th>
<th>Direct (D) or Indirect (I)</th>
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10.2 Please explain your reasons for acquiring or increasing the qualifying holding in the Regulated Entity and your intentions regarding the qualifying holding.

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7The SOSTSP defines a qualifying holding as follows: a direct or indirect holding of 10% or more of the issued capital or the right to exercise, directly or indirectly, 10% or more of the voting rights or equivalent control.
10.3 Please specify any existing relationships between the prospective holder(s) of a qualifying holding mentioned in 10.1 and the existing shareholders of the Regulated Entity.

10.4 Please provide the name(s) and address(es) of all other subsidiaries and affiliates of the prospective holder(s) of a qualifying holding mentioned in 10.1.

10.5 Are you or will you be involved in the (co-)determining of the Regulated Entity’s policy?
*YES/NO

*If YES, please explain.
SECTION 11 – Miscellaneous questions

11.1 Is there between you and the Regulated Entity any financial relationship which does not ensue directly from your (intended) function or position (e.g., a loan)?

*YES/NO

*If YES, please explain.

11.2 At any time in the past, have you been assessed with respect to integrity and suitability by a regulator (in Aruba or elsewhere) in charge of financial supervision?

*YES/NO

*If YES, please explain (name of regulator, period and result of the assessment).

11.3 Are you aware of any other facts or circumstances that could reasonably be expected to be of relevance to the CBA when assessing your personal and/or professional qualities?

*YES/NO

*If YES, please provide full particulars.

PLEASE DISCLOSE ANY OTHER FACTS THAT YOU CONSIDER MATERIAL TO THIS APPLICATION.
SECTION 12 – Checklist additional information and documents

Please check the corresponding box to indicate whether the documents and information listed have been included with your application (reference is made to pages 4 and 5 of the Guidance Notes).

Documents and information to be provided by the Applicant:

☐ The Regulated Entity’s recruitment and selection policy and procedures.
☐ The position profile.
☐ The decision-making process regarding the selection of a Candidate and the considerations that led to the outcome of the selection process.

Documents and information to be provided by the Candidate:

☐ A certified true copy of the photograph and signature page(s) of the Candidate’s passport.
☐ An extract (uittreksel) from the Civil Registry (Bevolkingsregister) regarding the Candidate not older than two (2) months.
☐ A Declaration of Good Conduct (verklaring van goed gedrag) or an equivalent declaration from the relevant judicial authority from where the Candidate is domiciled, not older than three (3) months.
☐ Copies of test results of any assessment with respect to the Candidate’s integrity or suitability by a regulator (in Aruba or elsewhere) in charge with financial supervision.
☐ Copies of the Candidate’s certificated qualifications.
☐ The Candidate’s curriculum vitae.
SECTION 13 – Declaration(s)

The Candidate

I am aware that withholding information may be considered as providing misleading information and as such may have consequences for this application and future applications.

I am also aware that it is a criminal offence to knowingly or recklessly provide any information which is false or misleading in connection to this PQ.

I confirm that the information in this form and any attachment is accurate and complete to the best of my knowledge and belief.

I agree to provide details of any changes to information in this form and any attachment immediately to the CBA.

I authorize the CBA to make such enquiries and to seek further information as it deems appropriate to verify the information given in this form. In particular, I consent to the CBA carrying out a judicial record check on any unspent convictions and convictions for relevant offences that I may have, conducting checks with other regulators, companies and institutions stated in this Personal Questionnaire and using external data sources.

I confirm that I fully understand my role(s), responsibilities and accountabilities under the Supervisory Law(s) to which this PQ relates.

Signed: 

Date: 

Name (BLOCK CAPITALS): 

The Applicant (Only in case the Applicant is not the same person as the Candidate.)

I confirm to have completed Section 1 of the PQ fully and truthfully.

I declare to be authorised to represent the Applicant named under 1.1.

Signed: 

Date: 

Name (BLOCK CAPITALS): 

Position: 
QUESTGIONNAIRE EXTERNAL AUDITOR

&

ASSOCIATED GUIDANCE NOTES

Version: July 2019

J.E. Irausquin Boulevard 8 P.O. Box 18 Oranjestad Aruba
www.cbaruba.org
PURPOSE AND SCOPE

The Centrale Bank van Aruba’s (‘CBA’) written approval is required for any appointment of, or change in external auditor in relation to an entity under its supervision pursuant to:

- the State Ordinance on the Supervision of the Credit System (Landsverordening toezicht kredietwezen or ‘SOSCS’);\(^1\)
- the State Ordinance on the Supervision of the Insurance Business (landsverordening toezicht verzekeringsbedrijf or ‘SOSIB’);\(^2\)
- the State Ordinance Company Pension Funds (Landsverordening ondernemingspensioenfondsen or ‘SOCPF’);\(^3\)
- the State Ordinance on the Supervision of the Security Business (Landsverordening toezicht effectenverkeer or ‘SOSSB’); and
- the State Decree on the Supervision of Insurance Brokers (Landsbesluit toezicht assurantiebemiddelaars or ‘SDSIB’).\(^5\)

(henceforth referred to as the ‘Supervisory Laws’)

Beside abovementioned supervisory laws, reference is made to the supervisory directives issued by the CBA for the different sectors on the appointment of an external auditor.

These guidance notes seek to assist applicants and external auditors by clarifying areas of uncertainty that may arise when completing or answering questions contained within this Questionnaire External Auditor (‘Questionnaire’).

For the purpose of this Questionnaire and associated guidance notes:

Applicant includes the regulated entity which has filed an application for approval to appoint an external auditor.

External auditor as defined under section 1 of the SOSCS: ‘a person who is not employed by the company or institution, being a “registeraccountant” or an “accountant-administratieconsulent” registered pursuant to article 36, paragraph 2, item i, of the Dutch Law on the accounting profession (Stb. 2012, 680)’.

CBA means Centrale Bank van Aruba.

Regulated entity includes an entity that is regulated under the SOSCS, SOSIB, SOCPF, SOSSB, or SDSIB.

PRIOR WRITTEN APPROVAL

Pursuant to the respective Supervisory Laws, the CBA’s prior written approval is required for any appointment of or change in external auditor. In this respect, relevant information must be submitted to enable the CBA to assess the proposed candidate.

\(^1\) Article 15, paragraph 1, in conjunction with article 21a, of the SOSCS.
\(^2\) Article 10 in conjunction with article 15a of the SOSIB.
\(^3\) Article 11a in conjunction with article 12a of the SOCPF.
\(^4\) Article 98 of the SOSSB.
\(^5\) Article 4, paragraph 5 of the SDSIB.
PROCESS FOR APPROVAL

The process for approval usually involves at least three parties:
- the regulated entity (“applicant”) that intends to appoint an external auditor;
- the external auditor;
- the CBA.

After the applicant and the external auditor have completed the Questionnaire, the applicant must submit the Questionnaire and all other requested documents to the CBA for its review and approval.

Upon completion of the assessment and after the CBA has reached a conclusion, the CBA sends its decision to the applicant. The CBA’s decision is subject to objection and appeal by both the applicant and the external auditor in accordance with the provisions of the State Ordinance on Administrative Proceedings (Landsverordening administratieve rechtspraak AB 1993 no. 45).

REQUIRED INFORMATION

In addition to the Questionnaire (Annex 3 – Questionnaire External Auditor), the following documents must be submitted to the CBA as part of the application:

- A formal request for the appointment of the proposed external auditor, including the reason(s) for the intended change.
- Draft engagement letter, including the stipulations as mentioned in article 23 of the SOSCS.
- Detailed resume/curriculum vitae of the external auditor, including an overview of the financial institutions which he/she audited during his/her career.
- Proof of the registration of the external auditor at the “Nederlandse Beroepsorganisatie van Accountants” (including registration number).
- A summary of the Quality Review Process in place at the audit firm; and the name and resume (including the audit experience in the sector) of the Quality Review Partner assigned to perform the quality review on the audit engagement.

If the CBA deems this necessary, it may ask the applicant and the external auditor for additional information.

CONTINUING OBLIGATION TO ADVISE THE CBA OF CHANGES

On an on-going basis, the CBA is to be informed of any changes to information previously submitted in the Questionnaire, and of any other circumstances, that can reasonably be considered relevant to the CBA’s assessment of the external auditor involved. This obligation lies with the applicant. On the basis of the new information, or other new facts or circumstances, the CBA may decide to conduct a re-assessment of the external auditor.

CHANGE OF EXTERNAL AUDITOR

In case of a change of the external auditor, the CBA should be informed on the reason(s) for the intended change.

COMMUNICATION

The CBA will in principle communicate with the applicant. However, the CBA may invite the external auditor for an interview at its premises.
GENERAL POINTS

This Questionnaire comprises of 9 sections and each section contains a number of questions. All questions contained in the Questionnaire must be answered.

All responses should be typed or written in blue ink.

Incomplete Questionnaires will be returned to the applicant for completion and re-submission.

All (other) facts and circumstances that can reasonably be considered relevant to the CBA’s assessment must be disclosed in the application. Withholding such information may be considered as providing misleading information and as such may have consequences for this application and future applications.

SUBMISSION OF THE QUESTIONNAIRE

After completion, the (original) Questionnaire, including additional attachments and annexes, should be submitted to the CBA in hardcopy. An electronic readable version should be submitted via email informationcenter@cbaruba.org.

The hard copy must be submitted to:

Centrale Bank van Aruba
Prudential Supervision Department
J.E. Irausquin Boulevard 8
Oranjestad
ARUBA
QUESTIONNAIRE EXTERNAL AUDITOR

All questions must be answered.

Please refer to the Guidance Notes to aid completion of this Questionnaire.

All responses should be typed or written in blue ink.

Any attachments should be clearly referenced to the relevant question(s) and signed by the individual completing the Questionnaire, as confirmation that they are complete and accurate.

The CBA reserves the right to seek references from organizations and individuals named in this Questionnaire, including foreign regulatory authorities. It is important, therefore, to ensure that full and accurate names, addresses, and contact information are provided.

J.E. Irausquin Boulevard 8 P.O. Box 18 Oranjestad Aruba
www.cbaruba.org
Information to be provided by the applicant

SECTION 1

1.1 Name and address of the regulated entity who requests the proposed appointment of the external auditor:


1.2 Name and address of the audit firm of the external auditor:


1.3 Mark the relevant boxes to indicate the legislation under which you are seeking approval:

<table>
<thead>
<tr>
<th>State Ordinance on the Supervision of the Credit System</th>
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<td>State Ordinance on the Supervision of the Insurance Business</td>
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<td>State Ordinance Company Pension Funds</td>
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<td>State Ordinance on the Supervision of the Security Business</td>
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<tr>
<td>State Decree on the Supervision of Insurance Brokers</td>
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</table>
Information to be provided by the external auditor

SECTION 2 – Personal Details

2.1 Surname:  

2.2 Given name(s):  

2.3 Place of birth:  

Town/City:  

Country:  

2.4 Date of birth:  

Day:  

Month:  

Year:  

2.5 Nationalities and how acquired:  

Nationality:  

Acquired:  

2.6 Private address (including, if applicable, postal code):  

Home telephone number:  

Country/area code:  

Number:  

Personal mobile number:  


Private email address:

2.7 Business telephone number:

<table>
<thead>
<tr>
<th>Country/area code:</th>
<th>Number:</th>
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Business email address:

2.8 Passport:

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<th>Number:</th>
<th>Expiry date:</th>
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<th>Issuing country:</th>
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SECTION 3 – Experience

3.1 Employment history

Please provide details of your current employment position and your employment history. Your reasons for leaving should be categorised as follows:

1. Resignation;
2. Redundancy;
3. Retirement;
4. Termination/dismissal;
5. End of contract; and
6. Other (please provide details).

Please provide as much contact information as possible on any relevant regulator in order to accelerate the inter-regulatory checks process undertaken by the CBA.

Should you, or the regulated entity, maintain or have previously maintained a business relationship with any of your previous employers listed, please give details using a clearly referenced attachment.

<table>
<thead>
<tr>
<th>Name / address of employer and nature of business</th>
<th>Name of regulator</th>
<th>Position(s) held</th>
<th>Relevant dates (mm/yy)</th>
<th>Reason(s) for leaving</th>
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3.2 Please provide details of any employment or otherwise important positions, whether paid or unpaid, including memberships of a board or a committee.

<table>
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<th>Name / address of organization and nature of business or activities</th>
<th>Name of regulator</th>
<th>Position(s) held</th>
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<th>Task and responsibilities</th>
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</table>
3.3 Please provide details of relevant professional qualifications, degrees, etc.

Please state the awarding body (to include full name and address), and the date the qualification was obtained.

<table>
<thead>
<tr>
<th>Qualification(s)</th>
<th>Date awarded (dd/mm/yy)</th>
<th>Name &amp; address of awarding body</th>
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3.4 Please provide details of past and current membership of any relevant professional body or organization and the year of admission.

If applicable, please provide details of why your membership ceased.

<table>
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<th>Membership details</th>
<th>Date of admission (dd/mm/yy)</th>
<th>Name and address of professional body or organization</th>
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A relevant professional body or organization would in any case include an organization of fellow professionals.

3.5 Please provide details of your specific experience (knowledge, capabilities, competences, fields of expertise, etc.).
SECTION 4 – Quality review process

4.1 Provide a summary of the Quality Review Process in place at your firm including supporting documents.

4.2 Provide the name and resume (including the audit experience in the sector) of the Quality Review Partner assigned to perform the quality review on the engagement.
SECTION 5 – Business related financial antecedents

5.1 Do you have a direct or indirect interest or relationship with the regulated entity as referred to under section 1.1, other than your proposed appointment?
A direct or indirect interest may in this case be related by consanguinity or affinity in a direct or indirect line up to and including relations in the third degree, your (former) spouse or cohabitant.

*YES/NO

*If YES, please provide details.

5.2 Has any institution whose policy is or was (co-)determined by you experienced major financial difficulties?

*YES/NO

*If YES, please explain (legal procedure, suspension of payments, bankruptcy, or other).

5.3 Is there currently a judicial inquiry concerning, or were you ever ordered by a court of law to pay, (unpaid) debts because of liability for the bankruptcy of a legal entity pursuant to the applicable provisions of the Bankruptcy State Ordinance (Faillissementsverordening), the Civil Code of Aruba (Burgerlijk Wetboek van Aruba) or any similar provisions elsewhere?

*YES/NO

*If YES, please provide details.
5.4 If you answered question 5.2 or 5.3 affirmatively, please provide any particulars if you were directly involved with the financial difficulties, or with the legal proceedings, suspension of payments, bankruptcy or other, and if you were found liable on what grounds.

5.5 Do you hold directly or indirectly, shares in an other institution?

*YES/NO

*If YES, please provide details.

5.6 Do these other institution(s), referred to under section 5.5, maintain a commercial interest with the regulated entity as referred to under section 1.1?

*YES/NO

*If YES, please provide details.
SECTION 6 – Other antecedents

6.1 Have any disciplinary or similar measures ever been taken against you or a disciplinary complaint has been filed against you which is pending a decision by a relevant professional body or organization (refer to section 3.4)?

*YES/NO

*If YES, please explain (the measures, the organization by which, when, and the reason why).

6.2 Have you ever been involved in a conflict with an employer?

*YES/NO

*If YES, please provide the name of the employer(s) and explain.

6.3 Relating to any conflict specified under question 6.2, where there any sanctions imposed on you under employment law (e.g., a warning, a reprimand, or dismissal)?

*YES/NO

*If YES, please explain.
SECTION 7 – Miscellaneous questions

7.1 Is there between you and the regulated entity any financial relationship?
  *YES/NO
  *If YES, please explain.

7.2 At any time in the past, have you been assessed by a regulator (in Aruba or elsewhere) in charge of financial supervision?
  *YES/NO
  *If YES, please explain (name of regulator, period and result of the assessment).

7.3 Are you aware of any other facts or circumstances that could reasonably be expected to be of relevance to the CBA when assessing your personal and/or professional qualities?
  *YES/NO
  *If YES, please provide full particulars.

PLEASE DISCLOSE ANY OTHER FACTS THAT YOU CONSIDER MATERIAL TO THIS APPLICATION.
SECTION 8 – Checklist additional information and documents

Please check the corresponding box to indicate whether the documents and information listed have been included with your application (reference is made to page 3 of the Guidance Notes).

Documents and information to be provided by the applicant:
- □ A formal request for the appointment of the proposed external auditor, including the reason(s) for the intended change.

Documents and information to be provided by the external auditor:
- □ Draft engagement letter, including the stipulations as mentioned in section 23 of the SOSCS.
- □ Detailed resume/curriculum vitae of the external auditor, including an overview of the financial institutions which he/she audited during his/her career.
- □ Proof of the registration of the external auditor at the “Nederlandse Beroepsorganisatie van Accountants” (including registration number).
- □ A summary of the Quality Review Process in place at the audit firm; and the name and resume (including the audit experience in the sector) of the Quality Review Partner assigned to perform the quality review on the audit engagement.
SECTION 9 – Declaration(s)

The external auditor

I am aware that withholding information may be considered as providing misleading information and as such may have consequences for this application and future applications.

I am also aware that it is a criminal offence to knowingly or recklessly provide any information which is false or misleading in connection to this Questionnaire.

I confirm that the information in this form and any attachment is accurate and complete to the best of my knowledge and belief.

I agree to provide details of any changes to information in this form and any attachment immediately to the CBA.

I authorize the CBA to make such enquiries and to seek further information as it deems appropriate to verify the information given in this form. In particular, I consent to the CBA carrying out a judicial record check on any unspent convictions and convictions for relevant offences that I may have, conducting checks with other regulators, companies and institutions stated in this Questionnaire External Auditor and using external data sources.

I confirm that I fully understand my role(s), responsibilities and accountabilities under the Supervisory Law(s) to which this Questionnaire relates.

Signed: 

Date: 

Name (BLOCK CAPITALS): 

The applicant

I confirm to have completed Section 1 of the Questionnaire fully and truthfully.

I declare to be authorised to represent the applicant named under 1.1.

Signed: 

Date: 

Name (BLOCK CAPITALS): 

Position: 