

PRESS RELEASE

Heightened vigilance is necessary to navigate the turbulent geopolitical landscape and the ensuing economic uncertainties and risks facing the financial sector.

July 23, 2025

Today, the Centrale Bank van Aruba (CBA) releases the 13th edition of its annual FINANCIAL SECTOR SUPERVISION REPORT.

As in previous years, the CBA's *Financial Sector Supervision Report* offers detailed insights into the implementation of the supervisory state ordinances (including the legislation for the prevention and combating of money laundering, financing of terrorism and proliferation) assigned to the CBA. Additionally, the report examines the changes in the regulatory and supervisory landscape and provides an overview of the main developments within the Aruban financial sector.

In 2024, the supervised sectors remained well capitalized and financially sound. The buffers the supervised financial institutions hold are considered sufficiently high to withstand severe economic shocks, as the COVID-19 pandemic shock demonstrated. However, economic shocks that prolong over a much extended period may be more challenging to absorb. In this regard, it must be mentioned that the global economic outlook has worsened due to the trade tensions and other geopolitical events, including but not limited to the war between Russia and Ukraine and the tense situation in the Middle East, which may also impact the global economy in terms of higher (energy) prices. Against this backdrop, the CBA closely monitors the international political and economic developments and assesses on an ongoing basis the risks for Aruba's economy and its financial sector.

Economic outlook

Although the economic outlook for Aruba is positive, mainly the result of the continuing buoyant developments in the tourism sector, the downside risks to Aruba's economy and its financial sector have increased considerably due to the aforementioned geopolitical tensions and their possible impact. The ample financial buffers held by banks and other supervised institutions have proven to be highly instrumental in maintaining a sound financial system. Nonetheless, financial stability may not be taken for granted, also in the context of a possible global economic decline and emerging risks like cybercrime, climate change, and the rapid advances in digital technology, particularly artificial intelligence. While the latter comes with significant opportunities, potential risks also need to be considered and managed carefully.

Resilience of the financial sector

Aruba's financial sector has proven to be highly resilient, as also evidenced by the strong capital and liquidity buffers enabling it to absorb severe economic shocks. Nonetheless, based upon the lessons learned from the recent banking turmoil in the US and Switzerland, the CBA further tightened the solvency framework for the banks, life insurance companies, and pension funds by (gradually) increasing the minimum solvency ratios for these institutions.

Strengthening and broadening the regulatory framework

In 2024, the CBA made significant progress in designing a deposit insurance scheme, which aims to maintain confidence in the banking sector, thereby contributing to financial stability. It also submitted a legislative proposal to the former Minister of Economic Affairs that introduces the legal right to a basic bank account under certain conditions. This proposal aims to promote financial inclusion and to reduce wholesale de-risking of groups of clients.

Also, the State Ordinance on Consumer Credit (SOCC) introduces provisions that better protect customers who enter into a consumer loan agreement with a bank or other consumer credit provider by, inter alia, setting a maximum interest rate for consumer loans, establishing rules to prevent over-crediting, and to foster transparency in the area of fees and other costs involved. Furthermore, the SOCC incorporates market conduct provisions aligned with international standards in the supervisory state ordinances governing banks and insurance companies.

Reinforcing cybersecurity oversight

Financial institutions face growing cybersecurity risks that threaten the integrity of the financial sector. As innovation in digital systems increases, so do threats like ransomware and phishing, which can disrupt operations, delay payments, and compromise sensitive data. These attacks have the potential of eroding customer confidence and posing systemic risks due to the interconnected nature of financial networks, making strong cybersecurity defenses essential. Against this backdrop, the CBA is updating its guidance papers on technology risk and operational resilience to foster secure and reliable systems in the financial sector.

Follow-up on the Caribbean Financial Action Task Force (CFATF)'s Mutual Evaluation Report (MER) of Aruba

Following the positive outcome of the CFATF Mutual Evaluation conducted in 2022, which highlighted, among other things, Aruba's success in establishing an effective framework for the prevention and combating of money laundering, financing of terrorism and proliferation (AML/CFT/CPF), and the effectiveness of the CBA's risk-based approach, Aruba was placed in the regular follow-up process. The follow-up report of Aruba, presented at the 59th CFATF Plenary held in Jamaica in December 2024, provides an overview of the progress made in addressing the findings identified in the 2022 MER of Aruba. The CFATF 5th Round of Mutual Evaluation of Aruba is scheduled for 2029. In preparation hereof, a new AML/CFT/CPF National Risk Assessment (NRA) needs to be carried out as soon as possible, as this is key for a successful evaluation by the CFATF. The execution of a new NRA may take 18 to 24 months and requires the allocation of significant human resources by all agencies that play an important role in AML/CFT/CPF, including but not limited to the CBA, FIU Aruba, and the Prosecutor's Office.

To conclude, the CBA remains highly committed to foster a sound, reputable, inclusive, and resilient financial sector that is conducive to sustainable economic growth.

The *FINANCIAL SECTOR SUPERVISION REPORT 2024* is available on the CBA website at www.cbaruba.org.