2024

FINANCIAL SECTOR SUPERVISION REPORT

Centrale Bank van Aruba

Cover design: The Great Blue Heron

Many Native American tribes see the heron as a symbol of patience and prosperity. It is believed that if fishermen spot a heron, they will have good luck and a successful fishing trip.

PRESIDENT'S STATEMENT

We hereby present the 13th edition of the Financial Sector Supervision Report, comprising relevant information on the main activities conducted by the Central Bank of Aruba (CBA) in the supervisory domain. The legal mandate in this domain includes the supervisory state ordinances governing banks, insurance companies, pension funds, investment companies, trust service providers, and money transfer companies, as well as the State Ordinance on the prevention and combatting of money laundering and terrorist financing and the sanctions ordinance.

This report is designed to keep its stakeholders and the public informed about the activities undertaken in the year under review to promote the soundness and integrity of the financial system. It reviews significant legal and regulatory changes and provides an overview of the main developments within the Aruban financial sector.

International developments

The surge in geopolitical risks has led to considerable uncertainty in the global economy. These risks could severely disrupt trade, affect consumer and investor confidence, and lead to higher volatility in the financial markets, all of which may contribute to lower economic growth and increased risks to the stability of the global financial system. Another noteworthy development is the rapidly evolving technological landscape. The swift adaptation of new technologies including Artificial Intelligence (AI), as well as the rise of fintech and bigtech will continue to impact the financial sector. The current business models of the traditional banks will need to be adjusted sooner than later in order for these banks to remain competitive.

These developments will continue to (re-) shape the global financial sector probably at even higher pace. And with it the potential benefits but also the complexity, risks of fraud and financial crime will continue to rise in parallel, posing significant challenges to the global financial sector.

Resilience of the financial sector

Over the years, the CBA has taken strides to fortify the capital and liquidity buffers supervised institutions must maintain. This is essential for ensuring a resilient financial sector, especially considering the inherent vulnerabilities of Aruba's economy, which heavily depends on tourism. Note that, also in 2024, the commercial bank's aggregated solvency and liquidity ratios continued to exceed the minimum prudential requirements established by the CBA. Also, the insurance and pension fund sector continued to operate within the prudential parameters set by the CBA. Without prejudice to the aforementioned, the ongoing higher volatility in the global political and economic environment brings significantly higher risks with it, also for the financial sector, which requires an elevated level of alertness.

Furthermore, the increasing risks associated with climate change and cyber-attacks, which are accelerating globally, should be reckoned with. Also, in the Caribbean the number of cyber-attacks appears to be increasing. Further action in these areas, both at the government and the private sector levels, is of the utmost importance for the stability of the financial sector.

Fit for future

By reflecting on the past and looking to the future, the CBA aims to better position itself by further enhancing its human capital and fostering a culture that embraces innovation and resilience.

In this regard, the CBA intends to adopt a more data-driven approach, also in the supervisory domain, and apply innovative technologies to ensure improved efficiency and effectiveness of its operations.

In the year under review, work continued on strengthening the supervisory framework. The state ordinance regulating consumer credit will be implemented once the secondary legislation is in place and qualified staff has been attracted and trained. Additionally, the introduction of a Deposit Insurance Scheme (DIS) is also progressing. However, further work still needs to be done before such a scheme can be introduced, including the establishing of a foundation entrusted with the management of the funds of the DIS. Furthermore, a legislative proposal is currently being designed to bring Virtual Asset Service Providers and Virtual Assets under a prudential supervisory regime and to update the AML/CFT/CPF legislation based upon the revised FATF standards. The next mutual evaluation of Aruba by the CFATF is scheduled for 2029. Also, a new NRA needs to be conducted soon in preparation of this upcoming evaluation. The NRA process may take at least 18-24 months, so it is important that this NRA is started in the second half of 2026 at the latest.

To conclude, considering the heightened geopolitical risks, the CBA is closely monitoring global developments and stands ready, if necessary, to take risk-mitigating measures. This all with the aim to maintain a sound, resilient, and reputable financial sector that is conducive to economic growth.

Jeanette R. Semeleer
President

Aruba, June 2025

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Chapter 1

Supervisory mandate and achievements in 2024 at a glance

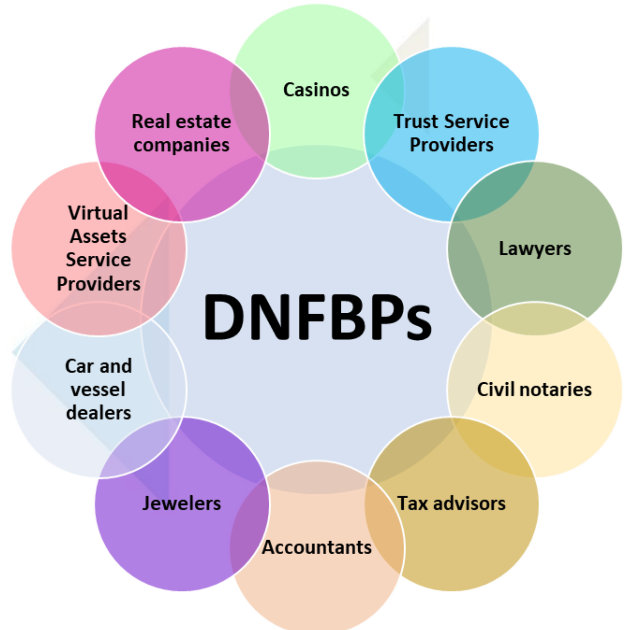
1.1 SUPERVISORY MANDATE

The CBA is tasked with the supervision and regulation of Aruba's financial sector. Pursuant to the sectoral supervisory state ordinances, the CBA oversees the following financial institutions (Figure 1.1).

Figure 1.1 Financial institutions

Furthermore, the CBA is also responsible for overseeing compliance with the State Ordinance on the Prevention and Combating of Money Laundering and Terrorist Financing (AB 2011 no. 28) (AML/CFT State Ordinance), the Sanctions State Ordinance 2006 (AB 2007 no. 24). The AML/CFT/CPF oversight also extends to the so-called Designated Non-Financial Businesses and Professions (DNFBPs) (Figure 1.2).

Figure 1.2 DNFBPs



1.2 STRATEGIC PLAN: DILANTI BIENTO

Following the completion of its strategic plan called "Bela Yen"[1] in 2021, the CBA issued a new strategic plan called "Dilanti Biento"[2] for 2021-2025, thereby also giving direction to its supervisory agenda.

In "Dilanti Biento", the following six strategic pillars have been identified (Figure 1.3).

I. Culture and capability
II. Digital transformation
III. Dynamic resilience and regeneration
IV. World class knowledge
V. Innovation of implementation
VI. Forward thinking governance

Figure 1.3 Dilanti Biento: six strategic pillars

I. Culture and Capability
We promote a culture that enables bold action focused on inclusiveness, trust, agility, and human centricity.

II. Digital Transformation
We transform our processes and services to be delivered digitally with the focus on increased efficiency, effectiveness, transparency, and (data) analytical capabilities in accordance with best practices.

III. Dynamic Resilience and Regeneration
We think beyond sustainability to regeneration. We focus on transitioning CBA's operations, the financial system, and the economy to a regenerative resilient (eco)system.

IV. World Class Knowledge and Communication
We communicate and share our knowledge internally and externally in effective and innovative ways to develop and foster a collaborative culture, financial literacy, and economic understanding.

V. Innovation of Implementation
We embrace new approaches to set up new or redesigned (internal and external) processes, products, and services to ensure we remain relevant and in step with the times.

VI. Forward-thinking Governance
The CBA is known for its sound governance, and we are a trusted leader on contemporary financial regulation and transparency. We promote good governance practices in Aruba to build the trust that underpins the economic and financial transformation.

[1] "Bela Yen" is a saying in Papiamento meaning "full steam ahead".
[2] "Dilanti Biento" is a saying in Papiamento, which means "hopi lihe" and if literally translated to English means "in front of the wind", indicating anticipation, taking actions, and moving forward fast with the wind.

To attain the outcomes set in our strategic pillars a total of 14 programs have been identified. These programs relate to one or more strategic pillars. Furthermore, the CBA has defined strategic actions for each program. These actions contribute to the realization of the outcomes as set out in our strategic plan, “Dilanti Biento”.

The program “Regulation and Supervision” contains a comprehensive set of actions designed to promote a financially sound and reputable system. The goal is to further strengthen the resilience of the financial system, inter alia, via the establishment of a deposit insurance scheme, modernization of the resolution regime for banks and insurers, strengthening of the solvency and liquidity framework for banks and insurers by incorporating (parts of) the Basel II and Solvency II frameworks, and deepening of the IT-oversight, as well as furthering compliance with the FATF standards.

Figure 1.4 highlights the primary achievements in 2024 in the supervisory domain.

Figure 1.4 Overview of the primary supervisory achievements in 2024

Prudential Supervision Banks

- Conducted 5 (remote) onsite examinations in the areas of corporate governance, liquidity risk management, internal audit, loans, and IT oversight;
- Continued with the yearly stress testing of the commercial banking sector;
- Carried out 10 integrity and suitability assessments (see annex 7);
- Approved 2 petitions for a change in external auditor;
- Issued 2 IT Supervision related surveys regarding Technology Risk Management (TRM) and digital banking; and
- Held internal panel discussions to determine the internal risk rating of each credit institution.

Prudential Supervision Insurance Companies, Pension Funds & Investment Institutions

- Carried out 1 onsite examination to assess the correctness of the Coverage Test Report (CTR);
- Conducted 23 integrity and suitability assessments (see annex 7);
- Approved 13 petitions for a change in external auditor;
- Strengthened the minimum CTR for life insurers and company pension funds; and
- Held internal panel discussions to determine the internal risk rating of each insurer and pension fund.

Integrity Supervision

- Conducted 11 on-site examinations in the areas of AML/CFT/CPF and/or Sound Business Operations (SBO);
- Organized 2 information sessions and 1 bilateral meeting for DNFBPs;
- Held 4 bilateral meetings with financial institutions (see section 2.2);
- Assisted with the reporting to the CFATF Secretariat on the progress made addressing the findings in Aruba's MER dated June 2022;
- Conducted surveys to gather information for the sectoral and individual risk-assessments in the area of AML/CFT/CPF; and
- Held internal panel discussions to determine the internal risk rating of the sectors and institutions that fall under the AML/CFT/CPF legislation and the Directive on SBO (DSBO).

Enforcement, Market Entry, and Legal Advisory

- Granted 3 permissions for changes in the qualifying holding of supervised entities;
- Issued 1 license to operate as a bank-like financial institution;
- Granted 31 dispensations to insurance brokers to perform brokerage services on behalf of their clients with insurance companies not domiciled in Aruba;
- Granted 2 dispensations to act as sales agent for an Aruba-based insurance company; and
- Imposed 5 formal measures (see Annex 12) and issued 4 warning letters.

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Chapter 2

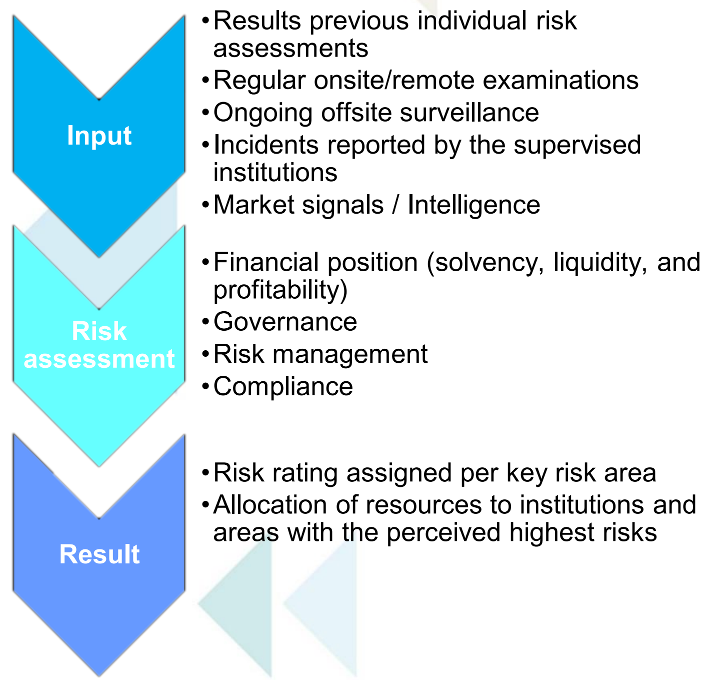
Risk-based supervisory approach

Since 2017, the CBA has applied a risk-based supervisory approach, allocating its supervisory resources to institutions and areas with the highest risks. As part of its risk-based supervisory framework, the CBA strives to address the "root cause" of problems rather than treat the symptoms.

2.1 RISK-BASED SUPERVISORY APPROACH

Figure 2.1 illustrates the key components of the CBA's framework for credit institutions, insurance companies, and company pension funds. Panel sessions are held internally, to discuss the results of the risk assessments performed. Based upon the discussions and conclusions drawn the internal risk ratings allocated to key risk areas (inter alia, financial position, governance, risk management, internal controls, compliance, and IT risk) of the institutions concerned are determined. The implementation of a risk-based supervision framework has contributed to a more effective allocation of the scarce supervisory resources to the supervised institutions and areas with the highest risks as identified by these risk assessments. Continued efforts are undertaken to further refine the risk-based approach. Additionally, a risk-based approach is implemented in the areas of AML/CFT/CPF and SBO.[3] Annex 10 provides an overview of the results of the sectoral AML/CFT/CPF and DSBO risk assessments for 2024.[4]

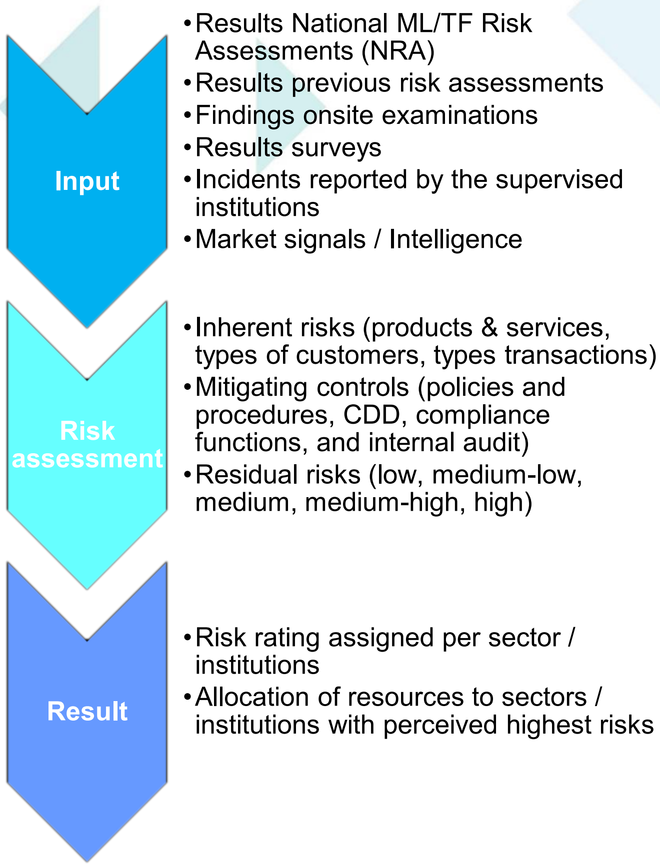
Figure 2.1 Key components of the risk-based supervision framework for credit institutions, insurance companies, and company pension funds



Two key factors are considered when assessing risks, namely: (i) the inherent risks present specific to a supervised sector; and (ii) the effectiveness of existing controls employed by the sector to manage the identified risks (see Figure 2.2).

[3] SBO supervision ensures that financial institutions have proper policies, procedures, and measures in place to manage the risk of unethical conduct.
[4] The CBA's risk-based approach to its AML/CFT/CPF and DSBO supervision includes yearly sectoral, and for the commercial banks, individual AML/CFT/CPF and DSBO risk assessments, which are fed by various information sources as mentioned in Figure 2.2 below.

Figure 2.2 Key components of the AML/CFT/CPF and SBO risk-based supervision framework



2.2 SUPERVISORY APPROACH TO PRUDENTIAL SUPERVISION

Figure 2.3 illustrates the aggregated scores of the key risks of the supervised credit institutions. It can be observed that, on aggregate, the highest risk exposures can be found in the areas of corporate governance, risk management, internal controls, and IT risk.

Figure 2.3 Tree map with key risks of the supervised institutions that fall under the SOSCS with the exception of the article 48 institutions.

Key risks identified for the supervised insurers and pension funds are corporate governance, quality of the investment portfolio, and internal controls. These risks are monitored closely by the CBA. Also, in this regard it is of the utmost importance that financial institutions have sufficient checks and balances in place to ensure sound decision-making. This can be realized through a sound corporate governance and risk management framework, as well as sound business operations. Therefore, the CBA places much emphasis on these areas in supervising financial institutions.

The PSDB conducted five (5) targeted onsite examinations at credit institutions in the area of prudential banking and IT supervision (see chapter 7.2 for more details), while PSIPI only carried out one (1) onsite examination at a company pension fund due to resource constraints.

Furthermore, during the year under review, the CBA continued its offsite surveillance, which included desk reviews of the financial and regulatory reports that the supervised entities are required to file periodically. Also, bilateral meetings with the supervised financial institutions and their representative organizations were held. The regular examinations and offsite surveillance activities are the main pillars through which the CBA fulfills its supervisory mandate.

2.3 SUPERVISORY APPROACH TO INTEGRITY SUPERVISION

As part of its AML/CFT/CPF and SBO supervision, the CBA conducted eleven (11) onsite examinations in 2024: six (6) at financial institutions and five (5) at the DNFBPs. The selection of institutions for examinations was predominantly guided by the results of the sectoral and individual risk assessments conducted by the CBA in the areas of AML/CFT/CPF and SBO, the results of the National Risk Assessment (NRA), and market signals received.

The CBA also organized seven (7) information sessions in 2024 for sectors and institutions that fall under AML/CFT/CPF supervision. The information sessions took place in the form of both general sessions and (bilateral) meetings and were aimed at, amongst other things, awareness building and improving the level of compliance. Annex 9 provides an overview of the information sessions held in 2024 along with the primary topics discussed.

In 2024, the CBA also conducted surveys among the supervised financial institutions and DNFBPs to feed the risk-based supervisory approach to AML/CFT/CPF in the year under review. The information gathered from the surveys allows for an evaluation of the adequacy of the AML/CFT/CPF framework adopted by the institutions within the different sectors. In 2024, questionnaires were sent to the commercial banks, real estate companies, accountants, car and vessel dealers, jewelers, lawyers, and tax advisors.

2.4 SUPERVISORY APPROACH TO IT SUPERVISION

In the past few years, the CBA placed more emphasis on IT supervision as cybercrime is identified as one of the most significant risks facing financial institutions. While it is primarily the responsibility of each financial institution to manage cybersecurity risks, the IT Supervision Unit within PSB is tasked with overseeing compliance with the regulations issued by the CBA concerning technology risk management, business continuity management, and outsourcing arrangements. Through its oversight in the area of IT, the CBA aims to raise awareness among financial institutions about IT risks, including cyber risks, and the importance of having vigorous frameworks in place to effectively mitigate these risks.

2.5 SUPERVISORY STAFF

Considering the increasing complexity of the international regulatory framework for financial institutions and the dynamic environment in which financial institutions operate, the CBA is committed to maintaining a highly qualified supervisory staff. This is achieved by investing in ongoing training in relevant areas. Such training is essential for ensuring high-quality oversight of supervised institutions and staying informed about pertinent developments. In 2024, part of the training sessions and courses were conducted virtually.

Table 2.1 provides an overview of some of the trainings and courses followed in 2024 by staff of the Supervision and Enforcement (S&E) Division.

Table 2.1 Overview of the main courses followed in the areas of supervision, enforcement and market entry in 2024

Prudential Supervision	
Institution	**Topic**
Bank for International Settlements (BIS)	Supervisory and Regulatory Course / Finance Innovation and Technology / Lessons learnt from managing bank failures
ASBA	Bank resolution
IMF / World Bank	Cyber Risk Supervision
Toronto Centre	Climate related financial risks
GIICS	Reinsurance / insurer financial analysis / sustainability / onsite inspections / climate risks
NAIC	Solvency Framework / Risk-focused financial analysis / reinsurance / reserves, capital adequacy and solvency / enterprise risk management / resolutions /
CARTAC	Financial stability in relation to the insurance sector
Integrity Supervision	
Association of Certified Anti-Money Laundering Specialists (ACAMS)	Blockchains / Sanctions / Proliferation financing (PF)/Risk Management
Association of Supervisors of Banks of the Americas (ASBA)	AML course: customer due diligence, risk assessment, scoping & planning, and Transaction testing
Association of Certified Sanctions Specialists (ACSS)	Sanctions & export controls updates / Russian sanctions evasion tactics
FATF	Crowdfunding for terrorist financing (TF) / virtual assets (VAs) and virtual asset service providers (VASPs)
Enforcement, Market Entry, and Legal Advisory	
London School of Economics	Financial Services Market (Fintech)
Toronto Centre	Effective Supervision / Digital Financial Services Supervision

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Chapter 3

Major changes in the legislative and regulatory framework

The following provides an overview of the major changes made or proposed to the legislative and regulatory framework in Aruba.

3.1 LEGISLATIVE FRAMEWORK

3.1.1 STATE ORDINANCE ON CONSUMER CREDIT

In June 2016, a revised proposal to regulate consumer credit was submitted to the Minister of Finance. The proposed legislation has the following objectives:

i. ensuring consumers are adequately informed before entering into a consumer loan agreement;
ii. establishing a limit on interest rates lenders may charge to consumers;
iii. countering over-crediting.

Additionally, this ordinance introduces amendments to the SOSCS and SOSIB, incorporating market conduct provisions aligned with international standards.

The draft State Ordinance regulating consumer credit was approved and adopted by the Parliament of Aruba on June 3, 2022, with its implementation pending the completion of the supporting secondary legislation.

3.1.2 DEPOSIT INSURANCE SCHEME

In May 2017, the CBA submitted a (revised) legislative proposal to the Minister of Finance to introduce a deposit insurance scheme (DIS) for the domestic commercial banking sector. The DIS aims to maintain confidence in the banking system, contributing to financial stability. The legal basis for the introduction of the DIS was established through an amendment to the SOSCS in December 2021. The specific modalities and operations of the DIS will be regulated by state decree. Furthermore, a foundation will need to be established to manage the funds of the DIS.

3.1.3 STATE ORDINANCE BASIC BANK ACCOUNT

The draft State Ordinance Basic Bank Account designed by the CBA was sent to the Minister of Economic Affairs on December 29, 2022. This legislative proposal aims, (i) to promote financial inclusion of consumers by introducing a right to a basic payment account under certain conditions, and (ii) to reduce wholesale de-risking. The draft State Ordinance was sent to the Advisory Council (*Raad van Advies*) for advice in October 2024. At the end of November 2024, the Advisory Council issued its advice. A response will be prepared by the legislative Department of the Government, with the input of the CBA, to respond to the comments of the Advisory Council.

3.1.4 STATE ORDINANCE ON SUPERVISION OF PAYMENT SERVICE PROVIDERS AND THE STATE ORDINANCE ON SUPERVISION OF PROVIDERS OF PAYMENTS SYSTEMS

The draft State Ordinance on the Supervision of Payment Service Providers and the draft State Ordinance on the Supervision of Providers of Payment Systems designed by the CBA were simultaneously sent to the Minister of Finance on September 15, 2023.The primary objectives of these two legislative proposals are: (i) regulating the payment transactions in Aruba, (ii) ensuring that payment service providers and providers of payment systems are solid and reliable, (iii) protecting consumers by drawing up clear rights and obligations for payment service providers and providers of payment systems, and (iv) promoting proper market functioning. These proposed ordinances are in the preliminary stage of the legislative process.

3.2 REGULATORY FRAMEWORK

Remaining up to date with ongoing changes in the international regulatory landscape is crucial to maintain a high degree of compliance with the standards set by international standard-setting bodies. Therefore, the CBA dedicates considerable effort to closely monitor the global developments in financial sector regulation and supervision, as well as in the AML/CFT/CPF standards.

3.2.1 PRUDENTIAL LIQUIDITY RATIO AND RISK-WEIGHTED SOLVENCY RATIO FOR CREDIT INSTITUTIONS

In order to increase the resilience of the banking sector, and after having consulted the Aruban Bankers' Association (ABA), the CBA decided to gradually increase the prudential liquidity ratio (PLR) from 18 percent to 20 percent in 2024. For 2025, the minimum prudential liquidity is set at 19 percent, while as of January 1, 2026, the minimum requirement will be 20 percent. This decision was taken also in view of the one-sidedness of Aruba's economy, the high degree of concentration in the funding base, and the strengthened international standards in this area.

3.2.2 MINIMUM COVERAGE TEST RATIO FOR LIFE INSURERS AND COMPANY PENSION FUNDS

Due to the increasing size of the life insurance and pension fund sector, and in light of the fact that the current solvency framework does not take into account inter alia interest rate, longevity, and operational risks, the CBA, after having consulted the IAA and representatives from the company pension funds, decided to gradually increase the minimum required Coverage Test Ratio (CTR) over the next few years as follows (see table 3.1 below).

Table 3.1 Changes to the CTR per sector

	Minimum required CTR for the Life Insurance sector	Minimum required CTR for the Company Pension Fund sector
January 1, 2025	102 percent	101 percent
January 1, 2026	104 percent	102 percent
January 1, 2027	106 percent	103 percent
January 1, 2028	108 percent	104 percent
January 1, 2029	110 percent	105 percent

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Chapter 4

Follow-up on CFATF MER of Aruba

This chapter focuses on the recommended actions derived from Aruba's fourth round MER, which was adopted at the CFATF Plenary on June 2, 2022, and published on July 14, 2022. The report assesses Aruba's compliance with the international standards for preventing and combating financial crimes. It further provides key insights into the strengths and the areas for improvement in its AML/CFT/CPF framework.

4.1 CFATF FOURTH ROUND MER OF ARUBA

The Fourth Round MER evaluates Aruba's adherence to the FATF Recommendations and its effectiveness in addressing money laundering, terrorist financing, and proliferation financing. It affirms the effectiveness of Aruba's AML/CFT/CPF framework.

4.2 RECOMMENDED ACTIONS ARISING FROM THE CFATF ASSESSMENT & ACTIONS TAKEN OR UNDERWAY

The MER includes recommended actions[5] related to both technical compliance and effectiveness, some of which fall under the CBA's domain. To address these, the CBA issued a roadmap targeting these deficiencies, particularly those related to Immediate Outcome 3 (Supervision) and Immediate Outcome 4 (Preventive measures).

Below is an overview of some of the recommended actions and the status of the key actions taken or currently underway with respect to Immediate Outcome 3 (see figure 4.1) and Immediate Outcome 4 (see figure 4.2).

Figure 4.1 Immediate Outcome 3 (Supervision) - Recommended actions and status of CBA's actions taken or underway

RECOMMENDED ACTIONS FOR IMMEDIATE OUTCOME 3 (SUPERVISION)	STATUS OF CBA'S ACTIONS TAKEN OR UNDERWAY
Implement a more structured methodology for conducting on-site examinations at financial institutions and DNFBPs, moving beyond reliance on trigger events, as well as on data obtained from prior on-site examinations, desk-based reviews, and participation in the NRA Working Groups.	**In progress** - The CBA's AML/CFT/CPF Risk-Based Supervision Methodology is currently being revised to incorporate a more structured approach to on-site examinations at the supervised financial institutions and DNFBPs, while further reinforcing the risk-based supervisory framework.
Maintain the CBA's commitment to apply the risk-based approach, ensuring financial institutions and DNFBPs have a clear understanding of their AML/CFT obligations and associated ML/TF risks.	**In progress** - The AML/CFT Handbook is currently being updated to incorporate the various statutory and regulatory amendments and also offering further guidance to various issues identified during on-site examinations. **Ongoing (recurring)** –The CBA increased the frequency of information sessions/(bilateral) meetings with the supervised financial institutions and DNFBPs. In 2024, the CBA organized seven information sessions and bilateral meetings: four for banks and three for selected sectors with the DNFBP group (see Table 9.2 and Annex 9).

[5] Source: CFATF's Mutual Evaluation Report on "Anti-money laundering and counter-terrorist financing measures Aruba", July 2022.

Ensure the timely communication of the CBA's onsite examination findings to the financial institutions and TSPs.	**Ongoing (recurring)** - In 2024, the CBA carried out eleven on-site examinations in the area of AML/CFT – six at financial institutions and five at the DNFBPs (see Table 9.1).[6] Following the onsite examinations, the CBA delivered timelier feedback and clearer guidance to the financial institutions and DNFBPs that were examined.

Figure 4.2 Immediate Outcome 4 (Preventive measures) - Recommended actions and status of CBA's actions taken or underway

RECOMMENDED ACTIONS FOR IMMEDIATE OUTCOME 4 (PREVENTIVE MEASURES)	STATUS OF CBA'S ACTIONS TAKEN OR UNDERWAY
Correct the technical deficiencies that underpin the implementation of effectiveness related to VAs and VASPs.	**In progress** – A legislative proposal to, inter alia, establish a prudential framework for VASPs and align the definition of VASPs is currently being drafted.
Ensure sustained efforts to enhance the level of compliance among the DNFBPs, with a focus on those in the higher risk sector and the credit unions that have not completed their ML/TF risks assessments and implemented policies and procedures to mitigate the ML/TF risks identified	**Ongoing (recurring)** – The CBA increased the frequency of information sessions/bilateral meetings targeted at the higher risk sectors and credit unions (see Table 9.2 and Annex 9). **Completed** – An AML/CFT/CPF onsite examination was conducted at a credit union.
Financial institutions and DNFBPs should continue to update their policies and procedures based on the findings of the NRA.	**Completed** –A survey was conducted to assess the progress of supervised financial institutions and DNFBPs in implementing the required actions mandated by the 2021 ML/TF/PF NRAs.
Ensure sustained efforts to raise awareness among financial institutions and DNFBPs regarding their CDD, EDD, and record keeping obligations. Additionally, provide ongoing training and outreach to ensure that financial institutions and DNFBPs fully understand their reporting obligations and that unusual transaction reports (UTRs) correspond to ML/TF risks.	**Ongoing (recurring)** – The CBA increased the frequency of information sessions and (bilateral) meetings with the supervised financial institutions and DNFBPs, particularly focusing on areas such as CDD, EDD, record keeping and reporting of unusual transactions. Annex 9 provides an overview of the topics addressed during the sessions/meetings held in 2024.
Support sustained efforts to enhance financial inclusion within the current AML/CFT framework, while mitigating any related ML/TF risks.	**In progress** – A legislative proposal was drafted for the introduction of a basic payment account. This proposal is in the legislative process.

Furthermore, to address some additional recommended actions related to Immediate Outcome 10 (TF preventive measures and financial sanctions) and Immediate Outcome 11 (PF financial sanctions), the CBA undertook the following actions (see Figure 4.3).

[6] Note that of the eleven onsite examinations conducted by the CBA, seven focused on AML/CFT/CPF, while the remaining four were carried out in the area of SBO.

Figure 4.3 Immediate Outcome 10 (TF preventive measures and financial sanctions) and Immediate Outcome 11 (PF financial sanctions) - Recommended actions and status of CBA's actions taken or underway

IIMMEDIATE OUTCOME 10	RECOMMENDED ACTIONS	PROGRESS OF CBA's ACTIONS TAKEN OR UNDERWAY
	Ensure timely communication of UN designations in compliance with the FATF standards and the requirements prescribed in the sanctions Decrees.	**Completed** – Internal procedures were developed to ensure that new or amended sanctions laws and regulations are communicated to the financial institutions and DNFBPs within a 24-hour timeframe. **In progress** – A sanctions guidance paper is currently being drafted for the supervised financial institutions and DNFBPs to enhance their compliance and awareness of national and international sanctions obligations.

IMMEDIATE OUTCOME 11	RECOMMENDED ACTIONS	PROGRESS OF ACTIONS TAKEN OR UNDERWAY
	Implement a PF supervisory framework complemented by more frequent training and/or guidance for all supervised financial institutions and DNFBPs to keep them informed of their obligations, as well as of emerging global trends and typologies.	**Completed** –In September 2024, the PF Guidance Note applicable to all supervised financial institutions and DNFBPs was revised to provide further guidance on, inter alia, PF red flags, threats and vulnerabilities posed by proliferation and its financing. **In progress** – The AML/CFT Handbook is currently being revised to reflect the statutory and regulatory amendments pertaining to PF, and to offer additional guidance on emerging risks in this area.

4.3 FOLLOW-UP PROCESS

Aruba entered the regular follow-up process as a result of the positive outcome of the CFATF mutual evaluation[7] conducted in 2022. In August 2024, Aruba reported to the CFATF Secretariat on the progress made to address the technical compliance and effectiveness findings in its MER. The follow-up report of Aruba was presented at the 59th CFATF Plenary, which was held in Jamaica in December 2024. The CFATF 5th Round of Mutual Evaluation of Aruba is scheduled for 2029. In preparation of this evaluation a new NRA has to be carried out on short term, also taking into account that the whole process may take 18-24 months and forms a key element in relation to the effectiveness criteria (the so-called Immediate Outcomes).

In sum, there is no room for complacency in this area in order to maintain Aruba's reputation in the area of AML/CFT/CPF.

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[7] Following the discussion and adoption of a MER, the assessed country could be placed in either regular or enhanced follow-up. While regular follow-up is the default monitoring mechanism for all countries, the enhanced follow-up involved a more intensive process of follow-up considering the significant deficiencies (for technical compliance and effectiveness) in the country's AML/CFT system and results in the country reporting back to the Plenary more frequently than for regular follow-up.

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Chapter 5

International developments

This chapter focuses on several significant international developments relevant to Aruba's legislative and regulatory framework. Staying abreast of ongoing changes in the international regulatory and supervisory landscape is of paramount importance to ensure ongoing compliance with standards set by the international standard-setting bodies in the areas of financial sector regulation and supervision.

5.1 BCBS: PROGRESS REPORT ON THE 2023 BANKING TURMOIL

On October 11, 2024, the Basel Committee on Banking Supervision (BCBS) published a Progress Report addressing the 2023 banking turmoil and liquidity risk. This report builds on the stock take report released by the BCBS on October 5, 2023. In light of the failures of Silicon Valley Bank and Credit Suisse, the BCBS conducted additional analysis, which included updated empirical data from distressed banks and an examination of significant liquidity risk factors. The report also investigates potential challenges that banks may face regarding their ability and willingness to utilize their liquidity buffers. Additionally, it evaluates the use of supervisory monitoring tools and other stress indicators.

Based on these findings, the BCBS is pursuing several key initiatives that will also be important for the CBA. These initiatives include efforts to enhance supervisory effectiveness, identify areas that may need additional guidance, and evaluate the performance of specific aspects of the Basel Framework.

The CBA is fully committed to implementing the Basel capital and liquidity standards, thereby strengthening the resilience of the Aruban banking system. In line herewith, in 2023 it decided to increase the Capital Adequacy Ratio (CAR) from 16 percent to 18 percent and to raise also, though gradually, the Prudential Liquidity Ratio (PLR) from 18 percent to 20 percent.

5.2 BCBS: DISCLOSURE OF CRYPTOASSET EXPOSURE AND AMENDMENTS TO THE CRYPTOASSETS PRUDENTIAL STANDARD

On July 17, 2024, the BCBS finalized and published both the disclosure framework and targeted amendments to its crypto asset prudential standard, both having an implementation date of January 1, 2026. The Disclosure Framework for banks' crypto asset exposure mandates standardized reporting on banks' crypto asset activities, including qualitative descriptions and quantitative data on capital and liquidity requirements, with the aim to enhance transparency and market discipline. The amendments to the crypto asset prudential standard clarify the criteria for stablecoin classification and several other aspects of the standard. The CBA will continue to closely monitor the international regulatory developments in this area.

5.3 BCBS: DIGITALIZATION OF FINANCE

On May 16, 2024, the BCBS published a report on the digitalization of finance. This report analyzes the impact of the ongoing digitalization of finance on banks and their supervision. It builds on a sound practices document released by the BCBS in 2018 titled "Sound Practices: Implications of Fintech Developments for Banks and Bank Supervisors."

The report reviews the roles and risks associated with the use of emerging technologies and new service providers, such as fintech companies, big tech firms, and third-party service providers, across various aspects of the banking value chain. It also considers the implications of the ongoing digitalization of finance for banks and their oversight.

Key findings highlight the increased risks linked to digitalization, including operational, strategic, and reputational risks. The report emphasizes the need for monitoring evolving risks, ensuring data security, and developing the necessary expertise to manage the complexities of digital finance. The CBA will continue to assess the changing landscape and, if necessary, consider adjustments to the supervisory framework.

5.4 IAIS: STRATEGIC PLAN 2025-2029

In October 2024, the International Association of Insurance Supervisors (IAIS) published its strategic plan for 2025-2029. The IAIS outlined three key strategic themes that could significantly impact or even reshape the insurance sector in the coming years: (1) strengthening the supervisory response to climate change, (2) adapting to digital innovation and cyber risks, and (3) supporting the insurance industry in fulfilling its societal role in building resilience.

Climate change is a significant source of financial risk, affecting the stability of individual insurers and global financial systems. Insurers face both transition and physical risks through their underwriting and investment activities, which necessitates the identification, mitigation, and management of climate-related risks.

Digital innovation provides substantial opportunities for financial inclusion and enhances policyholder value, but it also introduces conduct and prudential risks. Insurers not only face cyber threats in their operations, but can also be active participants in cyber risk through their underwriting activities.

Finally, addressing public interest requires a comprehensive approach, seeing to it that insurance meets societal needs through its products and services, as well as in the context of insurers' corporate citizenship efforts, such as investments and environmental, social, and governance (ESG) initiatives. The CBA considers all three strategic themes also to be highly relevant for Aruba's insurance sector and will continue to closely monitor the developments in these areas.

5.5 FATF: TARGETED UPDATE ON IMPLEMENTATION OF THE FATF STANDARDS ON VIRTUAL ASSETS (VAS) AND VASPS

In June 2024, the FATF released the fifth targeted review on jurisdictions' adherence to the FATF's Standards on VAs and VASPs, with a particular focus on the implementation of the Travel Rule.[8] This report also highlights the emerging risks and evolving market trends relating to the use of VAs for money laundering, terrorist financing, and proliferation financing.

The report indicates that some jurisdictions have made progress in putting AML/CFT regulation in place, such as, inter alia, the registering or licensing of VASPs. Nevertheless, global implementation is still lagging and thus VAs and VASPs remain vulnerable to misuse. Jurisdictions continue to face challenges in meeting fundamental requirements, including conducting risk assessments and conducting supervisory inspections.

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[8] Reference is made to FATF Recommendation 15 and its Interpretative Note (R. 15/INR. 15), Additionally, the "Travel Rule" is a FATF requirement and a key AML/CFT/CPF measure, which requires that VASPs obtain, hold, and exchange information about the originators and beneficiaries of VA transfers as mandated in paragraph 7 of the FATF's Interpretative Note to Recommendation 15). This for the purpose of enabling financial institutions and VASPs to perform sanctions screening and to detect suspicious transactions.

According to this report, the majority of the assessed jurisdictions are either partially compliant or non-compliant with the FATF requirements for VAs and VASPs, which is identical to the survey's results of April 2023.

The CBA underscores the importance of a strong regulatory and supervisory framework to address and mitigate the risks related to VA activities and VASPs. Not all VA activities, as defined by the FATF, currently fall under the AML/CFT State Ordinance. Also, the definition of a VASP as included in the AML/CFT ordinance needs to be aligned with the FATF definition. A legislative proposal to address these deficiencies is currently being prepared. Also, at the same time, a legal framework for prudential oversight of VASPs is currently being designed.

5.6 FATF: PROCEDURES FOR THE FATF AML/CFT/CPF MUTUAL EVALUATIONS, FOLLOW-UP AND ICRG[9]

In October 2024, the FATF revised its procedures that are the basis for the mutual evaluation, follow-up, and International Cooperation Review Group (ICRG) processes. The FATF introduced major changes to the criteria for greylisting[10] countries to put focus on countries posing greater risks to the international financial system and alleviate pressures on less developed nations.

Under the revised criteria, jurisdictions are prioritized for active review if they meet certain referral criteria and are: (1) an FATF member; (2) a country listed by the World Bank as a High-Income Country; (3) a country with financial sector assets exceeding USD 10 billion. Notably, least developed countries, as defined by the UN, will not be prioritized for active review unless the FATF determines they pose significant risks to money laundering, terrorist financing, or proliferation financing.[11]

Despite the positive outcome of the CFATF 4th Round of Mutual Evaluation, it is essential for Aruba to assess, on an ongoing basis, its compliance with the FATF Standards, including the revisions from time to time, and proactively, address the gaps in its AML/CFT/CPF framework. The CFATF 5th Round of Mutual Evaluation of Aruba is scheduled for 2029. As mentioned in chapter 4.3, the preparatory work for this upcoming round needs to start as quickly as possible.

[9] The FATF, together with the relevant FATF-style Regional Bodies (e.g., CFATF), conducts mutual evaluations and follow-up monitoring to measure its members' effectiveness in combating money laundering, terrorist financing and proliferation financing, along with the level of technical compliance with the FATF Standards. Additionally, through its International Cooperation Review Group (ICRG), the FATF also identifies jurisdictions within the Global Network with strategic deficiencies in this area and collaborates with them to address these gaps.

[10] The 'grey list' identifies countries with strategic deficiencies in their AML/CFT/CPF system.

[11] In such cases, these countries may be granted a longer observation period, typically two (2) years, to address the identified shortcomings against their Key Recommended Action (KRA) Roadmap. The primary objective of the KRA Roadmap is to provide a clear and structured plan for countries to enhance their AML/CFT/CPF measures. BY following this roadmap, countries can systematically address vulnerabilities in their financial systems, thereby reducing the risks of money laundering, terrorist financing, and proliferation financing activities.

Chapter 6

National and international cooperation

6.1 NATIONAL COOPERATION

In 2024, the CBA continued its periodic meetings with the Financial Intelligence Unit of Aruba (FIU-Aruba) to discuss various integrity-related topics. A total of three bilateral meetings were held, in line with the Memoranda of Understanding (MoU) signed with the FIU-Aruba in December 2011. Additionally, two bilateral meetings were held with the Public Prosecutor's Office (PPO) ("Openbaar Ministerie") based on the MoU with the PPO, signed in May 2012.

The CBA maintained regular engagement with the representative organizations of the commercial banks and the insurance companies, namely the Aruban Bankers' Association (ABA) and the Insurance Association of Aruba (IAA), respectively. These meetings addressed key supervisory topics, including recent macroeconomic and monetary developments, as well as updates on the deposit insurance scheme, regulation of payments, the implementation of IFRS 17, the revised directive on the appointment of an external auditor and the CFATF follow-up process of Aruba.

Furthermore, bilateral meetings with the management of each commercial bank were conducted in June 2024. These discussions covered a range of topics, such as market developments, financial projections of the commercial banks, correspondent banking relationships, on-site examination findings in the area of compliance with AML/CFT/CPF and DSBO, and the results of the stress test conducted by the CBA on the commercial banking sector.

Additionally, considering the emerging global risks and developments associated with VAs and VASPs, in November 2024, the CBA organized a tripartite meeting with the FIU-Aruba and the PPO on this topic. The main purpose of this meeting was to identify trends, developments, and potential threats with regard to VASP activities in Aruba. The meeting proved to be productive and highlighted the need for continued collaboration to effectively mitigate these emerging risks.

6.2 INTERNATIONAL COOPERATION

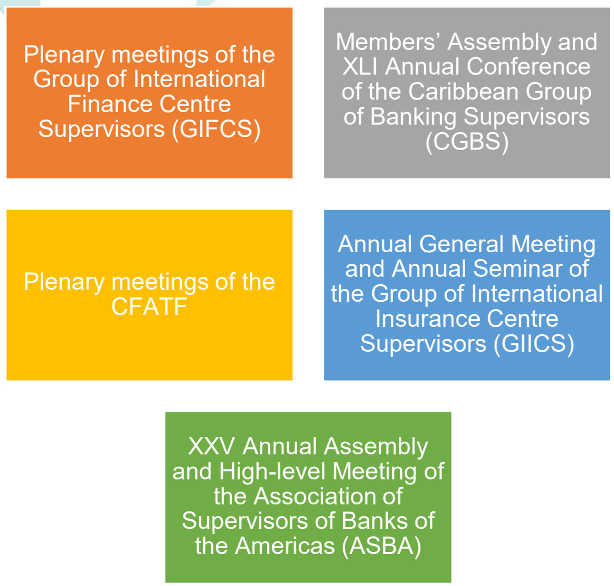
The CBA holds regular meetings with its counterparts within the Kingdom of the Netherlands, namely DNB, the Centrale Bank van Curaçao en Sint Maarten (CBCS), and the Financial Markets Authority (AFM).

In 2024, the Technical Committee convened twice, in March and October. The March meeting focused on, inter alia, harmonization of the PEP definition, particularly regarding the duration of retaining PEP status. The October meeting expanded on the subjects addressed in March and also covered matters including the remote onboarding of clients. The CBA's engagement in these meetings is governed by the MoU signed between the involved parties. Annex 4 provides an overview of the (M)MoUs, signed with foreign supervisory authorities. In addition, the CBA participated in two supervisory colleges organized by the Technical Committee in 2024.

6.3 INTERNATIONAL SUPERVISORY FORUMS

In 2024, as an active member of several international supervisory groups, the CBA attended a series of virtual and in-person meetings as illustrated in Figure 6.1 below.

Figure 6.1 International Supervisory Forums Attended by the CBA in 2024



Annex 5 highlights the key topics addressed during these meetings.

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Chapter 7

Prudential supervision banks

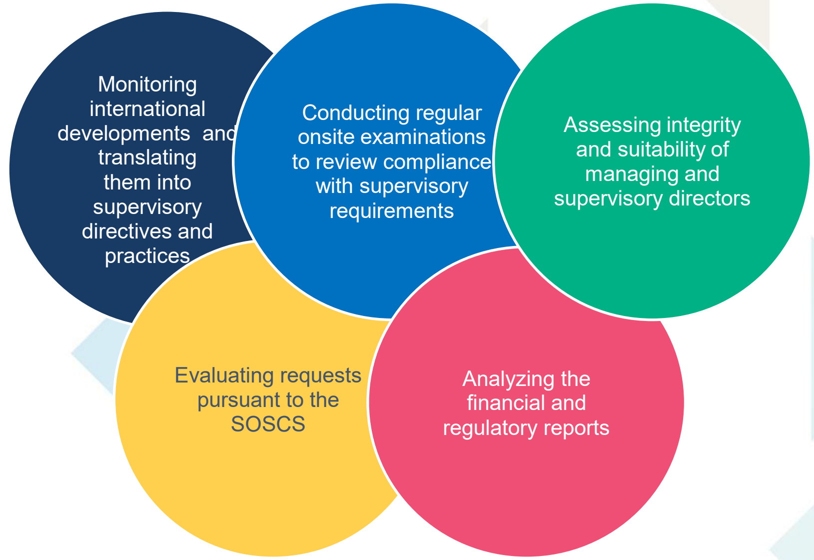
The Prudential Supervision Department Banks (PSDB) is tasked with the supervision of credit institutions. At year-end 2024, the PSDB was allocated six FTEs, one of which is fully dedicated to IT Supervision.

The CBA assesses ongoing compliance with the State Ordinance on the Supervision of the Credit System (AB 1998 no.16) (SOSCS) through offsite surveillance (including the analysis of the financial and regulatory reports) and regular (remote) examinations. Also, in 2024, the supervised credit institutions continued to operate within the supervisory parameters set by the CBA.

The financial sector in Aruba relies heavily on information technology. This reliance also brings an increased exposure to cyber threats, data breaches, and system disruptions. PSDB is charged with IT supervision over the financial sector, which focuses on evaluating the robustness of the IT governance frameworks, the effectiveness of cybersecurity controls, and the adequacy of the business continuity policies and procedures in place at the financial institutions.

The CBA actively monitors the international developments in the areas of banking and IT supervision. When relevant to Aruba, these international developments are translated into supervisory directives or policy papers. To this end, in 2024, staff members attended several (virtual) trainings on the following topics: corporate governance, the revised Basel core principles, stress testing, climate and environmental risks, crypto assets and digital currencies, and cyber security and fraud. The primary tasks and responsibilities of PSDB are summarized in Figure 7.1.

Figure 7.1 Tasks and responsibilities of the PSDB



7.1 OFFSITE SURVEILLANCE

In 2024, as part of its offsite surveillance, PSDB undertook several activities including, inter alia, the analysis of the financial and regulatory reports submitted by the supervised credit institutions and the evaluation of requests pursuant to the SOSCS. The latter requests relate mainly to the appointment of key persons, changes in external auditor, and dividend distributions.

7.2 ONSITE EXAMINATIONS

In 2024, the CBA conducted five targeted onsite examinations at two commercial banks, one bank-like institution, and two credit unions. The reviews focused on several key themes, including corporate governance, liquidity risk management, internal controls, and the management of technology risks by the supervised institutions. Table 7.1 offers an overview of the remote examinations carried out from 2022 to 2024.

Table 7.1 Onsite examinations conducted by the PSDB in 2024

Sector	2022	2023	2024
Commercial banks	3	4	2
Bank-like institutions	1	-	1
Credit unions	2	-	2
Total	6	4	5

7.3 STRESS TESTING

Stress testing is a critical risk management tool. It serves as an early warning system for unforeseen adverse outcomes stemming from numerous risks and offers insight into the financial resources required to mitigate losses should such scenarios materialize. This forward-looking technique simulates and estimates the impact of severe yet plausible adverse events on a bank's solvency, liquidity, and financial position.

Also, in 2024, the CBA carried out the annual stress test on the commercial banks, focusing on a scenario involving a significant increase in pollution and contamination on some of Aruba's beaches due to a malfunction of Aruba's sewage treatment facility at Bubali, known as "RWZI Bubali," causing a sharp decline in tourism.

The results of the stress test were discussed during the bilateral meetings held with the commercial banks in December 2024.

7.4 IT SUPERVISION

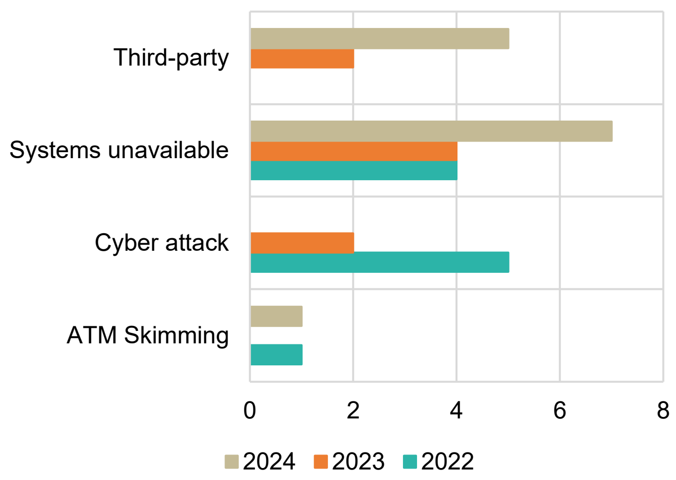
Fostering IT security and resilience is essential for a sound financial sector. A major focus area is IT governance, where institutions are evaluated on the strength of their oversight mechanisms and risk management policies. In 2024, the CBA conducted a survey among the commercial banks to assess their level of compliance with parts of the TRM policy paper issued by the CBA in 2019. Another survey was held amongst the commercial banks on the level of digitalization and FinTech developments. The initial takeaways are that the banks aim to enhance their digital services, user experience, and security features.

A structured approach to IT incident reporting and response is essential for minimizing disruptions and mitigating risks in the financial sector. The CBA requires financial institutions to report IT incidents promptly, allowing for rapid assessment and response coordination. Institutions must classify incidents based on severity and potential impact, ensuring that high-risk breaches or system outages receive immediate attention. Timely reporting enables the CBA to oversee response efforts and review the adequacy of the supervised actions taken by the institution. In 2024, 13 IT-related incidents were reported to the CBA compared to eight in 2023. See also, chart 7.1 for a breakdown per type of IT-related incident.

The IT incident reports submitted by financial institutions are mainly used to assess trends and identify recurring vulnerabilities. Understanding these patterns helps refine supervisory focus and enhance regulatory measures to mitigate emerging threats.

The most commonly reported IT incidents include system unavailability, third-party failures, and cyber-attacks. Pressing concerns are the rise in cyber-attacks, including ransomware, the increased migration to cloud-based solutions posing cybersecurity risks, and the outsourcing of core processes to third parties, which raises the dependency on these third-party service providers.

Chart 7.1 IT-related incidents by type between 2022-2024



7.5 PASSING ON OF THE SUPERVISORY COSTS

Pursuant to the various sectoral state ordinances and state decrees, the CBA may pass on the incurred supervisory costs, in full or in part, to the supervised entities. Annex 13 contains a breakdown of the supervisory costs passed on to the different sectors supervised by the CBA in 2024, including the banking sector.

Chapter 8

Prudential supervision insurers, pension funds & investment institutions

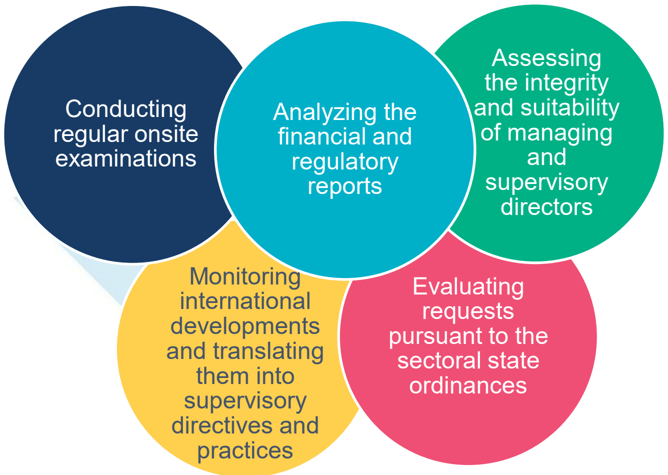
The Prudential Supervision Department Insurance companies, Pension Funds & Investment Institutions (PSIPI) is tasked with overseeing compliance with the prudential requirements laid out in the State Ordinances governing insurance companies, company pension funds, and investment institutions. At the end of 2024, six FTEs were allocated to PSIPI. Due to the departure of some staff members of this department, not all of the 2024 plans could be carried out.

The PSIPI assesses on an ongoing basis compliance with the supervisory laws and regulations governing insurance companies and company pension funds. This is executed through ongoing offsite surveillance (including the conduct of integrity and suitability assessments of proposed managing directors and supervisory board members), and regular examinations. Note that, so far, no collective investment funds attracting funds from the public have been established in Aruba. In general, the supervised insurance companies and company pension funds remained in compliance with the CBA's minimum prudential ratios during 2024.

The PSIPI also closely follows international developments in the area of prudential supervision and, insofar as relevant for Aruba, translates these developments into supervisory directives or policy papers. To this end, in 2024, PSIPI staff attended several trainings in the area of insurance and pension supervision, including the NAIC International Fellows Online Program 2024 and a GIICS/IAIS seminar. As per January 1, 2023, the insurance companies that apply the IFRS accounting standards were required to implement the IFRS 9 and IFRS 17 in their 2023 financial reporting. The timely implementation of IFRS 17 proved to be a challenge for many of these insurance companies. As a result, two institutions were granted an extension under conditions to comply with the new IFRS 17 standards.

The primary tasks and responsibilities of the PSIPI are summarized in Figure 8.1.

Figure 8.1 Tasks and responsibilities of the PSIPI



8.1 OFFSITE SURVEILLANCE

In 2024, as part of its offsite surveillance, the PSIPI undertook several activities, including, inter alia, the analysis of the financial and regulatory reports submitted by the insurance companies, insurance brokers, and company pension funds. Also, PSIPI intensified its offsite surveillance on the insurance brokers. In general, this sector faces challenges to comply with the reporting requirements imposed on them.

During the year under review, PSIPI also evaluated requests for approval pursuant to the sectoral supervisory laws regulating insurance companies and company pension funds. The latter requests relate mainly to the appointment of key persons and changes in external auditors.

In 2024, the PSIPI received ten new petitions related to the appointment of key persons from insurance companies, one from an insurance broker, and one from a company pension fund. As per year-end 2024, two requests are still pending (see also Annex 7). Also, eight new petitions were submitted for a change in external auditor: six from insurance companies, one from a company pension fund, and one from an insurance broker (see also Table 8.1).

Table 8.1 Petitions to approve a change in external auditor in 2024

Sector	Insurance companies	Company pension funds	Insurance brokers	Total
Pending as of January 1, 2024	5	-	5	10
New requests	6	1	1	8
Withdrawn requests	-	-	-	-
Rejected requests	-	-	-	-
Approved	11	1	6	18
Pending as of December 31, 2024	-	-	-	-

In 2024, the CBA approved a change in the certifying actuary at a pension fund (see Table 8.2).

Table 8.2 Petitions to approve a change in certifying actuary in 2024

Sector	Life insurance companies	Company pension funds	Total
Pending as of January 1, 2024	-	-	-
New requests	-	1	1
Withdrawn requests	-	-	-
Rejected requests	-	-	-
Approved	-	1	1
Pending as of December 31, 2024	-	-	-

8.2 ONSITE EXAMINATIONS

In 2024, due to (continued) resource constraints, PSIPI only conducted one targeted examination at an insurance company. This examination focused on the adequacy of the coverage ratio, as well as the governance of the investments. Table 8.3 provides an overview of the examinations carried out by PSIPI between 2022-2024.

Table 8.3 Onsite examinations conducted at insurance companies and pension funds between 2022-2024

Sector	2022	2023	2024
Life insurance companies	2	-	1
Nonlife insurance companies	2	-	-
Company pension funds	-	1	-
Total	4	1	1

8.3 PASSING ON OF THE SUPERVISORY COSTS

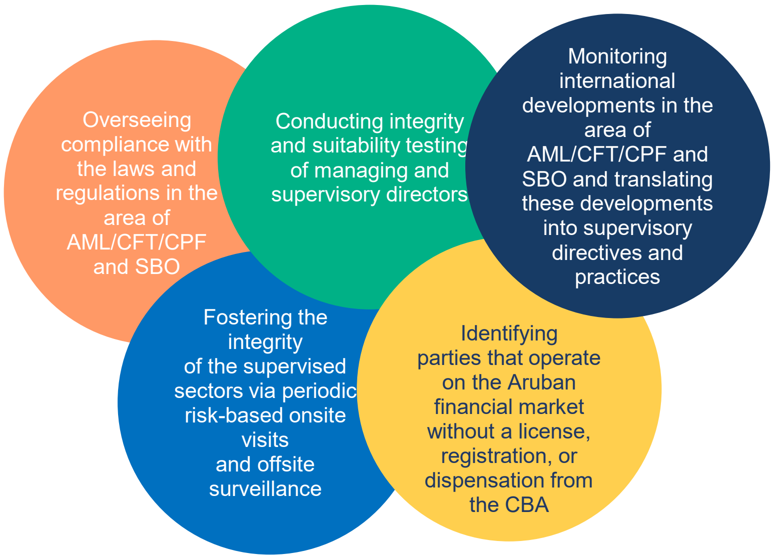
Pursuant to the various sectoral state ordinances and state decrees, the CBA may pass on the incurred supervisory costs, in full or in part, to the supervised entities. Annex 13 contains a breakdown of the supervisory costs passed on to the different sectors supervised by the CBA in 2024, including the insurance and pension fund sectors.

Chapter 9

Integrity supervision

The Integrity Supervision Department (ISD) is responsible for monitoring compliance with the AML/CFT State Ordinance, the Sanctions State Ordinance, and respective sanctions state decrees applicable to financial institutions and DNFBPs. The ISD is also responsible for compliance with the sectoral state ordinances governing the MTCs and TSPs, as well as the provisions outlined in the other sectoral supervisory ordinances related to sound business operations. The primary tasks and responsibilities of ISD are illustrated in Figure 9.1.

Figure 9.1 Primary tasks and responsibilities of the ISD



To assess compliance with the AML/CFT/CPF legislation and the Directive on Sound Business Operations (DSBO), the CBA carried out onsite examinations and conducts ongoing offsite surveillance. Offsite surveillance is done through sector-wide surveys, information requests and through bilateral and sectoral meetings. To stay current with evolving global threats and international developments in the AML/CFT/CPF domain, CBA staff actively participated in several virtual training programs and in-person conferences in the area of AML/CFT/CPF organized by internationally recognized institutions like the (C)FATF, Association of Certified Anti-Money Laundering Specialists (ACAMS), the Association of Certified Sanctions Specialists (ACSS), IMF, and ASBA. The training sessions covered a variety of topics including PF, sanctions regimes, beneficial ownership, cryptocurrency, VAs and VASPs, human trafficking, and emerging trends. These trainings provide the staff with the opportunity to stay updated on the latest trends and international developments in the area of AML/CFT/CPF.

9.1 OFFSITE SURVEILLANCE

In 2024, the CBA continued to actively monitor financial institutions and DNFBPs through a variety of offsite surveillance activities. It conducted general AML/CFT/CPF surveys at various sectors. Additionally, the real estate companies, the tax advisors, the lawyers, and the accountants were requested via questionnaire to provide information on virtual assets and real estate transactions involving share transfers. The main survey results will be communicated to the respective sectors in the second quarter of 2025. The extensive data collected from these surveys provide the CBA with valuable insights, contributing to its ongoing risk-based approach to AML/CFT/CPF supervision.

9.2 ONSITE EXAMINATIONS

The CBA carried out eleven onsite examinations in 2024 in the areas of AML/CFT/CPF and SBO. In total, six examinations were conducted at financial institutions, namely, one at a life insurance company, one at an MTC, one at a credit union and three at the commercial banks.

Additionally, five examinations were carried out at the DNFBPs: one at a trust service provider, two at casinos and two at real estate companies (see Table 9.1).

Table 9.1 Onsite examinations conducted by ISD in 2022-2024

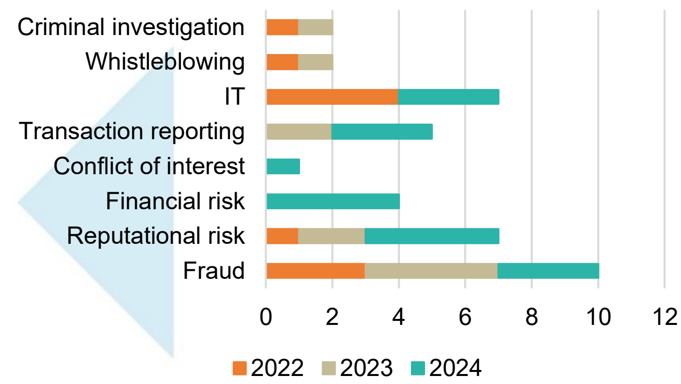
Sector	2022	2023	2024
Credit institutions	-	3	3
Bank-like institutions	1	-	-
Credit Unions	-	-	1
Life insurance companies	1	-	1
Company Pension Fund	-	1	-
Pawnshops	-	-	-
MTCs	-	-	1
DNFBPs	9	10	5
Total	11	14	11

The AML/CFT/CPF onsite examinations focused on key risk areas such as customer due diligence (CDD), reporting of unusual transactions, and ongoing transaction monitoring. Furthermore, the CBA continued assessing the level of compliance with the DSBO. These examinations focused on the handling of conflicts of interest, the policies and procedures regarding whistleblowing, and the reporting of incidents. Annex 8 offers a detailed summary of the breaches identified during the onsite examinations in the areas of AML/CFT/CPF and DSBO. The findings of the onsite examinations were communicated to the examined institutions through “onsite letters”. Additionally, in cases of more severe findings, formal measures were taken (see also annex 12).

Regarding the reporting of incidents, the CBA requires financial institutions to report incidents within 2 workdays (48 hours). Timely reporting enables it to effectively oversee the institution’s actions to mitigate the effects of incidents and prevent their recurrence insofar as possible.

The most frequently reported incidents relate to fraud, reputational issues (including adverse media coverage), and IT-related areas (see Chart 9.1).

Chart 9.1 SBO Incidents reported to the CBA between 2022-2024



9.3 INFORMATION SESSIONS HELD FOR SUPERVISED INSTITUTIONS

The CBA organized seven information sessions and bilateral meetings in 2024: four for banks and three for selected DNFBPs (see Table 9.2). The sessions were conducted in the form of general sessions or (bilateral) meetings with individual institutions or with representative organizations.

Various topics were discussed, including the overall results of the AML/CFT/CPF survey conducted in 2024, the compliance function, transaction monitoring, reporting of unusual transactions to the FIU-Aruba, and training in the area of AML/CFT/CPF. Annex 9 provides an overview per sector of the topics discussed during the information sessions and bilateral meetings held in 2024 with the respective sectors and companies.

Table 9.2 Information sessions and bilateral meetings organized by ISD in 2022-2024

Sector	2022	2023	2024
Credit institutions	1	5	4
Bank-like institutions	-	1	-
Life insurance companies[12]	-	1	-
Company Pension Fund	-	1	-
Credit Unions	2	2	-
Pawnshops	-	2	-
MTCs	2	1	-
DNFBPs	5	4	3
Total	10	17	7

9.4 SANCTIONS

On March 14, 2024, the Sanctions State Decree Iran (AB 2021 no. 141), implementing the UNSCR 2231 (2015) with regard to the targeted financial sanctions against certain persons, entities, and bodies of Iran, was repealed. Hence, it is no longer in force with retroactive effect up to and including October 17, 2023.[13] Note that the Interim State Decree on Priority Sanctions Regime (AB 2019 no. 47), which implements the restrictive measures of the EU regarding Iran, has remained in force.

On April 18, 2024, the Sanctions State Decree Cyber Attacks (AB 2020 no.125), Sanctions State Decree Human Rights Violations (AB 2021 no. 30), and Sanctions State Decree Chemical Weapons (AB 2021 no. 31) were amended and entered into force on April 18, 2024, via a state decree (AB 2024 no. 18).[14] The purpose of these amendments was to include a humanitarian exemption and some amendments of a technical nature.

Additionally on April 18, 2024, an amendment of the Interim State Decree on Priority Sanctions Regimes (AB 2019 no. 47) came into effect. This state decree was adopted to include a humanitarian exemption and add two additional jurisdictions to its Annex: Sudan and Niger. [15]

Subsequently, on May 22, 2024, amendments were also made to Annexes I and II of the Interim State Decree on Priority Sanctions Regimes (AB 2019 no. 47) to include Guatemala, along with Hamas and Palestinian Islamic Jihad.[16]

Furthermore, in 2024, three sanctions packages were adopted by the Council of the European Union (the Council) in light of the Russia's aggression against Ukraine.

[12] Including life insurance brokers.

[13] On October 18, 2023, the targeted financial sanctions on 23 individuals and 61 entities designated on the list established pursuant to the UNSCR 2231 (2015) endorsing the Joint Comprehensive Plan of Action (JCPoA) on Iran were lifted and ceased to apply. Consequently, the Sanctions State Decree Iran (AB 2021 no. 141) was revoked. Reference is made to State Decree repealing Sanctions State Decree Iran (AB 2024 no. 9), available on the CBA's website at: https://www.cbaruba.org/readBlob.do?id=16821.

[14] The subject annexes are included in the Council Implementing Regulation (EU) 2023/500 of March 7, 2023, implementing Regulation (EU) 2020/1998 concerning restrictive measures against serious human rights violations and abuses and Council Decision (CFSP) 2023/501 of March 7, 2023, amending Decision (CFSP) 2020/1999 concerning restrictive measures against serious human rights violations and abuses.

[15] Reference is made to State Decree amending the Interim State Decree on Priority Sanctions Regimes in connection with the insertion of a humanitarian exemption and supplementing Annex I concerning the entries for Sudan and Niger (AB 2024 no. 17), available on the CBA's website at: https://www.cbaruba.org/readBlob.do?id=16815.

[16] Reference is made to State Decree supplementing Annex I and Annex II of the Interim State Decree on Priority Sanctions Regimes concerning the entries for Guatemala, and Hamas and the Palestinian Islamic Jihad (AB 2024 no. 19), available on the CBA's website at: https://www.cbaruba.org/readBlob.do?id=16812.

Also, the Council established a sanctions' framework targeting serious human rights violations in Russia, along with a new sanctions regime in response to hybrid threats from Russia.[17]

The European Union (EU) sanctions packages and sanctions' frameworks, as well as the corresponding amendments, were disseminated to all supervised financial institutions and DNFBPs within a 24-hour timeframe after having received them. The CBA provided the institutions with elaborate information regarding the restrictive measures adopted by the Council, highlighting the newly listed individuals and entities under the EU sanctions. All supervised institutions were instructed to closely monitor the CBA's e-mail updates and to remain up to date on the EU's list of sanctioned persons and entities, which is regularly updated.

9.5 REVISED GUIDANCE NOTE ON PROLIFERATION AND PROLIFERATION FINANCING & AMENDMENT OF THE CBA'S REPORTING PROCEDURE AND FORM SANCTIONS REGULATIONS

In September 2024, the CBA revised its Guidance Note on Proliferation and Proliferation Financing (PF Guidance Note). It provides updated guidance for all supervised financial institutions and DNFBPs on, inter alia, the following topics:

- Threats and vulnerabilities posed by proliferation and its financing;
- PF red flag indicators;
- Countering proliferation financing in conformity with national law and international standards.

The revision also includes additional information on proliferation and its financing (e.g., types and stages of PF, inter(national) standards and obligations to counter PF, and freezing and reporting requirements), along with typologies and cases.

9.6 PASSING ON OF THE SUPERVISORY COSTS

In accordance with the various sectoral state ordinances and state decrees, the CBA is empowered to charge supervised entities the incurred supervisory costs, either partially or in full. Annex 13 contains, amongst other things, the supervisory costs charged to the money transaction companies and the trust service providers supervised by the CBA. As of January 1, 2023, the State Decree on the charging of supervision costs incurred in connection with the execution of the AML/CFT State Ordinance to the Non-Financial Service Providers came into effect. This state decree establishes a legal basis to pass on a portion of the supervision costs related to the implementation of the AML/CFT Ordinance to the DNFBPs. Annex 13 contains an overview of the amounts charged per sector.

[17] In the context of EU's October 2024 sanctions against Russia, hybrid threats include actions such as cyberattacks, disinformation campaigns, economic pressure, election interference, sabotage or covert operations, etc. These hybrid threats refer to a blend of conventional and unconventional tactics used by Russia to further destabilize Ukraine.

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Chapter 10

Enforcement, market entry, and legal advisory

The EML Department works closely with PSDB, PSIPI, ISD, and the Legal Services (LS) Department on enforcement and market entry related matters. It monitors international standards and best practices in the area of enforcement and market entry and, insofar as these are relevant for Aruba, translates these developments into legislative, regulatory, and policy proposals. In addition, EML also fulfills the role of internal legal adviser to the CBA on supervisory and related matters.

The primary tasks and responsibilities of EML are presented in Figure 10.1.

Figure 10.1 Primary tasks and responsibilities of the EML

10.1 ENFORCEMENT

In 2024, the CBA continued its strict oversight of the supervised institutions to foster compliance with the applicable supervisory laws and regulations. In cases where the CBA identifies a situation of noncompliance with the applicable supervisory laws and regulations, informal (a normative conversation or a written warning) or formal measures are considered. The decision whether to apply informal or formal measures depends, among other things, on the seriousness of the breaches found. In case of serious deficiencies, the CBA will apply formal measures including administrative sanctions or administrative fines or penalty charge orders. Both its enforcement policy, as well as the Guidelines for determining the amount of an administrative fine can be found on its website: www.cbaruba.org.

The formal measures that the CBA can take include the following:

a. Issuing a formal direction;
b. Imposing a penalty charge order and/or an administrative fine;
c. Declaring that an auditor or actuary is no longer authorized to certify the annual filings of a credit institution, an insurance company, an insurance broker, a money transfer company, or a company pension fund;
d. Appointing a silent receiver in the case of a credit institution, an insurance company, or a company pension fund;
e. Filing a request to the Court of First Instance to apply the emergency regulations and to appoint one or more administrators (*bewindvoerders*) in the case of a credit institution or insurance company;
f. With respect to company pension funds, requesting the Court of First Instance to appoint an administrator (*bewindvoerder*) in the case of mismanagement, for example;

g. Revoking the license, dispensation, or cancelling the registration; and
h. In addition, the CBA also can report a punishable breach to the Public Prosecutor's Office ("Openbaar Ministerie").

In 2024, the CBA imposed five formal measures for noncompliance with the sectoral supervisory state ordinances and/or the AML/CFT State Ordinance. Annex 12 provides an overview of the number of formal measures imposed per sector during the period 2022-2024 for noncompliance with the sectoral supervisory state ordinances and/or the AML/CFT State Ordinance. During 2024, the CBA also issued four warning letters for noncompliance. The choice for a formal or informal measure depends on the seriousness of the breaches found.

10.2 MARKET ENTRY

Companies wishing to enter Aruba's financial market require permission to do so via a license, dispensation, or registration. The EML Department assesses on the basis of the application and documents, whether all entry requirements have been met and whether the license or dispensation can be granted, or the registration can take place. In 2024, the EML Department processed the following requests in the area of market entry, among others:

- Five requests for a permission concerning a change in the qualifying holding of one credit institution, two insurance companies, and two other entities;
- One request for a license to operate as a credit institution;
- One request from an insurance broker for an expansion of its existing license as an insurance broker;
- One request of a legal entity for a dispensation to grant loans to the public;
- Thirty-one requests from insurance brokers for a dispensation to act as intermediary for insurance contracts with foreign insurance companies not in the possession of a license from the CBA; and
- Two requests for a dispensation to operate as a sales agent for an insurance company.

Additionally, the license of one insurance company was revoked on its own request, as its assets and liabilities were transferred to another insurance company within the group. Fourteen dispensations to operate as a sales agent for an insurance company were withdrawn, due to the termination of the sales agent agreements with the respective insurance companies. The license of one trust company was revoked as it ceased its trust activities. One dispensation of a legal entity was revoked as it obtained a license to operate as a credit institution. Finally, one company was deregistered as a money transaction company, as it ceased its money transaction operations.

Reference is also made to Tables 10.1 through 10.5 for a complete overview of the licenses, dispensations, and permissions granted, as well as revocations during the year under review.

Table 10.1 Requests reviewed and processed in 2024 – Licenses

	Licenses			Total
	Art. 4 SOSCS[18]	Art. 2 SDSIB[19]	Art. 5 SOSIB[20]	
Pending as of January 1, 2024	1	1	-	2
New requests	-	1	-	1
Issued	1	-	-	1
Request discontinued	-	1	-	1
Pending as of December 31, 2024	-	1	-	1

Table 10.2 Requests reviewed and processed in 2024 – Dispensations

	Dispensations				Total
	Art. 4 SOSIB[21]	Art. 27b SOSIB[22]	Art. 10 SOMTC	Art. 48 SOSCS[23]	
Pending as of January 1, 2024	-	-	1	2	3
New requests	3	46	-	1	50
Issued	2	31	-	1	34
Request discontinued	-	1	-	-	1
Pending as of December 31, 2024	1	14	1	2	18

[18] License to pursue the business of a credit institution.
[19] License to act as an insurance broker.
[20] License to engage in the insurance business.
[21] Dispensation to operate as a sales agent for an insurance company.
[22] Dispensation to act as an intermediary in the conclusion, surrender, or payment of an insurance contract with an enterprise or institution domiciled in or outside Aruba, which does not dispose of a license to engage in the insurance business as issued by the CBA.
[23] Dispensation to operate as a finance company, pawnshop and/or mortgage broker.

Table 10.3 Requests reviewed and processed in 2024 - Permissions

	Permissions						Total
	Increase in equity[24]	Change in qualifying holding[25]	Acquisition of assets and liabilities of another entity[26]	Change in activities[27]	Financial reorganization and acquiring a qualifying holding in a new entity[28]	Entering in a subordinated loan[29]	
Pending as of January 1, 2024	-	2	-	-	-	-	2
New requests	-	4	-	2	-	1	7
Issued	-	3	-	1	-	-	4
Request discontinued	-	2	-	-	-	1	3
Pending as of December 31, 2024	-	1	-	1	-	-	2

Table 10.4 Requests reviewed and processed in 2024 – Revocations

	Revocations					Total
	Art. 8 SOSIB	Art. 4 SOSIB	SOSCS	SOSTSP	SOSMTC	
Pending as of January 1, 2024	-	-	-	2	-	2
New requests	1	15	1	-	1	18
Issued	1	14	1	1	1	18
Request discontinued	-	-	-	-	-	-
Pending as of December 31, 2024	-	1	-	1	-	2

Table 10.5 Total requests reviewed and processed in 2024

	Total
Pending as of January 1, 2024	9
New requests	76
Issued	57
Request discontinued	5
Pending as of December 31, 2024	23

[24] Pursuant to article 9 of the SOSCS.
[25] Pursuant to article 17 of the SOSCS, article 14a of the SOSIB (also in conjunction with article 4 of the SDSIB) and article 5a of the SOSTSP.
[26] Pursuant to article 22 of the SOSIB.
[27] Permission for and decision by the CBA to change or expand licensed/dispensated activities.
[28] Pursuant to article 14c of the SOSIB.
[29] Permission required based on conditions set in the license, dispensation or registration of the supervised entity.

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Chapter 11

Key financial developments

This chapter describes the key developments in the financial sector, which comprises commercial banks, bank-like institutions, money transaction companies, life and nonlife insurance companies, and pension funds. Aruba's financial sector continues to grow, with total assets increasing by Afl. 1,523.2 million or 11.0 percent, from Afl. 13,908.3 million in 2022 to Afl. 15,431.5 million in 2024. In 2024, the total assets of the financial sector represented 205.7 percent of GDP, underscoring not only the size but also the importance of the financial sector as a key pillar of economic activity.

Table 11.1 Total assets of the financial sector in Afl. millions and as a percentage of GDP

Total assets of the financial sector in Afl. millions	2022	2023	2024
Banking sector	8,027.9	8,008.2	8,723.1
Life insurance sector	1,700.7	1,799.1	1,938.7
Nonlife insurance sector	347.3	336.7	363.5
Company pension funds (including APFA)	3,832.4	4,106.0	4,406.2
Total financial sector	13,908.3	14,250.0	15,431.5

Total assets of the financial sector as percentage of GDP	2022	2023	2024
GDP (in Afl. millions)	5,847.3	6,745.6	7,503.6
Banking sector	137.3	118.7	116.3
Life insurance sector	29.1	26.7	25.8
Nonlife insurance sector	5.9	5.0	4.8
Company pension funds (including APFA)	65.5	60.9	58.7
Total financial sector	237.9	211.2	205.7

Table 11.2 Number of supervised institutions (at end of period)

Number of supervised institutions within the banking sector	2022	2023	2024
Total	10	9	9
Commercial banks	5	4	4
Bank-like institutions	3	3	3
Credit unions	2	2	2

Number of supervised institutions within the insurance sector	2022	2023	2024
Total	20	18	18
Nonlife insurance companies	10	9	9
Life insurance companies	6	6	6
Captive insurance companies	4	3	3

Number of supervised institutions within the pension fund sector	2022	2023	2024
Company pension funds[30]	7	7	7

Source: CBA.

[30] Including Civil Servants Pension Fund (APFA).

11.1 BANKING SECTOR

As depicted in Table 11.2, the number of credit institutions supervised by the CBA remained unchanged in 2024 compared to 2023. Note that on October 28, 2024, the CBA granted approval to AIB BANK N.V. for the acquisition of Banco di Caribe (Aruba) N.V.

11.1.1 COMMERCIAL BANKS

AGGREGATED BALANCE SHEET, TOTAL OUTSTANDING LOANS, AND TOTAL DEPOSITS

In 2024, the commercial banks' aggregated loan portfolio continued to register double digit growth with a 10.4 percent expansion reaching Afl. 4,282.6 million.

AGGREGATED BALANCE SHEET TOTAL

The commercial banking sector plays a crucial role in Aruba's economy. By the end of 2024, the balance sheet total of the four commercial banks combined was equal to 103.4 percent of Aruba's 2024 GDP, as estimated by the CBA. The commercial banks' aggregated balance sheet total expanded substantially by Afl. 658.5 million or 9.3 percent at year-end 2024 compared to year-end 2023, reaching Afl. 7,756.5 million. On the asset side, the loan portfolio and 'cash & due from banks' grew significantly by Afl. 404.1 million (10.4 percent) and Afl. 309.3 million (12.4 percent), respectively. Investments on the other hand saw a contraction of Afl. 59.7 million or 11.5 percent. On the liability side, total deposits surged by Afl. 532.4 million (9.2 percent), while capital and reserves increased by Afl. 107.1 million (9.2 percent).

AGGREGATED OUTSTANDING LOANS

The total outstanding loans of the commercial banks have grown at an accelerated pace since 2022, with 2024 marking the largest increase in the past five years (see Chart 11.1). Similar to 2023, lending continued to expand robustly in 2024, recording a double-digit growth of 10.4 percent, equivalent to Afl. 404.1 million. The main driver behind this surge in loans in 2024 was the growth in business loans with Afl. 252.5 million or 14.8 percent, largely due to the financing of some large projects in the hotel sector. When excluding these "incidentals", the rise in business loans amounted to Afl. 171.9 million or 10.1 percent. Loans to consumers also contributed to the overall loan expansion with an Afl. 151.6 million or 7.0 percent increase, mainly the result of rises in mortgage loans (Afl. 107.7 million) and consumer credit (Afl. 43.9 million).

Chart 11.1 Aggregated outstanding loans of the commercial banks in Afl. million (at end of period)

Source: CBA: commercial banks; p= preliminary figures.

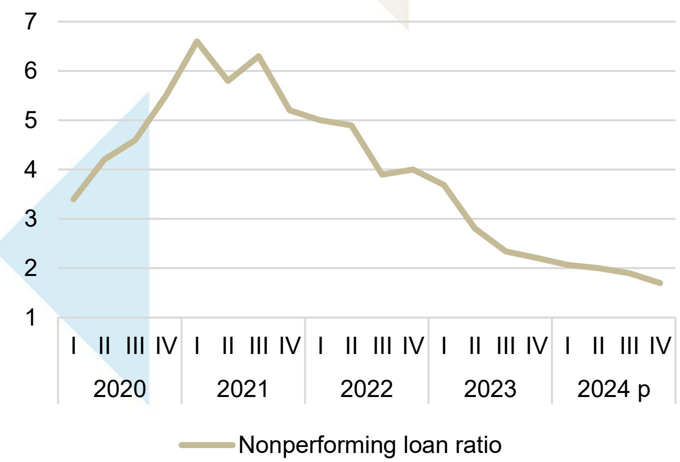
AGGREGATED TOTAL DEPOSITS

The commercial banks are funded primarily by customer deposits, which totaled Afl. 6,350.1 million in 2024, representing nearly 82 percent of the aggregated balance sheet total. Over the past year, deposits registered a rise of Afl. 532.4 million or 9.2 percent, chiefly driven by increases in time deposits (Afl. 344.3 million) and demand deposits (Afl. 138.1 million).

QUALITY OF LOAN PORTFOLIO

The nonperforming loan ratio is a key indicator of asset quality for banks in Aruba, as loans dominate total assets, making credit risk the most prevalent risk. The nonperforming loan ratio, defined as loans past due by more than 90 days (nonperforming loans) relative to total (gross) loans, had improved significantly in the past three years. This ratio had been trending downwards since the last quarter of 2021, reaching 1.2 percent by the end of December 2024 (Chart 11.2). This record low percentage also reflects the strong economic recovery since 2021, fueled by a buoyant growth in Aruba's tourism sector.

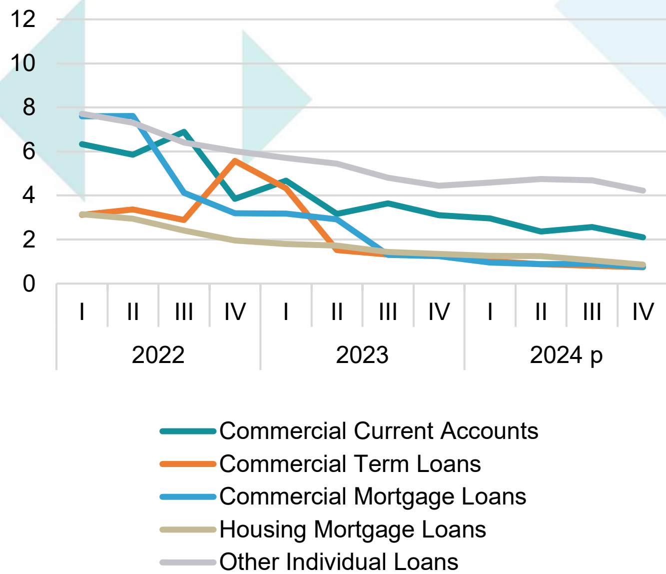
Chart 11.2 Development of the nonperforming loans (gross) to total gross loans of the commercial banks (at end of period and in percentages)



Source: CBA: commercial banks; p= preliminary figures.

At the end of December 2024, total nonperforming loans contracted by Afl. 14.5 million, or 21.4 percent, compared to the previous year. Consumer loans continue to make up the majority of the nonperforming loan portfolio, accounting for 68 percent of the total. However, improvements were noted in the nonperforming loans of both business loans (Afl. 7.9 million) and consumer loans (Afl. 6.5 million). As shown in Chart 11.3, all nonperforming loan categories declined in 2024. Despite the strong loan growth, asset quality remained sound.

Chart 11.3 Development of the nonperforming loans (gross) ratio by loan category of the commercial banks (at end of period and in percentages)



Source: CBA: commercial banks; p= preliminary figures.

KEY RATIOS COMMERCIAL BANKS

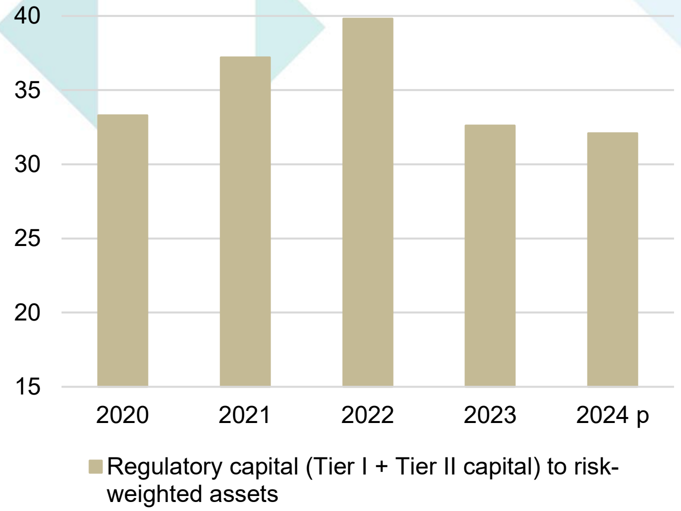
CAPITAL ADEQUACY

The commercial banks' capital buffers remained very solid with a capital adequacy ratio of 32.1 percent at the end of 2024, well above the required minimum of 18.0 percent.

The capital adequacy ratio gauges a bank's financial strength by assessing its capital (Tier I and Tier II) relative to its risk-weighted assets. Throughout the period under review, Aruba's commercial banks remained well-capitalized, consistently exceeding the required minimum. Table 11.3 and Chart 11.4 show its trend over the past five years. The capital adequacy ratio rose sharply from 2020 to 2022 due to the CBA's measures in response to the COVID-19 pandemic, such as dividend restrictions that boosted capital and reserves. This ratio declined in 2023 as these measures were eased and banks resumed dividend payouts. By end-2024, the ratio stood at 32.1 percent, far above the required minimum of 18 percent [31]. Given Aruba's one-sided tourism-dependent economy and resulting vulnerability to external shocks, maintaining strong capital buffers is crucial to absorb potential losses and safeguard the solidity of the financial sector.

[31] The CBA decided to increase the capital adequacy ratio from 16 percent to 18 percent, as of January 1, 2024.

Chart 11.4 Development of the aggregated risk-weighted capital asset ratio of the commercial banks (at end of period and in percentages)



Source: CBA: commercial banks; p= preliminary figures.

Table 11.3 Financial soundness indicators for commercial banks on an aggregated basis (at end of period and in percentages)

	2020	2021	2022	2023	2024p
Capital adequacy					
Regulatory capital (Tier I capital) to risk-weighted assets	27.5	28.6	30.5	23.8	23.3
Regulatory capital (Tier I + Tier II capital) to risk-weighted assets	33.3	37.2	39.8	32.6	32.1
Asset quality					
Nonperforming loans to gross loans	5.0	4.7	3.5	1.7	1.2
Nonperforming loans (net of ALLP[1]) to gross loans	1.1	1.5	1.3	0.2	0.0
Nonperforming loans (net of ALLP) to regulatory capital	3.8	4.5	3.6	0.6	0.0
Profitability					
Return on assets (before taxes)	0.4	2.1	2.3	2.2	2.5
Return on equity (before taxes)	2.7	13.5	14.2	14.5	17.0
Interest margin to gross income	63.3	55.5	51.2	53.6	51.8
Noninterest expenses to gross income	93.5	71.1	69.3	72.1	70.7
Interest rate margin[2)]	4.7	4.7	4.5	4.2	3.4
Liquidity					
Loan-to-deposit ratio	66.8	58.9	58.5	63.7	64.5
Liquid assets to total assets[3)]	33.7	38.0	29.8	25.5	30.4

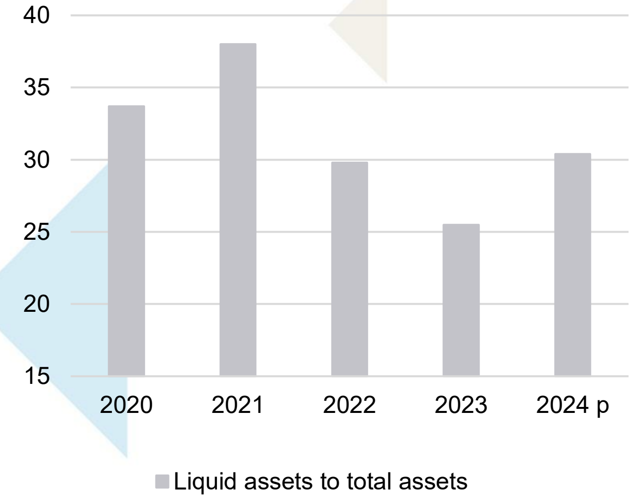
Source: CBA: commercial banks; p= preliminary figures.
1) ALLP= Allocated Loan Loss Provision.
2) Weighted averages related to new loans granted and new deposits during the indicated period.
3) This ratio is the PLR.

LIQUIDITY

Liquidity buffers remained robust during the year under review with the PLR (liquid assets to total assets) rising to 30.4 percent, far above the required minimum of 18 percent.

Chart 11.5 illustrates the development in the PLR in the last five years and also reflect the change in monetary policy stance driven in part by the COVID-19 pandemic. During 2020-2021, the temporary monetary relief measures aimed at providing additional free liquidity to the commercial banking sector to ensure continuation of the lending activities and herewith to support businesses and households during the pandemic. With the recovery of the Aruban economy, the CBA tightened its monetary policy by significantly increasing the Reserve Requirement (RR)[32] rate in 2022. The RR rate rose gradually from its pre-pandemic level of 12.0 percent as of December 2021 up to 25.0 percent by the end of 2022, leading to a decrease in the PLR. Hereafter, during 2023, the RR rate remained elevated between the level of 25.5 and 22.0 percent. The RR rate went from 22.0 percent in as per the beginning of 2024 to 15.5 percent by the end of 2024. This significant reduction in the RR rate resulted in an increase in liquidity for the commercial banks amounting to Afl. 279.7 million, representing a 25.3 percent rise in free liquidity for the commercial banks. This liquidity injection in the commercial banking sector also contributed to the higher PLR in 2024, reaching 30.4 percent at the end of 2024.

Chart 11.5 Development of the aggregated prudential liquidity ratio of the commercial banks (at end of period and in percentages)



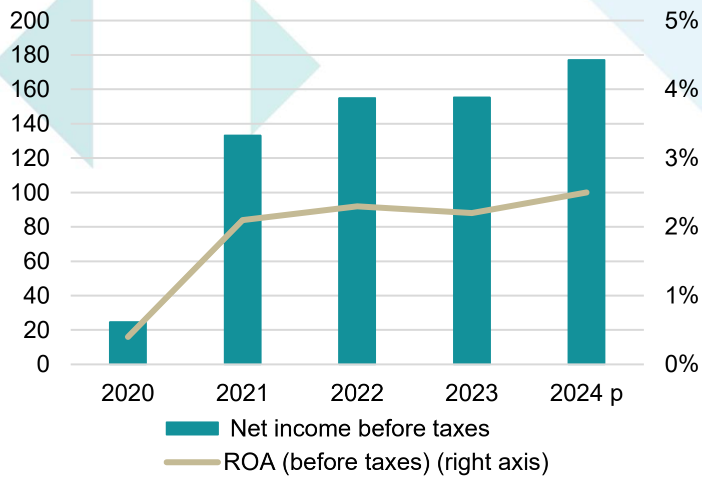
Source: CBA: commercial banks; p= preliminary figures.

PROFITABILITY

The commercial banks continued to record high levels of profitability as shown in Table 11.3 and Chart 11.6. After a sharp decline in profitability in 2020, due to the COVID-19 pandemic and the consequent significant loan loss provisions that needed to be formed, the commercial banks swiftly recovered, due to the rapid economic recovery that also spurred the release of the pandemic-related loan loss provisions. In 2024, banks reported a net income (before taxes) of Afl. 177.0 million and a return on assets (before taxes) of 2.5 percent, reflecting increases of 14.1 percent and 0.3 percentage points, respectively, compared to 2023.

[32] The reserve requirement rate, the CBA's primary monetary tool, requires the commercial banks to maintain account balances at the CBA based on a percentage of their customer deposits. The reserve requirement balances held at the CBA are excluded from the PLR calculation.

Chart 11.6 Development of the profitability, net income before taxes (in Afl. million) and return on assets before taxes (in percentages) of the commercial banks (at end of period)



Source: CBA: commercial banks; p= preliminary figures.

Net interest income, the difference between interest earned on loans and interest paid on deposits, rose by Afl. 13.6 million (5.7 percent) compared to 2023.

This growth was largely propelled by higher interest income from loans and investments of Afl. 27.0 million (9.3 percent), which dampened the Afl. 13.4 million (27.4 percent) increase in interest expenses.

The net interest income to gross income ratio, which indicates the share of interest income in total income generated by banks, declined by 1.8 percentage points to 51.8 percent in 2024, continuing an overall downward trend witnessed over the past five years. This overall declining trend is mainly caused by two key factors: the growing contribution of other income sources such as fees and commissions, and the rising interest expenses.

This rise in interest expenses is also reflected in the banks' interest rate margin (see Table 11.3). While the weighted average interest rate on new loans remained stable at around 6.0 percent over the past five years, the weighted average interest rate on new deposits rose from 2.0 percent to 3.0 percent in 2024. As a result, the interest rate margin (on new loans and deposits) narrowed to 3.4 percent in 2024, down from 4.2 percent in 2023.

The efficiency of banks improved in 2024, as the total non-interest expenses to gross income ratio declined by 1.4 percentage points to 70.7 percent, indicating that operating expenses took a smaller share of total income. This improvement was primarily fueled by a 9.0 percent increase in total operating income (Afl. 41.8 million), which helped offset the 7.2 percent rise in non-interest expenses (Afl. 23.3 million). The latter was mainly attributed to higher general expenses and salaries.

11.1.2 BANK-LIKE INSTITUTIONS

AGGREGATED BALANCE SHEET TOTAL

The bank-like institutions' aggregated balance sheet total reached Afl. 966.6 million as per year-end 2024, equivalent to 13.0 percent of Aruba's 2024 GDP, as estimated by the CBA.

Bank-like institutions consist of non-deposit-taking entities that engage in activities such as mortgage lending, consumer and commercial financing, and investment banking services.

As of year-end 2024, the aggregated balance sheet total of the bank-like institutions increased by Afl. 56.4 million (6.2 percent) to Afl. 966.6 million compared to the end of 2023. This growth was primarily attributed to a rise in cash and due from banks (Afl. 27.8 million), loans (Afl.18.4 million) and other assets (Afl. 11.3 million).

Commercial loans accounted for nearly all the growth in the loan portfolio. In terms of liabilities, funds borrowed increased by Afl. 41.7 million or 11.4 percent in 2024 compared to a year earlier. Bank-like institutions primarily rely for their funding on borrowings from third parties, mainly institutional investors and from affiliated entities.

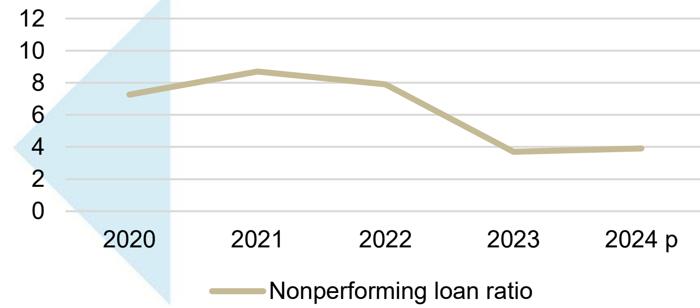
KEY RATIOS BANK-LIKE INSTITUTIONS

ASSET QUALITY

Chart 11.7 and Table 11.4 illustrate the notable improvement in the asset quality of the bank-like institutions over the past two years, with the nonperforming loan ratio declining from the elevated Covid-19 pandemic-related level of 8.7 percent in 2021 to 3.7 percent in 2023, and remaining relatively stable at 3.9 percent in 2024.

The marginal increase of 0.2 percentage point in 2024 was attributed to a rise of Afl. 1.5 million in nonperforming loans, mostly in the consumer credit category.

Chart 11.7 Development of nonperforming loans (gross) to total gross loans ratio of the bank-like institutions (at end of period and in percentages)



Source: CBA: bank-like institutions; p= preliminary figures.

Table 11.4 Financial soundness indicators for bank-like institutions on an aggregated basis (at end of period and in percentages)

	2020	2021	2022	2023	2024p
Capital adequacy					
Regulatory capital (Tier I capital) to risk-weighted assets	54.6	55.9	56.4	55.4	57.3
Regulatory capital (Tier I + Tier II capital) to risk-weighted assets	59.6	61.3	62.9	62.1	63.0
Asset quality					
Nonperforming loans to gross loans	7.3	8.7	7.9	3.7	3.9
Nonperforming loans (net of ALLP) to gross loans	5.4	6.9	6.3	2.1	2.4
Nonperforming loans (net of ALLP) to regulatory capital	6.2	7.5	6.4	2.3	2.6
Profitability					
Return on assets (before taxes)	1.2	2.3	3.1	3.5	2.5
Return on equity (before taxes)	2.2	4.0	5.4	6.4	4.6
Interest margin to gross income	66.1	58.6	63.3	57.5	57.4
Noninterest expenses to gross income	86.1	78.2	68.4	65.3	71.2

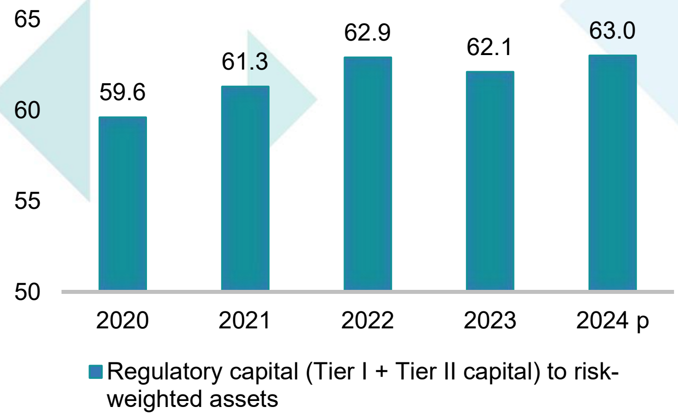
Source: CBA: bank-like institutions; p= preliminary figures.

CAPITAL ADEQUACY

The aggregated regulatory capital-to-risk-weighted assets ratio of the bank-like institutions remained robust at 63.0 percent by year-end 2024, far above the required minimum of 16 percent.

Table 11.4 and Chart 11.8 illustrate the strong capital levels and buffers maintained by the bank-like institutions. Over the past five years, these institutions have consistently maintained solid regulatory capital ratios (Tier I and Tier II) relative to risk-weighted assets. In 2024, the regulatory capital to risk-weighted assets ratio edged up by 0.9 percentage points to 63.0 percent, remaining far above the required minimum of 16 percent. This increase was the result of an Afl. 19.5 million or 4.4 percent increase in total regulatory capital, and an Afl. 21.1 million or 2.9 percent growth in total risk-weighted assets. The higher regulatory capital reflects the positive net result recorded by the bank-like institutions, while the expansion in risk-weighted assets is mostly related to the rise in the commercial loan portfolio which bear a higher risk-weight for credit risk compared to other loan categories.

Chart 11.8 Regulatory capital (Tier I + Tier II capital) to risk-weighted assets of the bank-like institutions (at end of period and in percentages)



Source: CBA: bank-like institutions; p= preliminary figures.

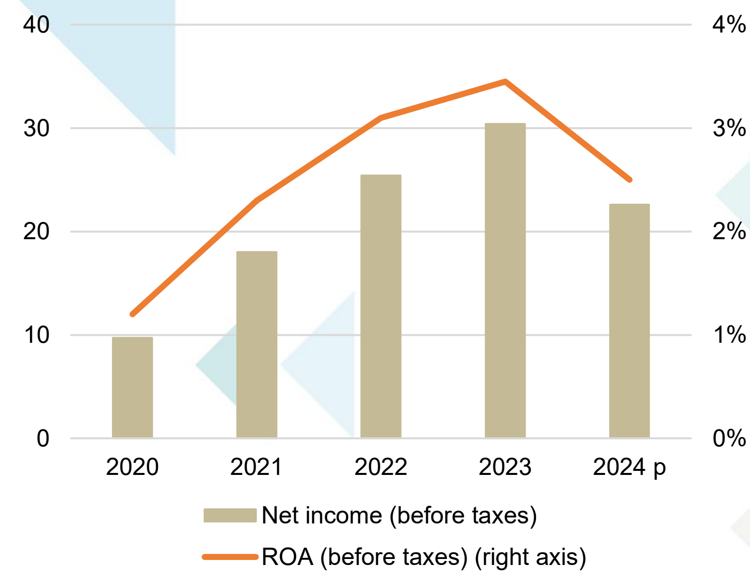
PROFITABILITY

As shown in Chart 11.9, the profitability of the bank-like institutions followed an upward trend from 2020 to 2023, but declined in 2024. Net income (before taxes) fell by Afl. 7.8 million compared to 2023, decreasing from Afl. 30.4 million to Afl. 22.6 million at the end of December 2024. Consequently, the return on assets (before taxes) declined from 3.5 percent in 2023 to 2.5 percent in 2024. This reduction in profitability stems mostly from declines in net interest income (Afl. 2.9 million) and fees and commissions (Afl. 2.8 million).

The interest margin to gross income ratio indicates the portion of the bank-like institutions' income that is generated by the lending activities. This ratio remained practically unchanged as it went from 57.5 percent in 2023 to 57.4 percent in 2024, the result of an Afl. 2.9 million or 6.4 percent decrease in net interest income and an Afl. 5.0 million or 6.3 percent contraction in gross income. The drop in net interest income was due largely to an increase in interest expenses of Afl. 3.6 million or 18.8 percent.

The noninterest expenses to gross income ratio rose by 5.9 percentage points to 49.9 percent in 2024, due to the decline in gross income mentioned earlier and the increase in total non-interest expenses of Afl. 1.2 million or 2.3 percent.

Chart 11.9 Development of the net income before taxes (in Afl. million) and return on assets before taxes (in percentages) of the bank-like institutions (at end of period)



Source: CBA: bank-like institutions; p= preliminary figures.

11.2 MONEY TRANSACTION COMPANIES

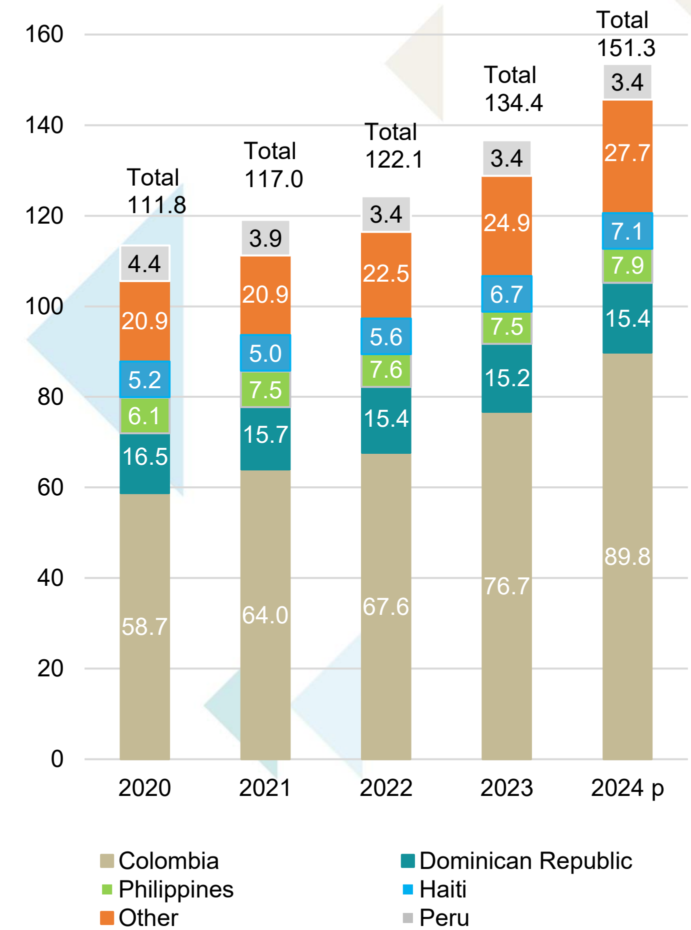
At the end of 2024, three money transaction companies were registered in Aruba, of which only two were operational.[33]

11.2.1 OUTGOING MONEY TRANSFERS

The total amount of outgoing money transfers increased by Afl. 16.9 million from Afl. 134.4 million in 2023 to Afl. 151.3 million in 2024.

A large share of Aruba's workforce consists of foreign workers, mainly from South America. Many of these workers send a part of their earnings back to their home countries. Between 2016 and 2019, the volume of outgoing money transfers showed consistent growth. However, in 2020, outgoing transfers declined by Afl. 32.0 million or 22.3 percent compared to the previous year. This decrease was largely due to the economic downturn in Aruba caused by the COVID-19 pandemic, which resulted in fewer job opportunities, lower wages, and foreign exchange restrictions. From 2021 onward, outgoing money transfers began to rise again as economic activities picked up, while the COVID-19-related foreign exchange remittance restrictions were gradually lifted. In 2024, Colombia remained the top destination for outgoing money transfers, receiving around 59.3 percent (equivalent to Afl. 89.8 million) of the total transfers (see Chart 11.10).

Chart 11.10 Outgoing money transfers by countries of destination (in Afl. million)



Source: CBA: money transfer companies; p= preliminary figures.

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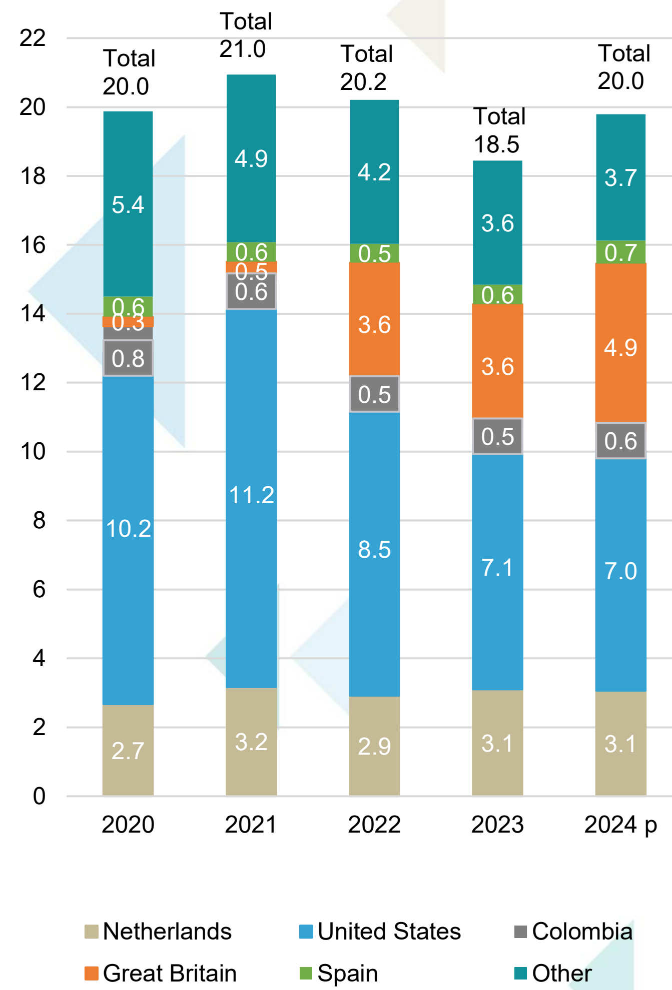
33 One MTC had its license to conduct activities in the money transfer business withdrawn at its own request as of June 2024.

11.2.2 INCOMING MONEY TRANSFERS

The total amount of incoming money transfers increased by Afl. 1.5 million to Afl. 20.0 million in 2024, up from Afl. 18.5 million in 2023.

Since 2020, the volume of incoming money transfers has remained relatively stable, fluctuating around Afl. 20 million. The majority of the incoming transfers in 2024 originated from the U.S., accounting for around 35.0 percent (equivalent to Afl. 7.0 million of all incoming transfers (Chart 11.11).

Chart 11.11 Incoming money transfers by countries of origin (in Afl. million)



Source: CBA: money transfer companies; p= preliminary figures.

11.3 INSURANCE COMPANIES

As of year-end 2024, the CBA supervised a total of 18 insurance companies, encompassing nonlife, life, and captive insurers. The number of insurance companies declined by one compared to year-end 2023. On December 19, 2024, Elvira Verzekeringen N.V.'s license to conduct nonlife insurance business was withdrawn at its own request, as its insurance activities were brought under Fatum's nonlife insurance business.

11.3.1 NONLIFE INSURANCE COMPANIES

AGGREGATED BALANCE SHEET TOTAL AND NET PREMIUM PER INDEMNITY LINE

The combined assets of the nonlife insurance sector amounted to Afl. 363.5 million at the end of 2024, equivalent to 4.8 percent of Aruba's 2024 GDP, as estimated by the CBA.

AGGREGATED BALANCE SHEET TOTAL

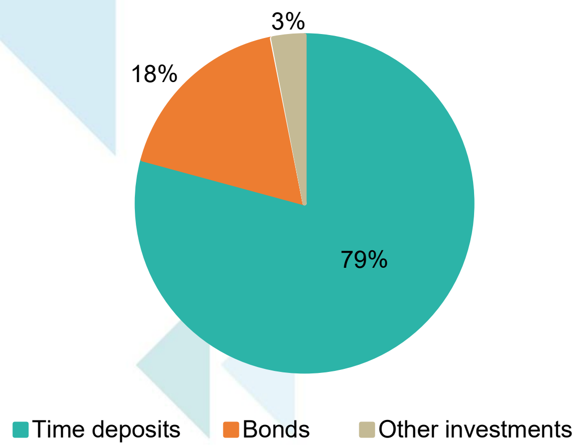
The nonlife insurance companies' aggregated balance sheet increased by Afl. 26.8 million, or 8.0 percent, to Afl. 363.5 million at the end of 2024. This increase was for a substantial part related to a rise of Afl. 15.1 million, or 12.6 percent, in current assets and an Afl. 10.0 million or 5.3 percent surge, in investments.

The investments steadily increased since 2020. At the end of 2020, investments stood at Afl. 172.9 million and rose to Afl. 198.5 million by year-end 2024.

In the period of 2020-2024, the investments in time deposits grew from Afl. 125.8 million to Afl. 157.3 million, increasing its share from 72.7 percent to 79.2 percent of the total investment portfolio.

Conversely, the share of bonds decreased from 22.7 percent to 17.7 percent in the last 5 years, while the share of other investments gradually rose from 2.0 percent in 2020 to 3.0 percent by year-end 2024. Between 2020 and 2023, participation in commercial loans fluctuated between Afl. 4.2 million and Afl. 6.9 million. However, in 2024, this type of loan category plummeted to Afl. 0.2 million. Chart 11.12 shows the investment composition of the nonlife insurance sector at year-end 2024.

Chart 11.12 Investments by nonlife insurance companies at year-end 2024

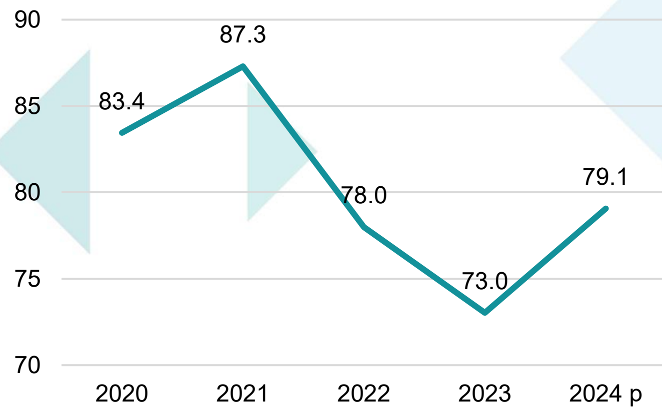


Source: CBA: nonlife insurance companies (preliminary figures).

NET EARNED PREMIUMS

The net earned premiums over the years from 2020 to 2024 showed a fluctuating trend, with notable declines in 2022 and 2023, due to the compulsory Covid-19 health insurance for incoming tourists up to and including 2021. The preliminary figures for 2024 showed a slight recovery, but the net earned premiums remained below the levels seen in 2020 and 2021 (Chart 11.13).

Chart 11.13 Net earned premiums of the nonlife insurance companies (in Afl. million)



Source: CBA: nonlife insurance companies; p= preliminary figures.

NET EARNED PREMIUMS PER INDEMNITY LINE

Despite recording recoveries in the last 2 years, the motor vehicle indemnity line remained below the level recorded in 2019. In 2019, the motor vehicle indemnity line reached Afl. 52.6 million, the highest net earned premium recorded for this indemnity line.

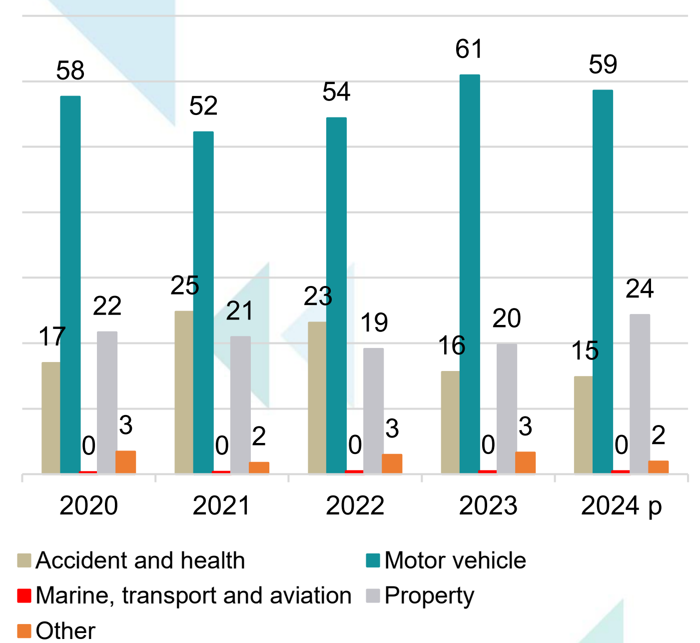
In 2021 and 2022, the net earned premiums of this indemnity line decreased by a total amount of Afl. 5.7 million or 11.8 percent, falling from Afl. 48.1 million at the end of 2020 to Afl. 42.4 million at the end of 2022.

In 2024, the net earned premiums for accident and health insurance experienced a modest increase of Afl. 0.3 million, or 2.9 percent, following significant declines in 2022 and 2023, as a result of the ending of the compulsory tourist health insurance imposed by the Government of Aruba related to the COVID-19 pandemic.

By the end of 2024, net earned premiums for property recorded an increase of Afl. 4.8 million, or 33.0 percent, compared to the previous year. This growth offsets the declines observed in the period 2021 and 2023, during which property reinsurance costs rose significantly.

Net premiums received from motor vehicle insurance remained the main source of income for nonlife insurance companies in 2024, comprising 59 percent of the total net earned premiums in that year (Chart 11.14).

Chart 11.14 Net earned premium by indemnity line of the nonlife insurance companies (in percentages)



Source: CBA: nonlife insurance companies; p= preliminary figures.

KEY RATIOS FOR THE NONLIFE INSURANCE SECTOR

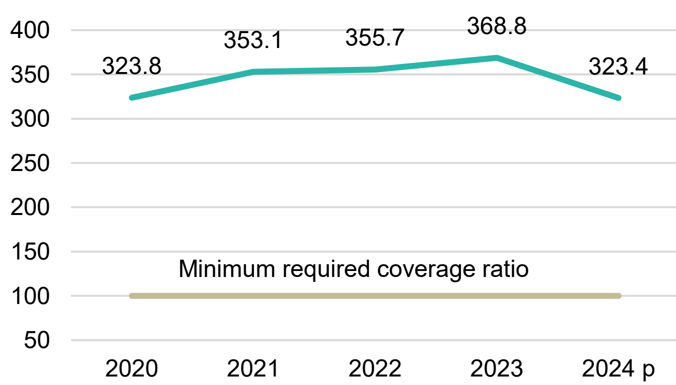
COVERAGE TEST RATIO (CTR)

The CTR of the nonlife insurance sector decreased by 41.4 percentage points to 323.4 percent at year-end 2024 but remained far above the regulatory minimum of 100 percent.

All nonlife insurance companies continued to comply with the minimum CTR requirement of 100 percent.

The CTR of the nonlife insurance companies increased from 323.8 percent in 2020 to 364.8 percent in 2023, representing a rise of 41.0 percentage points (see Table 11.5 and Chart 11.15). However, this trend reversed in 2024 as it declined by 41.4 percentage points to 323.4 percent, returning to the 2020-level. This decline was attributed to a growth of 21.9 percent in the 'technical provisions' in 2024, due to an increase in claims at year-end.

Chart 11.15 Combined CTR nonlife insurance companies (at end of period and in percentages)



Source: CBA: nonlife insurance companies; p= preliminary figures.

RETURN ON INVESTMENT RATIO

In general, the return on investment for the nonlife insurance sector is lower compared to the life insurance sector, as a substantial portion of the investment portfolios of the nonlife insurers consists of (local) time deposits, which yield relatively lower returns compared to other investment categories.

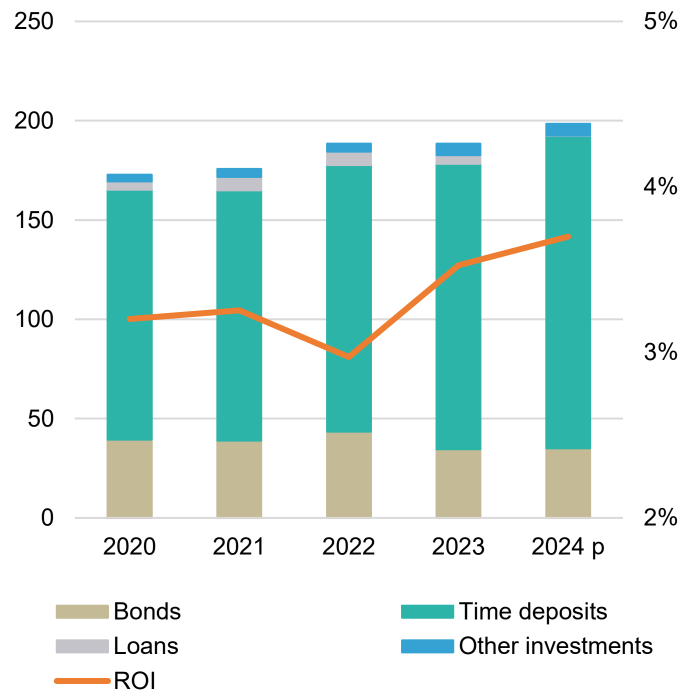
Table 11.5 Financial soundness indicators for nonlife insurance companies on an aggregated basis (at end of period and in percentages)

In percentages	2020	2021	2022	2023	2024p
CTR[1]	323.8	353.1	355.7	364.8	323.4
Return on investment ratio[2]	3.2	3.3	3.0	3.5	3.7
Liquidity ratio[3]	38.4	42.0	39.4	37.5	38.8
Net income before taxes[4]	30.5	28.1	26.0	13.3	8.7

Source: CBA: nonlife insurance companies; p= preliminary figures.
1) Weighted assets less current liabilities (excluding affiliated companies) to technical provisions.
2) Investment income to average invested assets.
3) Current assets to total assets.
4) In Afl. million.

Nevertheless, in 2024, the average interest rate for time deposits at local commercial banks increased. For deposits of 12 months or less, the average rate rose from 2.2 percent during 2023 to 2.8 percent during 2024. For deposits longer than one year, the average interest yield during 2024 grew even more, from i.e., 2.9 percent during 2023 to 3.9 percent during 2024. Chart 11.16 illustrates the development of the return on investment over the period 2020-2024.

Chart 11.16 Total Investments (in Afl. million) and return on investment ratio (in percentages) of the nonlife insurance companies (at end of period)



Source: CBA: nonlife insurance companies; p= preliminary figures.

LIQUIDITY RATIO

Table 11.5 shows some fluctuations in the liquidity ratio from 2020 to 2024. Yet the overall trend remained quite stable. This ratio consistently stayed within the range of 37.5 to 42.0 percent.

PROFITABILITY

Over the past five years, nonlife insurance companies had seen significant changes in their net income before taxes. In 2020, a net income of Afl. 28.1 million was recorded. However, in 2023, this amount fell to Afl. 8.6 million, a decline of Afl. 19.5 million, or 69.4 percent, compared to 2020. This was partially attributed to a 5.1 percent decrease in total income during this period. Also, the rising total expenses from Afl. 68.1 million at the end of 2020 to Afl. 82.7 million by year-end 2023, drove this fall in the net income before taxes. Note in this regard also that management costs increased by Afl. 10.7 million, or 34.0 percent, from Afl. 31.5 million in 2020 to Afl. 42.2 million in 2023.

The figures for 2024 show positive signs of improvement in the results of the nonlife insurance companies. Net income before taxes rose by Afl. 6.3 million to Afl. 15.0 million by year-end 2024. This was caused by an increase of Afl. 8.9 million or 34.2 percent, in total income to Afl. 100.3 million, while the total expenses grew by only Afl. 2.6 million, or 3.1 percent, to Afl. 85.3 million.

11.3.2 LIFE INSURANCE COMPANIES

The combined assets of the life insurance sector stood at Afl. 1,938.7 million at year-end 2024, equivalent to 25.8 percent of Aruba's 2024 GDP, as estimated by the CBA.

AGGREGATED BALANCE SHEET TOTAL

The life insurance sector's aggregated balance sheet total expanded steadily over 2020–2024, from Afl. 1,545.9 million at year-end 2020 to Afl. 1,938.7 million at year-end 2024, an expansion of Afl. 392.8 million, or 25.4 percent. Primarily the result of sharp increase in the investment of this sector.

The total investments rose by Afl. 294.5 million, or 21.9 percent, over the past five years, increasing from Afl. 1,342.3 million at the end of 2020 to Afl. 1,636.8 million at year-end 2024.

In 2024, the life insurance sector's investments grew by Afl. 55.4 million, or 3.5 percent compared to 2023. However, this growth rate was substantially slower compared to the growth in 2023, when investments increased by Afl. 134.9 million or 9.3 percent. Chart 11.17 reflects the composition of the investments at year-end 2024.

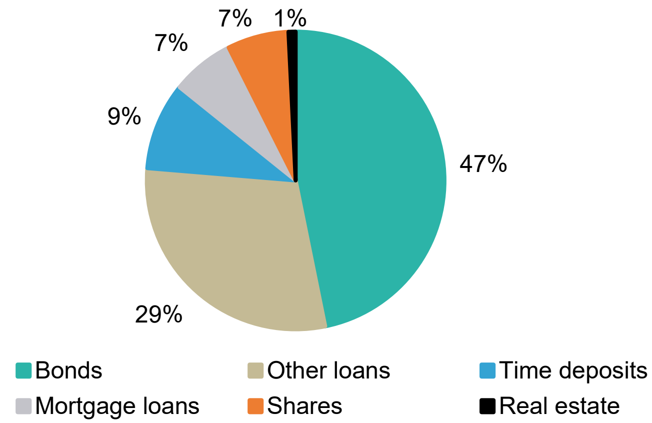
In 2024, investments in bonds continued to dominate the investment portfolio, accounting for 47 percent of the total investments while 77.6 percent of the total investments are local investments. Foreign investments totaled Afl. 366.4 million, equal to 22.4 percent of the overall investment portfolio. This share is nearly equal to the 22.5 percent at year-end 2023.

The investment class 'Other loans,' which encompasses among other, participating in consortium loans, accounted for 29 percent of the total investments.

Investments in this category saw a significant hike of Afl. 69.5 million, or 16.8 percent in 2024 compared to 2023. “Other loans” were the fastest-growing investment category in 2024, both in absolute and relative terms.

Conversely, investments in time deposits fell by Afl. 21.5 million or 12.2 percent, decreasing from Afl. 176.3 million at the end of 2023 to Afl. 154.8 million by year-end 2024, while their share in the total investment portfolio dropped from 11 percent to 9 percent.

Chart 11.17 Investments of the life insurance companies at year-end 2024



Source: CBA: life insurance companies (preliminary figures).

In 2024, the investments in shares increased by Afl. 13.0 million, or 13.5 percent, making them the second-fastest-growing investment category in 2024, both in absolute and relative terms. As a result, the share of this investment category grew from 6 percent in 2023 to 7 percent in 2024 of the total investments.

The technical provisions reflect the discounted future liabilities toward policyholders and dominate the liability side of the balance sheet of life insurance companies. Over the last five years, technical provisions grew steadily, increasing from Afl. 1,303.2 million at the end of 2020 to Afl. 1,646.0 million by year-end 2024, a 26.3 percent growth over this period. In 2024, the technical provisions grew with 7.1 percent compared to 2023.

During 2020-2024, capital and reserves expanded from Afl. 179.3 million in 2020 to Afl. 218.1.0 million in 2024, despite a reduction of Afl. 25.4 million or 12.3 percent recorded in 2022. This drop in 2022 was primarily caused by fair value losses on the international bond portfolio.

In 2023, capital and reserves showed a 12.9 percent recovery compared to 2022, reaching Afl. 205.5 million. This positive trend continued in 2024. At the end of 2024, the capital and reserves reached Afl. 218.1 million.

KEY RATIOS OF THE LIFE INSURANCE SECTOR

COVERAGE TEST RATIO (CTR)

At year-end 2024, the minimum CTR for life insurance companies was set at 100 percent. However, this minimum CTR requirement will increase to 110 percent over the course of a 5-year period via a gradual 2 percent annual increase starting January 2025.

The CTR of the life insurance sector stood at 109.0 percent at year-end 2024, which is well above the regulatory minimum of 100.0 percent at year-end 2024.

As illustrated in Table 11.6 and Chart 11.18, the CTR experienced little movement during 2020-2024, ranging between the lower bound of 108.7 percent in 2023 and the higher bound of 111.4 percent in 2021.

Table 11.6 Financial soundness indicators of the life insurance sector (at end of period and in percentages)

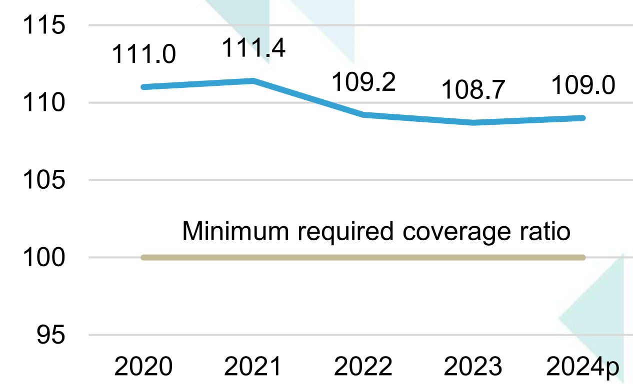
	2020	2021	2022	2023	2024p
Coverage ratio[1]	111.0	111.4	109.2	108.7	109.0
Return on investment ratio[2]	4.9	5.2	4.0	5.7	5.9
Liquidity ratio[3]	11.7	12.6	13.5	9.9	13.1
Net income before taxes[4]	22.3	38.5	-3.9	16.6	24.1

Source: CBA: life insurance companies; p= preliminary figures.

1) Weighted assets less current liabilities (excluding affiliated companies) to technical provisions.
2) Investment income to average invested assets.
3) Current assets to total assets.
4) In Afl. million.

In 2024, a slight growth of 0.3 percentage point was registered compared to 2023, as the eligible assets held by life insurance companies to cover the technical provisions grew somewhat faster than the technical provisions (sum of the discounted future liabilities toward policyholders) itself.

Chart 11.18 Combined CTR of the life insurance sector (at end of period and in percentages)

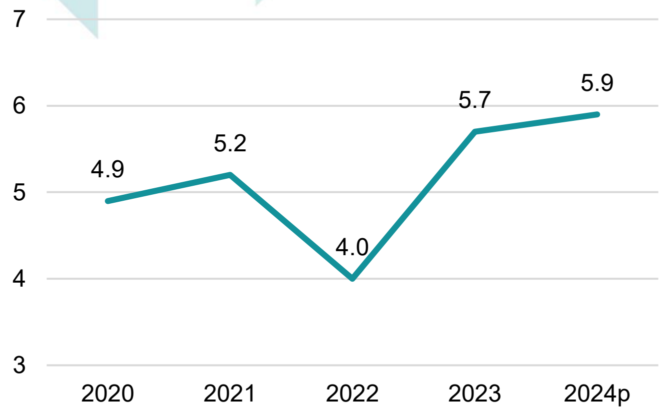


Source: CBA: life insurance companies; p= preliminary figures.

RETURN ON INVESTMENT RATIO

The return-on-investment (ROI) ratio showed stable outcomes from 2020 to 2024, hovering between 4.0 percent and 5.9 percent (chart 11.19).

Chart 11.19 Return on investment ratio of the life insurance sector (at end of period and in percentages)



Source: CBA: life insurance companies; p= preliminary figures.

LIQUIDITY RATIO

The liquidity ratio varied between 9.9 percent and 13.5 percent from 2020 to 2024 (see table 11.6). Notably, in 2023, there was a significant decline of 3.6 percentage points in the liquidity ratio. This decrease was primarily due to a reduction of Afl. 51.1 million or 22.2 percent in current assets, falling from Afl. 230.5 million at the end of 2022 to Afl. 179.4 million at the end of 2023. However, in 2024, the current assets rebounded to Afl. 253.5 million, an increase of 41.3 percent compared to year-end 2023, pushing up the liquidity ratio to 13.1 percent at year-end 2024.

PROFITABILITY

The net profits of the life insurance companies showed significant variation in the period 2020-2024. The net income before taxes increase of the life insurance sector fluctuated between a loss of Afl. 3.9 million and a profit of Afl. 38.5 million during this period. This loss of Afl. 3.9 million in 2022 was related to a reduction in the investment income of Afl. 14.6 million and substantial expansion in the operating expenses and the technical provisions compared to 2021.

The results for the life insurance sector rebounded in 2023 and 2024, achieving a net profit before tax of Afl. 16.6 million and Afl. 24.1 million, respectively. This improvement was primarily due to an increase in investment income. While investment income stood at Afl. 56.4 million in 2022, it rose by Afl. 30.0 million in 2023 and by an additional Afl. 8.8 million in 2024, reaching an investment income of Afl. 95.2 million in 2024.

11.4 COMPANY PENSION FUNDS[34]

The number of company pension funds (including APFA) supervised by the CBA stayed at seven at year-end 2024.

At year-end 2024, the net coverage ratio (including a buffer for possible losses on the investment portfolio) of all company pension funds was 110.5 percent, well above the required minimum of 100 percent applicable at year-end 2024.

Note that this required minimum will gradually increase with one percentage point on an annual basis during the period 2025 – 2029 until it reaches 105 percent.

11.4.1 AGGREGATED BALANCE SHEET TOTAL, TECHNICAL PROVISIONS, AND CAPITAL AND RESERVES

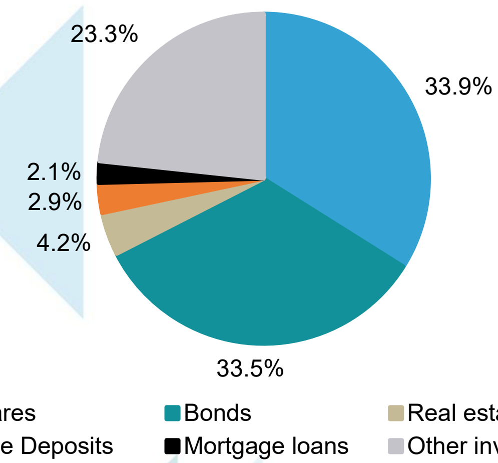
The combined assets of the company pension funds were Afl. 654.8 million, equivalent to 8.7 percent of Aruba's 2024 GDP, as estimated by the CBA.

AGGREGATED BALANCE SHEET TOTAL

The aggregated balance sheet total of the five company pension funds (excluding APFA and the Lago Annuity Foundation, whose pension obligations are covered by a guarantee of the parent company), widened by Afl. 61.7 million or 10.4 percent, from Afl. 593.1 million in 2023 to Afl. 654.8 million in 2024. This was primarily driven by the positive developments in foreign investments of the company pension funds in 2024.

The majority of the investments of the company pension funds were kept in shares (33.9 percent), bonds (33.5 percent), and other investments (23.3 percent). Afl. 209.9 million or 34.0 percent of the investments of the company pension funds were held in foreign assets in 2024. Chart 11.20 displays the composition of the investments at year-end 2024.

Chart 11.20 Investments of the company pension funds at year-end 2024



Source: CBA: company pension funds (preliminary figures).

TECHNICAL PROVISIONS

Over the past five years, the combined technical provisions of the five company pension funds rose gradually by Afl. 29.9 million or 5.9 percent from Afl. 507.5 million at year-end 2020 to Afl. 537.4 million at year-end 2024, Table 11.7 shows the number of participants in the company pension funds. At year-end 2024 the number of participating companies was 229, i.e., a net increase of eleven companies compared to 2023.

[34] Note that the developments in this section do not include the Civil Servants Pension Fund (APFA).

Table 11.7 Number of participants in the company pension funds (at end of period)

	2020	2021	2022	2023	2024p
Participants	7,529	7,433	7,786	8,277	8,844
Inactive participants	7,951	8,591	9,428	10,217	10,769
Pensioners	1,010	1,149	1,149	1,262	1,402
Total	16,490	17,173	18,363	19,756	21,015

Source: CBA: company pension funds; p=preliminary figures.

CAPITAL AND RESERVES

The capital and reserves of the company pension funds grew by Afl. 22.5 million during 2020-2024, rising from Afl. 91.1 million in 2020 to Afl. 113.6 million in 2024. In 2024, the capital and reserves of the company pension funds also increased by Afl. 22.6 million, expanding from Afl. 91.0 million to Afl. 113.6 million. This was driven primarily by the strong investment performance of the company pension funds.

11.4.2 KEY RATIOS COMPANY PENSION FUNDS

COVERAGE RATIO

The aggregated coverage ratio of the company pension funds' sector increased by 2.0 percentage points to 110.5 percent in 2024, and remained above the minimum requirement as per year-end 2024.

The coverage ratio for company pension funds rose from 108.5 percent in 2023 to 110.5 percent in 2024, and stayed well-above the required minimum of 100.0 percent as per year-end 2024 (see Table 11.8 and Chart 11.21).

Table 11.8 Financial soundness indicators for company pension funds on an aggregated basis (at end of period and in percentages)

	2020	2021	2022	2023	2024p
Coverage ratio¹	107.1	109.8	105.1	108.5	110.5
Return on investment ratio²	7.1	7.3	-1.1	8.2	6.8

Source: CBA: company pension funds; p= preliminary figures.
1) Weighted assets less current liabilities to technical provisions.
2) Investment income to average invested assets.

At year-end 2024, all company pension funds complied with the minimum coverage ratio requirement of 100 percent at year-end 2024. This was primarily driven by the positive developments on the international financial markets, translating into an uptick in the investment holdings of the company pension funds, as well as an increase in the admissible assets to cover the technical provisions.

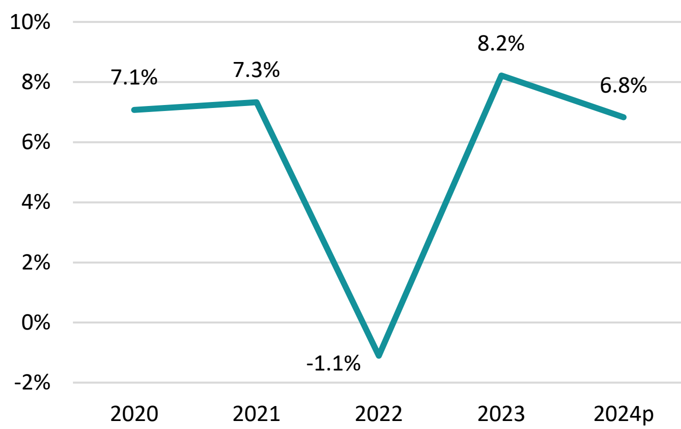
Chart 11.21 Aggregated coverage ratio company pension funds (at end of period and in percentages)

Source: CBA: company pension funds; p= preliminary figures.

RETURN ON INVESTMENT RATIO

With the exception of 2022, the return on investment hovered between 6.8 and 8.2 percent during the period 2020-2024. In 2024, the return-on-investment ratio was 6.8 percent, slightly lower than the return on investment of 8.2 percent in 2023. This favorable outcome was driven by the positive developments on the international financial markets, (see also Table 11.8 and Chart 11.22). The negative return on investment ratio of 1.1 percent in 2022 was mostly due to the Federal Reserve Bank's tightening of its monetary policy to combat the persistently high inflation.

Chart 11.22 Return-on-investment ratio (at end of period and in percentages)



Source: CBA: company pension funds; p= preliminary figures.

11.5 CIVIL SERVANTS PENSION FUND (APFA)

11.5.1 BALANCE SHEET TOTAL, TECHNICAL PROVISIONS, AND CAPITAL AND RESERVES

The total assets of APFA amounted to Afl. 3,751.4 million at year-end 2024, equivalent to 50.0 percent of Aruba's 2024 GDP, as estimated by the CBA.

BALANCE SHEET TOTAL

APFA's balance sheet total grew during the period 2020-2024, i.e., from Afl. 3,189.5 million at year-end 2020 to Afl. 3,751.4 million at year-end 2024, equivalent to an Afl. 562.0 million or 17.6 percent expansion. Its investment portfolio grew by Afl. 561.7 million or 18.2 percent over the same period, and is the primary driver for the growth of its balance sheet total over this period. Moreover, in 2024, APFA's balance sheet total increased by Afl. 238.6 million or 6.8 percent, mostly pushed up by higher investment portfolio, amounting to Afl. 244.4 million or 7.2 percent. At the end of 2024, the majority (around 68.9 percent) investments were held in fixed-income instruments, namely Afl. 1,101.4 million or 30.2 percent in bonds, Afl. 947.4 million or 26.0 percent in other investments including consortium loans, Afl. 268.8 million or 7.4 percent in mortgage loans, and Afl. 190.0 million or 5.2 percent in time deposits. APFA invested Afl. 966.2 million or 26.5 percent in equity-like instruments. Furthermore, Afl. 1,626.8 million or 44.7 percent of APFA's investments were foreign.

TECHNICAL PROVISIONS

During the period 2020-2024, the technical provisions climbed steadily by Afl. 367.5 million or 13.6 percent from Afl. 2,699.4 million at year-end 2020 to Afl. 3,066.9 million at year-end 2024.

This growth is mainly due to an increase in the number of inactive participants, indexation of the pension rights, adjustment to the mortality assumptions, as well as the joining of Stichting Bedrijfspensioenfonds Aruba to the APFA pension plan. In 2024, APFA's technical provisions increased by Afl. 77.9 million or 2.6 percent, mainly due to pension accruals and indexation of the pension rights.

As shown in Table 11.9, the total number of active participants in the APFA pension fund remained almost the same, despite the joining of Stichting Bedrijfspensioenfonds Aruba to the APFA pension plan in 2022. On the other hand, the number of pensioners rose with 478 to 4,717 over this five-year period.

Table 11.9 Number of APFA participants (at end of period)

	2020	2021	2022	2023	2024p
Participants	6,999	6,953	6,973	6,931	6,822
Former participants	1,219	1,314	1,512	1,611	1,751
Pensioners	4,239	4,338	4,513	4,600	4,717
Total	12,457	12,605	12,998	13,142	13,290

Source: CBA: APFA; p= preliminary figures.

CAPITAL AND RESERVES

APFA's capital and reserves expanded by Afl. 95.5 million or 19.0 percent, to Afl. 597.6 million at year-end 2024. This was primarily caused by the strong performance of its investment portfolio in 2024.

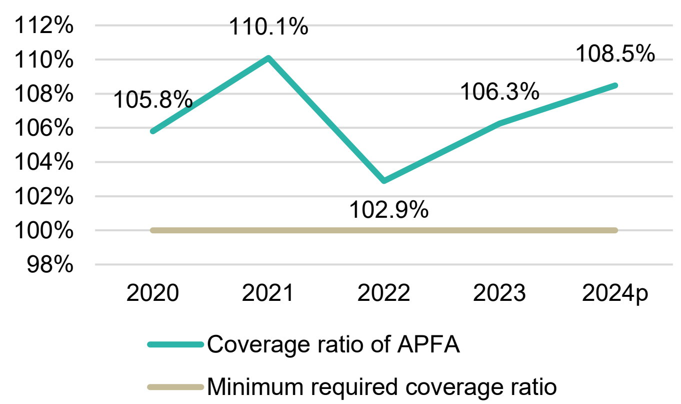
11.5.2 KEY RATIOS APFA

COVERAGE RATIO

The net coverage ratio of APFA stood at 108.5 percent at year-end 2024, well above the regulatory minimum of 100.0 percent.

Table 11.10 and Chart 11.23 depict the developments of APFA's net coverage ratio over the last five years. After experiencing a decline to 102.9 percent in 2022, APFA's net coverage ratio rebounded to 108.5 percent at year-end 2024. This gain is primarily attributed to a rise in the admissible assets by Afl. 239.6 million or 6.8 percent in 2024. As a result, the net coverage ratio rose by 2.7 percentage points, from 105.8 percent in 2020 to 108.5 percent at the end of 2024. Note that also for APFA the minimum coverage ratio will be increased gradually with one percentage point per year during the period 2025-2029 until it reaches 105 percent.

Chart 11.23 Net coverage ratio of APFA (at end of period and in percentages)



Source: CBA: APFA; p= preliminary figures.

RETURN ON INVESTMENT RATIO

APFA recorded a return on investment ratio of 6.9 percent (see Table 11.10) in 2024. This positive outcome was partially driven by the result of the positive performance of its international investment portfolio in 2024 (10.3 percent), as well as the return of 5.1 percent on the local investment portfolio.

LIQUIDITY RATIO

APFA recorded a liquidity ratio of 2.7 percent as per the end of 2024. This is slightly lower than APFA's liquidity ratios over the previous years (see Table 11.10).

Table 11.10 Financial soundness indicators of APFA (at end of period and in percentages)

	2020	2021	2022	2023	2024p
Coverage ratio[1]	105.8	110.1	102.9	106.3	108.5
Return on investment ratio[2]	6.9	7.8	-4.3	8.7	6.9
Liquidity ratio[3]	3.1	3.9	4.4	3.0	2.7

Source: CBA: APFA; p= preliminary figures.
1) Weighted assets less current liabilities to technical provisions.
2) Investment income to average invested assets.
3) Current assets to total assets.

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List of abbreviations

ABA	Aruban Bankers' Association
ACAMS	Association of Certified Anti-Money Laundering Specialists
ACSS	Association of Certified Sanctions Specialists
Afl.	Aruban florin
AFM	Autoriteit Financiële Markten (the Dutch Authority for the Financial Markets)
ALLP	Allocated loan loss provision
AML/CFT/CPF	Anti-Money Laundering/ Countering the Financing of Terrorism/ Countering Proliferation Financing
AML/CFT Handbook	Handbook for the Prevention and Detection of Money Laundering and Financing of Terrorism
AML/CFT State Ordinance	State Ordinance on the Prevention and Combating of Money Laundering and Terrorist Financing
APFA	Stichting Algemeen Pensioenfonds Aruba (the Civil Servants Pension Fund of Aruba)
AI	Artificial Intelligence
API	Application Programming Interface
ASBA	Association of Supervisors of Banks of the Americas
ASD	Annual Statistical Digest
BCBS	Basel Committee on Banking Supervision
BCM	Business Continuity Management
BCPs	Basel Core Principles
CAR	Capital Adequacy Ratio
CARTAC	Caribbean Regional Technical Assistance Centre
CBA	Centrale Bank van Aruba (the Central Bank of Aruba)
CBCS	Centrale Bank van Curaçao en Sint Maarten (the Central Bank of Curaçao and Sint Maarten)
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CGBS	Caribbean Group of Banking Supervisors
CMMA	Coördinatiecentrum Mensenhandel Mensensmokkel Aruba
CTR	Coverage Test Ratio
CPF	Combating of Proliferation Financing
DIS	Deposit Insurance Scheme
DLT	Digital Ledger Technology
DNB	De Nederlandsche Bank N.V. (The Dutch Central Bank)
DNFBPs	Designated Non-Financial Businesses and Professions
DPP	Data Protection and Privacy
EDD	Enhanced Due Diligence
EML	Enforcement, Market Entry & Legal Advisory Department
EU	European Union
FATF	Financial Action Task Force
FIU Aruba	Financial Intelligence Unit of Aruba (*Meldpunt Ongebruikelijke Transacties*)
FSI	Financial Stability Institute
GDP	Gross Domestic Product
GIFCS	Group of International Finance Centre Supervisors

GIICS	Group of International Insurance Centre Supervisors
GOA	Government of Aruba
IAA	Insurance Association of Aruba
IAIS	International Association of Insurance Supervisors
ICPs	Insurance Core Principles
ICRG	International Cooperation Review Group
IO	Immediate Outcome
ISD	Integrity Supervision Department
IT	Information Technology
Ltd	Loan-to-deposit ratio
MER	Mutual Evaluation Report
ML (1)	Money Laundering
ML (2)	Machine Learning
MLCO	Money Laundering Compliance Officer
MLRO	Money Laundering Reporting Officer
ML/TF/PF	Money Laundering, Terrorist Financing, and Proliferation Financing
MoU	Memorandum of Understanding
(M)MoU	Multilateral MoU
MTCs	Money Transaction Companies
NRA	National ML/TF Risk Assessment
PEP	Politically Exposed Person
PF	Proliferation Financing
PLR	Prudential Liquidity Ratio
PSDB	Prudential Supervision Department Banks
PSIPI	Prudential Supervision Department Insurance Companies, Pension Funds & Investment Institutions
REGTECH	The use of digital tools and processes by financial institutions to manage the regulatory requirements they must comply with
SBO	Sound Business Operations
SDCIC	State Decree on Captive Insurance Companies
SDSIB	State Decree on the Supervision of Insurance Brokers
SOCPF	State Ordinance on Company Pension Funds
SOSCS	State Ordinance on the Supervision of the Credit System
SOSIB	State Ordinance on the Supervision of the Insurance Business
SOSMTC	State Ordinance on the Supervision of Money Transaction Companies
SOSSB	State Ordinance on the Supervision of the Securities Business
SOSTSP	State Ordinance on the Supervision of Trust Service Providers
SUPTECH	The use of technology for supervisory purposes
TF	Terrorist Financing
TSPs	Trust Service Providers
UBO	Ultimate Beneficial Owner
UTR	Unusual transaction report
VAs	Virtual Assets
VASPs	Virtual Asset Service Providers
WGFI	Working Group on FATF Issues

Annexes

Annex 1a
Overview of the supervisory and AML/CFT/CPF laws*

State Ordinance on the Supervision of the Credit System (SOSCS)	AB 1998 no. 16
State Ordinance on Company Pension Funds (SOCPF)	AB 1998 no. GT 17
State Ordinance on the Supervision of the Insurance Business (SOSIB)	AB 2000 no. 82
State Decree on Captive Insurance Companies (SDCIC)	AB 2002 no. 50
State Ordinance on the Supervision of Money Transaction Companies (SOSMTC)	AB 2003 no. 60
Sanctions State Ordinance 2006	AB 2007 no. 24
State Ordinance on the Supervision of Trust Service Providers (SOSTSP)	AB 2009 no. 13
Sanction Decree Combat Terrorism and Terrorist Financing	AB 2010 no. 27
State Ordinance on the Prevention and Combating of Money Laundering and Terrorist Financing (AML/CFT State Ordinance)	AB 2011 no. 28
State Decree on the Supervision of Insurance Brokers (SDSIB)	AB 2014 no. 6
State Ordinance on the Supervision of the Securities Business (SOSSB)	AB 2016 no. 53

* Excluding the subsidiary legislation that put into effect certain provisions contained in these ordinances.

Annex 1b
Overview of the Sanctions legislation

Sanctions State Ordinance 2006	AB 2007 no. 24
Sanction State Decree Combat Terrorism and Terrorist Financing	AB 2010 no. 27
Sanctions State Decree Libya	AB 2011 no. 25
Sanctions State Decree Ukraine	AB 2014 no. 26
Sanctions State Decree Sudan	AB 2014 no. 46
Sanctions State Decree South Sudan	AB 2015 no. 47
Sanctions State Decree Syria	AB 2016 no. 2
Sanctions State Decree Central African Republic	AB 2016 no. 55
Sanctions State Decree Yemen	AB 2017 no. 10
Sanctions State Decree North Korea	AB 2017 no. 42
Interim State Decree on Priority Sanctions Regimes	AB 2019 no. 47
Sanctions State Decree Cyber-Attacks	AB 2020 no. 125
Sanctions State Decree Human Rights Violations	AB 2021 no. 30
Sanctions State Decree Chemical Weapons	AB 2021 no. 31
Sanctions State Decree Iran (repealed)[35]	AB 2021 no. 141*
Sanctions State Decree Territorial Integrity Ukraine I	AB 2022 no. 47
Sanctions State Decree Recognition Donetsk and Luhansk	AB 2022 no. 48

[35] On October 18, 2023, the UN targeted financial sanctions against a number of Iranian individuals and legal entities established pursuant to the UNSCR 2231 were lifted and ceased to apply. Consequently, on March 14, 2024, the Sanctions State Decree Iran was repealed and is no longer in force with retroactive effect up to and including October 17, 2023.

Annex 2
Financial institutions supervised by the CBA (as of December 31, 2024)

In alphabetical order:

1. BANKING SECTOR[36]
1.1 COMMERCIAL BANKS
1. Aruba Bank N.V. (AB)
2. Banco di Caribe (Aruba) N.V. (BDC)
3. Caribbean Mercantile Bank N.V. (CMB)
4. RBC Royal Bank (Aruba) N.V. (RBC)

1.2 MORTGAGE BANKS
1. Fundacion Cas pa Comunidad Arubano (FCCA)

1.3 CREDIT UNIONS
1. Cooperativa di Ahorro y Prestamo Aruba (CAPA)
2. Coöperatieve Spaar- en Kredietvereniging Douane Aruba (CSKDA)

1.4 OTHER FINANCIAL INSTITUTIONS
1. AIB Bank N.V. (AIB)
2. Island Finance Aruba N.V. (IFA)
3. Mack's Total Finance V.B.A.

2. MONEY TRANSFER SECTOR[37]
2.1 MONEY TRANSFER COMPANIES
1. Kalpa Exchange Services V.B.A[38]
2. Mack's Exchange Services V.B.A.
3. Union Caribe N.V.

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[36] Supervision by virtue of the SOSCS.
[37] Supervision by virtue of the SOSMTC.
[38] Not operational.

3. TRUST SECTOR[39]

3.1 TRUST SERVICE PROVIDERS

1. Arulex Trust Services N.V.
2. C.T.F. (Aruba) N.V.
3. Euro Trust International N.V.
4. IMC International Management & Trust Company N.V.
5. Intima Management N.V.
6. Standard Trust Company N.V.
7. United Trust Management (Aruba) UTM N.V.
8. Vistra (Aruba) N.V.

4. INSTITUTIONAL INVESTORS' SECTOR

4.1 COMPANY PENSION FUNDS[40]

1. Lago Annuity Foundation (LAGO)
2. Stichting Algemeen Pensioenfonds Aruba (APFA)
3. Stichting Fondo di Pensioen di Trahadornan di Empresanan y Fundacionnan Publico (FPEF)
4. Stichting Pensioenfonds Caribbean Mercantile Bank
5. Stichting Pensioenfonds Havenwerkers Aruba (SPHA)
6. Stichting Pensioenfonds META Bedrijven Aruba
7. Stichting Pensioenfonds Tourist Sector Aruba (PFTSA)

5. INSURANCE COMPANIES[41]

5.1 LIFE INSURANCE COMPANIES

1. American Bankers Life Assurance Company of Florida Limited, Aruba Agency
2. Ennia Caribe Leven (Aruba) N.V.
3. Fatum Life Aruba N.V.
4. Nagico Life Insurance (Aruba) N.V.
5. Pan-American Life Insurance Company of Aruba V.B.A.
6. Sagicor Life Aruba N.V.

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[39] Supervision by virtue of the SOSTSP.
[40] Supervision by virtue of the SOCPF.
[41] Supervision by virtue of the SOSIB.

5.2 NONLIFE (GENERAL) INSURANCE COMPANIES

	Accident & health	Motor vehicle	Maritime, transport, & aviation	Fire & other property	Other indemnity
1. Bupa Insurance Company, Aruba Agency	•				
2. Elvira Verzekeringen N.V.[42]	•				•
3. Ennia Caribe Schade (Aruba) N.V.	•	•	•	•	•
4. Fatum General Insurance Aruba N.V.	•	•	•	•	•
5. CG United Insurance Aruba N.V.	•	•	•	•	•
6. NAGICO Aruba N.V.	•	•	•	•	•
7. Netherlands Antilles & Aruba Assurance Company (NA&A) N.V.	•	•	•	•	•
8. Stichting Fondo Nacional di Garantia pa Vivienda					•
9. The New India Assurance Co. Ltd., Aruba Branch	•	•	•	•	•

Source: CBA.

5.3 CAPTIVE INSURANCE COMPANIES[43]

1. Bancarib Real Insurance Aruba N.V.
2. MCB Risk Insurance N.V.
3. Mondis Manufacturers Insurance Company N.V.

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[42] In liquidation.
[43] Supervision by virtue of the SOSIB and SDCIC.

5.4 INSURANCE BROKERS[44]

5.4.1 Premium collecting insurance brokers

1. Aresta Aruba N.V.
2. Assurantie Service Centrum Aruba A.S.C.A. N.V.
3. Boogaard Assurantiën N.V.
4. Framo Insurances N.V.
5. Jai Mahalaxmi Enterprises N.V.
6. Lyder Insurance Consultants N.V.
7. Navigator Insurance Consultants Aruba N.V.
8. Seguros Geerman N.V.
9. TIB Tromp Insurance Broker VBA
10. Verdant Insurance and Management Company Group N.V.
11. Worldwide Insurance Agency N.V.

5.4.2 Non-premium collecting insurance brokers

1. De L'Isle & Sons Insurance Brokers N.V.
2. EFS Equidad Financial Services N.V.
3. Turtle Island Insurance Broker N.V. Dba Aruba Insurance Brokers
4. WeThink Solutions Consultancy V.B.A.

[44] Supervision by virtue of the SDSIB.

Annex 3
Financial institutions or persons in possession of a dispensation (as of December 31, 2024)

FINANCIAL INSTITUTIONS OR PERSONS IN POSSESSION OF A DISPENSATION

PAWNSHOPS
1. Compra y Venta El Triunfo N.V.
2. Estrella America N.V.

FINANCE COMPANIES
1. Bluestart Capital (Aruba) VBA
2. Qredits Microfinanciering Nederland
3. Stichting Nationaal Restauratiefonds
4. Volkskredietbank van Aruba

MORTGAGE BROKERS
1. Framo Insurances N.V.

FINANCIAL INSTITUTIONS IN POSSESSION OF A DISPENSATION AS MEANT IN ARTICLE 10, PARAGRAPH 1 OF THE SOSMTC

MONEY TRANSFER COMPANIES
1. MoneyGram International Inc.[45]
2. Western Union Financial Services International Inc.[46]

SECURITIES BROKERS IN POSSESSION OF A DISPENSATION AS MEANT IN ARTICLE 4, PARAGRAPH 2 OF THE SOSSB
1. Aruba Bank N.V.
2. Banco di Caribe (Aruba) N.V.
3. Caribbean Mercantile Bank N.V.

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[45] For conducting money transfer activities through Union Caribe N.V.
[46] For conducting money transfer activities through Mack's Exchange Services V.B.A.

LICENSED CREDIT INSTITUTIONS THAT REGISTERED AS AN INSURANCE BROKER AS MEANT IN ARTICLE 2, PARAGRAPH 3 OF THE STATE DECREE ON THE SUPERVISION OF INSURANCE BROKERS

1. Aruba Bank N.V.
2. Banco di Caribe (Aruba) N.V.
3. Caribbean Mercantile Bank N.V. (CMB)
4. Fundacion Cas pa Comunidad Arubano (FCCA)
5. Island Finance Aruba N.V.
6. RBC Royal Bank (Aruba) N.V.

PERSONS IN POSSESSION OF A DISPENSATION AS MEANT IN ARTICLE 4, PARAGRAPH 2 OF THE SOSIB TO ACT AS AN INSURANCE AGENT FOR THE INSURANCE COMPANIES LISTED BELOW:

FATUM LIFE ARUBA N.V. AND FATUM GENERAL INSURANCE ARUBA N.V.:

1. Ms. O.J. Barret
2. Mr. G.M. Daal
3. Mrs. B. Franke-Trumpie
4. Mr. J.W.P.J. Kaan
5. Mr. J.A.M. Lomans
6. Mr. R.W. van der Meulen
7. Mr. E.G. Schwengle
8. Mr. R. Seraus

PAN-AMERICAN LIFE INSURANCE COMPANY OF ARUBA V.B.A.:

1. Mr. I. Chai
2. Mrs. M.I. Garcia Martinez
3. Mrs. L. Kelly
4. Ms. M. Kock
5. Mrs. V.S. Malavez de los Santos-Ras
6. Mr. J.R. Martina
7. Ms. J.M. Villafaña-Reyes

SAGICOR LIFE ARUBA N.V.:

1. Mrs. F. Bernier Corbacho
2. Mr. M.L. Croes
3. Mrs. D.A. Dormoy
4. Mrs. L.R. Faustin
5. Mrs. O.A. Inocencia
6. Mrs. B.S. van Loon-Kadir

7. Mrs. N.C. Marquez Hidalgo
8. Mr. F.C. Martina
9. Mrs. M.V. Peters
10. Mrs. S.J.G. Velthuizen

(LEGAL) PERSONS IN POSSESSION OF A DISPENSATION AS MEANT IN ARTICLE 4, PARAGRAPH 2, OF THE SOSIB TO ACT AS AN INSURANCE AGENT PROVIDING SUPPLEMENTARY INSURANCE BROKERAGE SERVICES

1. Aruba Living Today N.V.

ANNEX 4

(M)MoUs entered into by the CBA

Supervisory authority	Scope	Year signed
CBCS	Exchange of information regarding banks	1998
CBCS	Exchange of information regarding insurance companies	2003
Multilateral between Regional Regulatory Authorities in the Caribbean	Exchange of information and cooperation and consultation for adequate supervision of financial institutions	2011
FIU of Aruba	Cooperation and information exchange	2011
Public Prosecutor's Office of Aruba	Cooperation and information exchange	2012
Supervisors of the Kingdom of the Netherlands	Sharing of information in support of the objective of facilitating and meeting requirements for effective supervision of the financial sectors and financial markets in the Dutch Kingdom	2012
DNB	Cooperation and exchange of information in the area of supervision of banks, insurance companies, trust service providers, and money transfer companies	2014
AFM	Cooperation and exchange of information in the area of supervision of banks, insurance companies, insurance brokers, trust service providers, and money transfer companies	2015
GIFCS	Cooperation and information exchange	2019[47]
IAIS	Cooperation and information exchange	2022[48]

[47] Agreed upon in 2016.
[48] The accession to and signing of the MMoU took place in May 2022.

Annex 5
Attendance of (virtual) meetings of international supervisory bodies in 2024

This annex provides an overview of the (virtual) meetings attended in 2024 by the CBA's supervisory staff in the areas of financial sector supervision and AML/CFT oversight.

Supervisory group/institution	Main topics discussed
GIFCS Plenary meeting (April)	▪ Basel III capital accord ▪ The future of banking and supervision ▪ The Basel Core Principles ▪ Risk management and navigating emerging risks
CGBS Annual Strategic Planning Meeting (January)	▪ CGBS 2023-2026 Strategic Plan
CGBS Consolidated Supervision and Risk Integration Seminar (April)	▪ Overview of U.S. Supervisory & Regulatory Structure ▪ Consolidated Supervision ▪ Corporate Governance ▪ Overview of Enterprise Risk Management (ERM) and Integration from a Firm's Perspective ▪ Overview of Risk Assessment Process (RAP) from a Supervisory Perspective ▪ Consolidated Capital Adequacy ▪ Consolidated RFI Rating
CGBS XLI Annual Conference and related meeting– "Supervision – New Age, New Approach" (May)	▪ Overcoming challenges and embracing innovation in financial supervision ▪ Technological evolution in the financial sector ▪ Corporate Governance and development in regulations
GIICS Annual Seminar and Annual General Meeting (June)	▪ Actuaries and regulators ▪ Climate and the mechanics of parametric insurance ▪ Risk pricing and public policy ▪ Insurance fraud
GIICS/IAIS Regional Seminar Caribbean and Offshore Region (November)	▪ Overview of supervisory approaches in member jurisdictions ▪ Insurance-linked securities ▪ Sustainability – how can insurers contribute, what are the challenges, and ▪ What is the supervisor's role? ▪ Insurer financial analysis
ASBA Technical Agenda Bank Resolution Processes (April)	▪ Applying the lessons of last year's banking turmoil: an international perspective ▪ Recent experiences in the Americas: a practical perspective

ASBA XXVII Annual Assembly and High-level Meeting (October) - "Banking Supervision"	▪ ASBA-BCBS-FSI High-Level Meeting ▪ XXVII Annual Assembly
World Bank Group / IMF Strengthening fundamentals and adapting to a dynamic risk landscape (June)	▪ Financial Stability ▪ Crisis preparedness frameworks ▪ Climate risk supervision ▪ Impact of technology-driven innovation on financial services.
CFATF WGFI and Plenary meetings (June and December)	▪ Discussion on key issues and approval of the MERs of Anguilla, Guyana, Belize, and Montserrat based on the 4th Round Methodology ▪ Follow-up reports of some jurisdictions, including Aruba, in view of the deficiencies identified following the mutual evaluations undertaken by the CFATF at these jurisdictions ▪ Technical guide on crypto-currency financial investigations and analysis of emerging risks Presentation on preparations for the 5th round of mutual evaluations ▪ Outcomes of the FATF Working Group Meetings (February, June, and October 2024) ▪ Revision of the ICRG 5th Round prioritization criteria

Annex 6
Changes in the shareholding of supervised institutions in 2024

COMMERCIAL BANKS

- On October 28, 2024, pursuant to article 17, paragraph 2, of the State Ordinance on the Supervision of the Credit System (SOSCS), the CBA granted permission to AIB Bank NV to acquire a qualifying holding of 100 percent in Banco di Caribe (Aruba) NV. In the context of this shares transaction the CBA also granted on October 28, 2024, a conditional permission to United Group Holding BV to temporarily hold a qualifying holding of 100 percent in Banco di Caribe (Aruba) NV prior to the transfer of the shares to AIB Bank NV.

FINANCE COMPANIES

- On September 19, 2024, pursuant to article 17, paragraph 2, of the State Ordinance on the Supervision of the Credit System (SOSCS) in conjunction with Mack's Total Finance VBA's dispensation to operate as a finance company, the CBA granted permission to Stichting Pensioenfonds Meta Bedrijven Aruba (Metafund) to acquire a qualifying holding in Mack's Total Finance VBA and to Mr. Ruben Mansur, Ennia Caribe Leven (Aruba) NV, Stichting Pensioenfonds Tourist Sector Aruba (PFTSA) and Stichting Fondo di Pensioen di trahadornan di Empresanan y Fundacionnan Publico (FPEF) respectively to increase their existing qualifying holding in Mack's Total Finance VBA.

INSURANCE COMPANIES

- On May 17, 2024, pursuant to article 14a, paragraph 1, of the State Ordinance on the Supervision of the Insurance Business (SOSIB), the CBA granted permission to First Star Inc. and Macarina Trust to increase their respective qualifying holding in Nagico Aruba N.V. respectively Nagico Life Insurance Aruba N.V. to 81.2 percent.[49]

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[49] This permission is bound to conditions.

Annex 7
Integrity and suitability assessments conducted in 2024

This annex provides an overview of the integrity and suitability assessments conducted in 2024.

Sector	Credit institutions	Insurance companies	Company pension funds	MTCs	Trust service providers	Insurance brokers	Total
Pending as of January 1, 2024	5	7	2	5	-	2	21
New requests	10	10	1	-	-	1	22
Reassessments	-	-	-	-	-	-	0
Withdrawn requests	-	2	-	-	-	1	3
Rejected requests	-	-	-	-	-	-	0
Approved	1	1	-	-	-	1	3
Conditionally approved	2	11	3	5	-	1	22
Assessments ceased	3	1	-	-	-	-	4
Pending as of December 31, 2024	9	2	-	-	-	-	11

Annex 8
Type of breaches identified in 2024 during the AML/CFT and DSBO onsite examinations

Sector: Financial Institutions	Breaches of the AML/CFT State Ordinance	Areas
Commercial bank	Chapter 2 of the AML/CFT State Ordinance	Customer due diligence
Credit Union	Chapters 2 and 6 of the AML/CFT State Ordinance	Customer due diligence Procedures and measures

Sector: DNFPBs	Breaches of the AML/CFT State Ordinance	Areas
Trust service provider	Chapters 2 and article 26 of the AML/CFT State Ordinance	Customer due diligence Reporting of unusual transactions
Real estate companies	Chapters 2 and 6, and article 26 of the AML/CFT State Ordinance	Customer due diligence Procedures and measures Money Laundering Compliance Officer (MLCO) Money Laundering Reporting Officer (MLRO) Reporting of unusual transactions
Casinos	Chapters 2 and 6, and article 26 of the AML/CFT State Ordinance	Customer due diligence Procedures and measures Reporting of unusual transactions

Sector	Breaches of the DSBO	Areas
Commercial banks	Paragraph 3, articles 7, 9, 10, 13, 14, and 16 of the DSBO	Risk analysis and policies and procedures to identify and control integrity risks. Remuneration policy Conflict of interest policies, procedures, and measures Incidents recording, handling, and reporting Integrity officer's function Integrity-sensitive position
Money transfer companies	Paragraph 3, articles 7, 8, 14 and 16 of the DSBO	Risk analysis and policies and procedures to identify and control integrity risks. Integrity aware company culture Integrity officer's function Integrity-sensitive position
Life insurance companies	Paragraph 3, articles 7, 8, 10 and 14 of the DSBO	Risk analysis and policies and procedures to identify and control integrity risks. Integrity aware company culture Conflict of interest policies, procedures, and measures Integrity officer's function

Annex 9
Overview of the Information sessions and bilateral meetings held by ISD in 2024

Sector	Month	Type of Session	Topics discussed
Commercial Banks	June	Bilateral meeting (4)	* Key findings onsite examinations AML/CFT/CPF and SBO * Account opening policies * Update VASPs * Correspondent banking relationships
Real Estate	October	General session	* Refresher AML/CFT/CPF framework * Key findings of AML/CFT/CPF survey 2024 * Registration of real estate companies * Expectations of onsite examinations
Lawyers	November	General session	* Refresher AML/CFT/CPF framework * Key findings of AML/CFT/CPF survey 2024 * Expectations of onsite examinations * Proliferation financing * Registration of legal professions and businesses * Scope of AML/CFT/CPF laws and regulations
Real Estate (Representative organization: Association of Aruban Realtors - AAR)	December	Bilateral meeting	* Licensing of the real estate sector * Update on certification of real estate agents * Overall compliance of the real estate sector in 2024 * AML/CFT/CPF framework

Annex 10

CFATF MER of Aruba: Effectiveness and Technical Compliance Ratings

Table 1: Effectiveness ratings

	Immediate Outcome (IO)	Rating
IO.1	Risk, policy, and coordination	SE
IO.2	International cooperation	SE
IO.3	Supervision	SE
IO.4	Preventive measures	SE
IO.5	Legal persons and arrangements	ME
IO.6	Financial intelligence ML/TF	SE
IO.7	ML investigation and prosecution	ME
IO.8	Confiscation	SE
IO.9	TF investigation and prosecution	ME
IO.10	TF preventive measures and financial sanctions	ME
IO.11	PF financial sanctions	LE

Note: Effectiveness ratings can be either: Highly Effective - HE, Substantially Effective - SE, Moderately Effective - ME, or Low Effectiveness– LE.

Table 2: Technical compliance ratings

FATF Recommendation (R)	Rating
R.1 – Assessing risk and applying a risk-based approach	LC
R.2 – National cooperation and coordination	LC
R.3 – ML offences	LC
R.4 – Confiscation and provisional measures	C
R.5 – Terrorist financing offence	C
R.6 – Targeted financial sanctions related to terrorism and terrorism financing	LC
R.7 – Targeted financial sanctions related to proliferation	PC
R.8 – NPOs	PC
R.9 – Financial institution secrecy laws	C
R.10 – CDD	LC
R.11 – Record keeping	C
R.12 – PEPs	C
R.13 – Correspondent banking	C
R.14 – Money or value transfer services	C
R.15 – New technologies	PC
R.16 – Wire transfers	C
R.17 – Reliance on third parties	C
R.18 – Internal controls and foreign branches and subsidiaries	C
R.19 – Higher risk countries	LC
R.20 – Reporting of suspicious transactions	C
R.21 – Tipping-off and confidentiality	C

FATF Recommendation (R)	Rating
R.22 – DNFBPs: CDD	LC
R.23 – DNFBPs other measures	LC
R.24 – Transparency and beneficial ownership of legal persons	PC
R.25 – Transparency and beneficial ownership of legal arrangements	PC
R.26 – Regulation and supervision of financial institutions	C
R.27 – Powers of supervisors	C
R.28 – Regulation and supervision of DNFBPs	PC
R.29 – FIUs	C
R.30 – Responsibilities of law enforcement and investigative authorities	C
R.31 – Powers of law enforcement and investigative authorities	C
R.32 – Cash couriers	LC
R.33 – Statistics	PC
R.34 – Guidance and feedback	C
R.35 – Sanctions	LC
R.36 – International instruments	LC
R.37 – Mutual legal assistance	LC
R.38 – Mutual legal assistance: freezing and confiscation	LC
R.39 – Extradition	LC
R.40 – Other forms of international co-operation	LC

Note: Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non-compliant.

Annex 11
Sectoral AML/CFT/CPF and DSBO Risk Assessments 2024

This annex provides an overview of the sectoral AML/CFT/CPF and DSBO risk assessments conducted by the CBA in 2024.[50] Given the size, importance, and inter-connectedness of the banking sector with other supervised sectors, the four (4) commercial banks operating in Aruba were assessed individually. Of these, two (2) commercial banks were rated high-risk for AML/CFT/CPF; one (1) was rated medium-high; and the other medium risk. With respect to DSBO, three (3) were rated high-risk and one (1) was rated medium risk.

Table 1: Sectoral AML/CFT/CPF risk scores: Financial Institutions

Sectors	AML/CFT/CPF risk score 2024
Financial institutions	
Bank Like Institutions	M
Credit Unions	M
MTCs	MH
Pawnshops	M
Life Insurance Companies incl. Sales Agents	M
Insurance Brokers	ML
Pension Funds	ML

Table 2: Sectoral AML/CFT/CPF risk scores: DNFBPs

Sectors	AML/CFT/CPF risk score 2024
DNFBPs	
TSPs	H
Casinos	H
Real Estate Companies	H
Accountants	MH
Tax Advisors	MH
Lawyers	M
Notaries	M
Jewelers	MH
Car & Vessel Dealers	ML
VASPs	N/R

[50] The DSBO is only applicable to financial institutions and TSPs.

Table 3: Sectoral DSBO risk scores:

Sectors	DSBO risk score 2024
Financial institutions	
Bank Like Institutions	MH
Credit Unions	M
MTCs	M
Life Insurance Companies incl. Sales Agents	ML
Insurance Brokers	ML
Pension Funds	M
DNFBPs	
TSPs	MH

H: High; MH: Medium High; M: Medium; ML: Medium Low L: Low; N/R: Not Rated[51]

[51] VASPs were not rated for AML/CFT/CPF as there are no VASPs currently registered with the CBA.

Annex 12
Formal measures imposed per sector for non-compliance with the supervisory state ordinances and the AML/CFT state ordinance

	2022			2023			2024		
Sector	Instructions	Penalty charge orders	Admini-strative fines	Instructions	Penalty charge orders	Admini-strative fines	Instructions	Penalty charge orders	Admini-strative fines
Credit institutions	3	-	1	-	-	3	-	-	-
Pawnshops	-	-	-	-	-	-	-	1	2
Insurers	-	-	-	-	-	1	-	-	1
Captive insurers	1	-	-	-	-	-	-	-	-
Insurance Brokers	-	1	-	-	-	1	-	1	-
Money transfer companies	-	-	-	-	-	-	-	-	-
Pension funds	-	-	-	-	-	-	-	-	-
Trust service providers	-	-	1	-	-	-	-	-	-
DNFBPs:				-	-	-	-	-	-
▪ **Casinos**	-	-	-	-	-	-	-	-	-
▪ **Lawyers**	-	-	-	-	-	-	-	-	-
▪ **Real estate**	-	-	3	-	-	-	-	-	-
▪ **Notaries**	-	-	1	-	-	-	-	-	-
▪ **Tax consultants**	-	-	-	-	-	-	-	-	-
▪ **Accountants**	-	-	-	-	-	-	-	-	-
▪ **Others**	-	-	1	-	-	3	-	-	-
Total	**4**	**1**	**7**	**0**	**0**	**8**	**0**	**2**	**3**

Annex 13
Supervisory costs passed on in 2024

Pursuant to the respective state decrees[52], the CBA charges the supervised sectors for (part) of the supervisory costs incurred. The supervisory costs passed on per state ordinance and to the different sectors in 2024 are as follows:

As stipulated in the respective state decrees[53], the CBA charges the supervised sectors for (portion) of the supervision costs incurred. The following outlines the supervision costs allocated per state ordinance and sector in 2024:

Total supervisory costs charged for the execution of the:	Supervisory costs passed on in 2024	
Sectoral state ordinances	Afl.	1,590,000
AML/CFT State Ordinance	Afl.	489,750
Total	Afl.	2,079,750

[52] Pursuant to, respectively, the State Decree on the charging of supervision costs to the credit institutions (AB 2011 no. 4), the State Decree on the charging of supervision costs to insurance companies (AB 2006 no. 3), the State Decree on Captive Insurance Companies (AB 2002 no. 50), the State Decree on the charging of supervision costs to insurance brokers (AB 2018 no. 53), the State Decree on the charging of supervision costs to company pension funds (AB 2010 no. 86), the State Decree on the charging of supervision costs to money transaction companies (AB 2007 no. 18), and the State Decree on the charging of supervision costs to trust service providers (AB 2012 no. 60).

[53] These state decrees entail the following: State Decree on the charging of supervision costs to the credit institutions (AB 2011 no. 4), the State Decree on the charging of supervision costs to insurance companies (AB 2006 no. 3), the State Decree on captive insurance companies (AB 2002 no. 50), the State Decree on the charging of supervision costs to insurance brokers (AB 2018 no. 53), the State Decree on the charging of supervision costs to company pension funds (AB 2010 no. 86), the State Decree on the charging of supervision costs to money transaction companies (AB 2007 no. 18), and the State Decree on the charging of supervision costs to trust service providers (AB 2012 no. 60).

Sectors		Supervisory costs passed on in 2024
Credit institutions	Afl.	800,000
Insurers	Afl.	300,000
Captives	Afl.	30,000
Insurance brokers	Afl.	55,000
Company pension funds	Afl.	155,000
Money transaction companies	Afl.	150,000
Trust service providers[54]	Afl.	100,000
Total	Afl.	1,590,000

DNFBPs: Designated non-financial businesses and professions [55]		Supervision costs passed on in 2024
Casinos	Afl.	82,500
Real Estate companies	Afl.	223,500
Jewelers	Afl.	17,250
Car & Vessel Dealers	Afl.	10,500
Law firms	Afl.	49,500
Accountants	Afl.	43,500
Tax Advisors	Afl.	52,500
Notaries	Afl.	8,250
Arts & Antiquities	Afl.	2,250
Total	Afl.	489,750

[54] Even though the TSPs are considered DNFBPs pursuant to the AML/CFT State Ordinance, the charging of supervision costs to the TSPs is based on the State Decree on the charging of supervision costs to trust service providers (AB 2021 no.60).
[55] On January 1, 2023, the State Decree on the allocation of supervision costs to non-financial service providers AML/CFT State Ordinance came into effect.

CENTRALE BANK VAN ARUBA

J.E. Irausquin Blvd 8
P.O. Box 18
Oranjestad, Aruba
Phone: (+297) 5252 100