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**

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

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

**LIQUIDITY** (section 14 of the SOSCS):

**Liquidity ratio**

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

Liquid assets 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”

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.

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\(^1\) 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**

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

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**

\[
\frac{\text{Fixed assets}}{\text{Test capital}} = \text{maximum} = 100\%
\]

“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**

\[
\frac{\text{Other real estate owned}}{\text{Test capital}} = \text{maximum} = 25\%
\]

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.