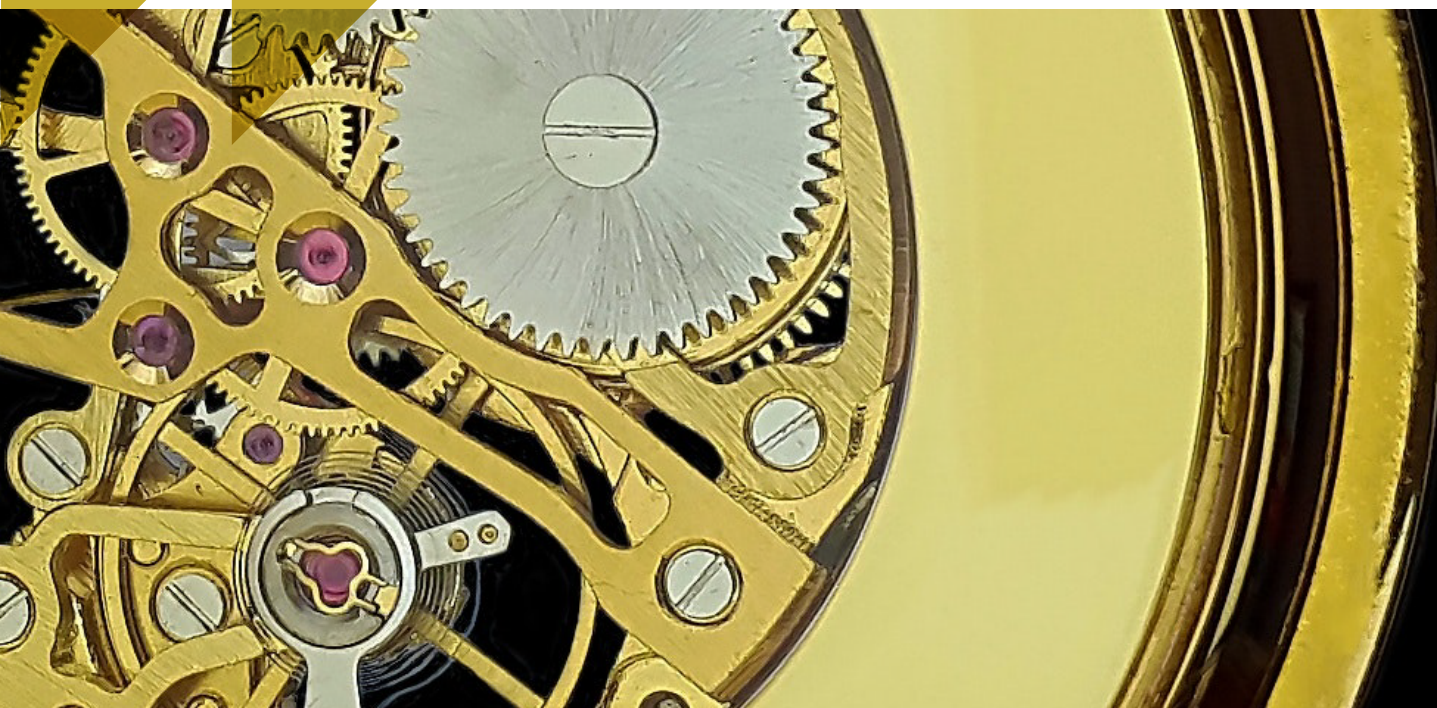


FINANCIAL SECTOR SUPERVISION

REPORT 2017



CENTRALE BANK VAN ARUBA



Preface

The Centrale Bank van Aruba (CBA) must submit a report each year to the Minister of Finance on the execution of the different supervisory state ordinances, including the ordinances in the areas of Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT)¹. The CBA complies with this requirement via this yearly publication. Concurrently, this report informs all stakeholders of the main activities the CBA undertook during the year in the field of prudential and integrity supervision, the enforcement thereof, and the changes in the international and domestic regulatory and supervisory landscape. It also provides an analysis of the developments in the financial sector during the reporting year.

As of the reporting year 2012, the CBA publishes separate annual reports related to its oversight of the Aruban financial sector.



1 - In compliance with article 50 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16), article 28 of the State Ordinance on the Supervision of the Insurance Business (AB 2000 no. 82), article 23 of the State Ordinance on Company Pension Funds (AB 1998 no. GT 17), article 30 of the State Ordinance on the Supervision of Money Transfer Companies (AB 2003 no. 60), article 29 of the State Ordinance on the Supervision of Trust Service Providers (AB 2009 no. 13), article 112 of the State Ordinance on the Supervision of the Securities Business (AB 2016 no. 53), and article 52 of the State Ordinance on the Prevention and Combating of Money Laundering and Terrorism Financing (AB 2011 no. 28).



List of abbreviations

ABA	Aruban Bankers' Association
Afl.	Aruban florin
AFM	Autoriteit Financiële Markten (the Netherlands Authority for the Financial Markets)
ALLP	Allocated loan loss provision
AML/CFT	Anti-Money Laundering and Combating 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)
ASBA	Association of Supervisors of Banks of the Americas
Basel Committee	Basel Committee on Banking Supervision
CBA	Centrale Bank van Aruba (the Central Bank of Aruba)
CBCS	Centrale Bank van Curaçao en St. Maarten (the Central Bank of Curaçao and St. Maarten)
CFATF	Caribbean Financial Action Task Force
CGBS	Caribbean Group of Banking Supervisors
CoA	Chart of Accounts
DNB	De Nederlandsche Bank N.V. (the Dutch Central Bank)
DNFBPs	Designated Non-Financial Businesses and Professions
FAME	Forecasting, Analytics, Modelling Environment
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit (Meldpunt Ongebruikelijke Transacties)
GDP	Gross Domestic Product
GIFCS	Group of International Finance Centre Supervisors
GIICS	Group of International Insurance Centre Supervisors
IAA	Insurance Association of Aruba
IAIS	International Association of Insurance Supervisors
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISD	Integrity Supervision Department
MFSCG	Monetary and Financial Statistics Compilation Guide
MoU	Memorandum of Understanding
(M)MoU	Multilateral MoU
PLR	Prudential Liquidity Ratio
PPO	Public Prosecutor's Office (Openbaar Ministerie)
PSD	Prudential Supervision Department
SDCIC	State Decree on Captive Insurance Companies
SDSIB	State Decree on the Supervision of Insurance Brokers
SOC PF	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



List of abbreviations

SOSMTC

State Ordinance on the Supervision of Money Transfer Companies

SOSSB

State Ordinance on the Supervision of the Securities Business

SOSTSP

State Ordinance on the Supervision of Trust Service Providers

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Chapter I.

The supervisory mandate and achievements in 2017 at a glance



The CBA is the sole supervisory authority in Aruba with respect to the financial sector. In executing its supervisory task, it seeks to safeguard confidence in the financial system by promoting (financial) soundness and integrity of the supervised institutions. The CBA, pursuant to the sectoral supervisory state ordinances, is responsible for the regulation and supervision of the credit institutions, insurance companies, insurance brokers, company pension funds, money transfer companies, trust service providers, and, as of January 1, 2017, the securities business. In addition, the CBA is entrusted with 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) and the Sanction State Ordinance 2006 (AB 2007 no. 24). The AML/CFT oversight includes, besides the financial institutions, the so-called Designated Non-Financial Businesses and Professions (DNFBPs), i.e., lawyers, civil notaries, tax advisors, accountants, jewelers, car dealers, real estate brokers, and casinos.

In 2016, the CBA designed its strategic plan “Bela Yen: Nos Plan Strategico 2016-2020” (Bela Yen²). Bela Yen sets the strategic priorities for the years 2016 - 2020 and also gives direction to the supervisory agenda.

The following three main ambitions were established in Bela Yen:

1. The CBA is recognized as a prominent central bank in the region.
2. The CBA executes its tasks in an efficient and result-oriented manner.
3. The CBA is an attractive organization for top talents.

These three main ambitions form the basis of the 11 strategic objectives formulated in Bela Yen (see figure 1.1).

Figure: 1.1 Bela Yen: Main ambitions and their strategic objectives

The CBA is recognized as a prominent central bank in the region

- I. Trust in the florin is maintained.
- II. Confidence in the financial system is retained.
- III. The safety, reliability, and efficiency of the payments system are increased to the level chosen by us in accordance with best practices.
- IV. Economic intelligence is of high quality, timely, independent, and reliable.
- V. A knowledge institute for financial stability and economic resilience is created.

The CBA executes its tasks in an efficient and result-oriented manner

- VI. Our financial position is strengthened.
- VII. Effective internal and external communication is accomplished.
- VIII. The provision of information, including the management information system, is strengthened through digital transformation.
- IX. We operate optimally by applying an adequate governance model.
- X. Our other services are strengthened (both internally and externally).

The CBA is an attractive organization for top talents

- XI. A (strategic) human resource management policy is implemented and embedded across the organization in an effective and innovative manner.

2 - “Bela Yen” is a saying in Papiamentu meaning “full steam ahead”.

Strategic objective II “Confidence in the financial system is retained”, is particularly important to the CBA’s mandate in the area of financial sector oversight. Reference is made to figure 1.2 for the components related to Strategic objective II.

Figure 1.2: Components of Strategic objective II. Confidence in the financial system is retained

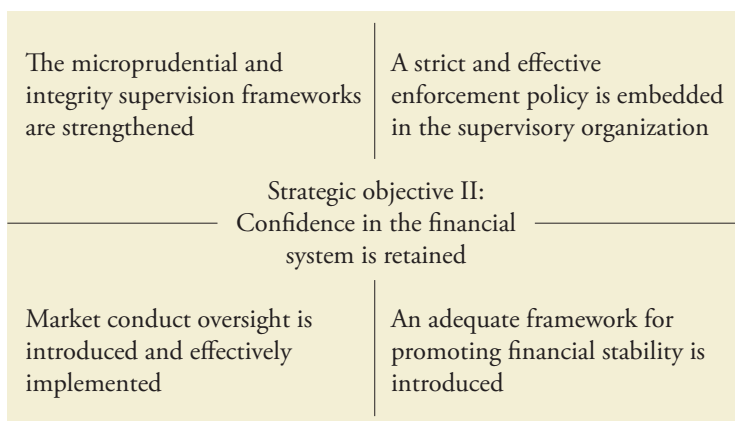


Figure 1.3 highlights the most important achievements in 2017 in the areas of prudential supervision, integrity supervision, market entry, and supervisory enforcement which contribute to the accomplishment of the mentioned strategic objective.

In addition to the aforementioned and following the advancement of information technology, and the rapid changes this advancement has brought to the banking industry, in 2017 the CBA also issued a policy paper for credit institutions on technology risk management. The CBA intends to intensify its oversight in this domain in the near future, also taking stock of the increased risks of cyber attacks targeted at financial institutions worldwide.



Figure 1.3: Major achievements in key areas of supervision in 2017

Prudential Supervision

- Establishment of a framework for the implementation of risk-based supervision of credit institutions, insurance companies, and company pension funds;
- Increase of the minimum solvency requirement for the banking sector from 14 to 16 percent;
- Establishment of stricter liquidity requirements for the banking sector, including a gradual increase in the Prudential Liquidity Ratio (PLR) from 15 to 20 percent over a period of three (3) years;
- Strengthening of the method applied by insurance companies to calculate their coverage ratio;
- Release of a draft policy paper on outsourcing arrangements;
- Issuance of a final draft of the New Chart of Accounts (CoA) manual; and
- Conduct of a self-assessment of the legislative, regulatory, and supervisory framework vis-à-vis the Basel Core Principles for Effective Banking Supervision.

Integrity Supervision

- Expansion of the supervisory scope of the State Ordinance on the Supervision of Money Transfer Companies (AB 2003 no. 60) (SOSMTC) to include money exchange offices;
- Realization of a sharp increase in the number of AML/CFT onsite examinations;
- Strengthening of the AML/CFT risk-based approach, inter alia by targeted and themed onsite examinations (e.g., anti-corruption and Panama Papers project);
- Organization of multiple information sessions in the AML/CFT area with the supervised sectors; and
- Conduct of a gap analysis vis-à-vis the 2012 Financial Action Task Force (FATF) recommendations.

Enforcement, Market Entry, and Legal Advisory

- Establishment of a separate Enforcement, Market Entry, and Legal Advisory Department;
- Strengthening of the policy rule on banking license and admission requirements for credit institutions;
- Intensification of the enforcement of the supervisory laws and regulations, also evidenced by an increase in the number of administrative fines and other enforcement measures imposed by the CBA; and
- Submission of a revised legislative proposal for the introduction of a deposit insurance scheme to the Minister of Finance.

Chapter 2.

Supervisory approach

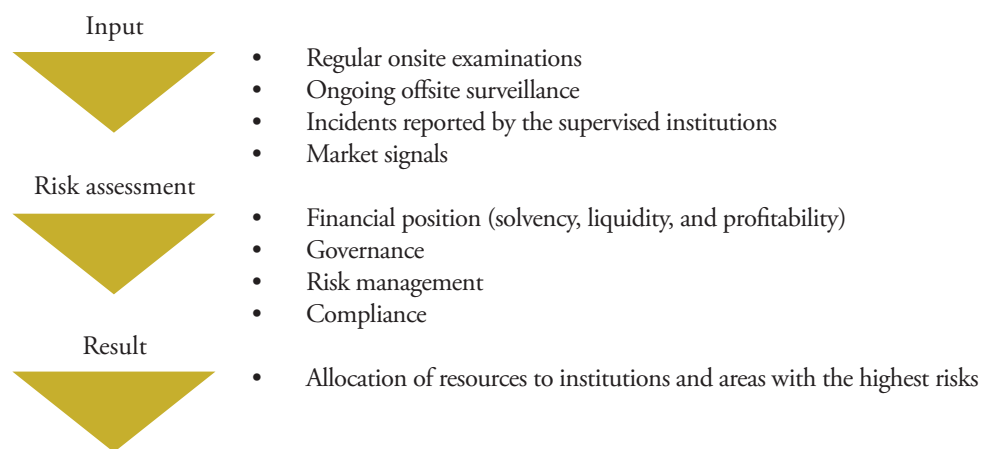


Over the years, the CBA has shifted its approach from a compliance-oriented to a risk-based supervisory approach, thereby allocating the supervisory resources to institutions and areas with the highest risks. As part of the risk-based supervisory framework, the CBA strives to address the “root cause” of problems rather than treat the symptoms. Using this approach, the CBA aims for persistent and intrusive supervision conducted effectively and efficiently.

In 2017, the CBA established a conceptual framework for the implementation of risk-based supervision for credit institutions, insurance companies, and company pension funds. Key areas, such as solvency, liquidity, profitability, governance, risk management, and compliance are scored for each individual institution. The results form the basis for allocating the CBA’s supervisory resources to the supervised institutions and areas with the highest risks (see figure 2.1).

The regular onsite examinations at the supervised institutions and the ongoing offsite surveillance, which includes the desk-review of the required periodic financial and regulatory reports filed by the supervised entities, are the main pillars through which the CBA executes its oversight, and they serve as the primary source of information to feed the risk-based supervisory framework. The onsite and offsite activities are key to maintaining a close watch on the financial and nonfinancial developments at the supervised institutions, assessing their ongoing compliance with the relevant laws and regulations and, if and where considered necessary, taking appropriate measures to enforce compliance.

Figure 2.1 Key components of the risk-based supervision framework



To enhance the effectiveness of its AML/CFT supervision, in 2017 the Integrity Supervision Department (ISD) significantly expanded the number of onsite examinations conducted to seventeen (17). Both financial institutions (2017: 8) and DNFBPs (2017: 9) were subject to onsite examinations. The selection of institutions for the onsite examinations was driven mainly by (sector-)specific integrity risks that the CBA identified through its risk-based approach, such as the risk of the misuse of international tax structures. Information sessions also were organized for sectors where, in general, the compliance with the AML/CFT laws is not yet up to par. These information sessions were conducted with the aim of increasing the level of awareness and compliance with the laws and regulations in the AML/CFT area. Furthermore, multiple questionnaires were sent to the commercial banks, inter alia to obtain information on the risk assessments conducted on certain sectors within the Aruba economy that may pose a higher risk, due, for example, to their cash intensity.

With due observance of the technological innovations in the financial services industry (“FinTech”)³ and the shift in supervisory approaches driven by “RegTech” and “SupTech”⁴, the CBA realizes that the existing supervisory approach may no longer be adequate to address the fast changing financial landscape. Consequently, like most other central banks and supervisory agencies, the CBA also has started looking into technological solutions (SupTech, Artificial Intelligence) to address the regulatory and supervisory challenges ahead. SupTech solutions include digitizing data and improving data analytics. Throughout 2017, the CBA proceeded with preparations for the launch of the big data warehousing and analytics framework called “FAME”⁵. With the launch of FAME on January 1, 2018, the supervised financial institutions under the scope of the FAME project began filing the regulatory reports through the web portal designed for this purpose.

Note also that in November 2017, the CBA held its second annual conference on Regulatory Technologies and the Future of Digital Transformation. The conference titled “When regulators become innovators: Industries of the future and the future of industries” included a first-time RegTech hackathon “Regathon”. During the conference, five (5) international speakers and two (2) panel discussions covered topics like Trends & Transformations in RegTech, The Future of Digital Transformation, and “Leading DX”⁶.

In consideration of the increasing complexity of the (international) regulatory framework and the dynamic environment in which financial institutions operate, the CBA strives to maintain a highly qualified supervisory staff at all times by also investing in training in the areas of financial sector supervision and AML/CFT oversight on an ongoing basis. Such training is key to maintaining high quality oversight by the CBA over the supervised institutions and keeping abreast of developments relevant to these institutions. Table 2.1 provides an overview of the conferences that the CBA’s supervisory staff attended in 2017.

Table 2.1: Overview of the conferences attended by the supervisory staff in 2017

Event	Fruitful insights were provided on the following topics, among others
Casino Auditing for Gaming regulators, Las Vegas, USA (February 2017)	Auditing techniques for Casinos
ACAMS 22 nd Annual AML/CFT Conference, Hollywood, Florida, USA (April 2017)	Financial inclusion and De-risking, validating automated transaction monitoring
2 nd Dutch Caribbean Gaming Regulations forum, Curaçao (August 2017)	Regional growth, improved transparency, and greater social responsibility in the gaming sector
Caribbean Regional Compliance Association CRCA Conference, Cayman Islands (November 2017)	Global trends in correspondent banking and potential drivers, for the Caribbean

Staff members of the supervision departments also attended several trainings where inter alia the following topics were discussed: risk management, cybercrime and cybersecurity, asset classification and provisioning (“IFRS 9”), data-driven supervision of pension funds, captives, reinsurance, Basel III capital and liquidity requirements, corporate governance, resolution/crisis management, FinTech, de-risking, and financial inclusion.

3 - FinTech: technology-enabled innovation in financial services (Financial Stability Board (FSB) 2017).

4 - RegTech (for financial institutions) and SupTech (for supervisors and regulators): the use of technologies to solve regulatory and compliance requirements more effectively and efficiently (Institute of International Finance (IIF) 2016).

5 - FAME is short for “Forecasting, Analytics, Modelling Environment”.

6 - DX is short for digital transformation.



Chapter 3.

Major changes in the legislative and regulatory framework



The CBA recognizes the need to keep abreast of the ongoing changes in the international regulatory landscape to ensure continued compliance with the standards set by the international standard-setting bodies in this area. Below an overview is given of the major changes made or proposed to the legislative and regulatory framework, with a view to enhancing and strengthening this framework.

3.1 Legislative framework

3.1.1 State Ordinance on the Supervision of the Securities Business

As of January 1, 2017, the State Ordinance on the Supervision of the Securities Business (“Landsverordening toezicht effectenverkeer”) (AB 2016 no. 53) (SOSSB) went into effect. The SOSSB introduces licensing requirements and ongoing supervision on securities brokers, portfolio managers, collective investment schemes, and operators of a stock exchange. Moreover, the SOSSB includes, inter alia, a prospectus obligation for the issuance of securities and prohibition of market abuse.

Conducting the business of a securities broker, asset manager, investment institution, or manager of an investment fund or stock exchange in or from Aruba without a license from the CBA is prohibited. Institutions and/or businesses already active prior to January 1, 2017, were granted a transition period of one (1) year to apply for a license. To date, no license application has been filed. On the other hand, a sound regulatory framework is now in place to regulate this type of activity.

With the implementation of the SOSSB, some amendments were made to the sectoral supervisory state ordinances. The most significant amendments to the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS), State Ordinance on the Supervision of the Insurance Business (AB 2000 no. 82) (SOSIB), and State Ordinance on Company Pension Funds (AB 1998 No. GT 17) (SOCPF) with the implementation of the SOSSB are:

- Change of the definition of external auditor. As of January 1, 2017, only auditors registered at the “Nederlandse Beroepsorganisatie voor Accountants” (NBA), the professional body for accountants in the Netherlands, are allowed to certify the annual financial statements and regulatory filings of supervised credit institutions, insurers, and company pension funds.

- The introduction of a legal requirement in the SOSCS and the SOSIB to have sound corporate governance policies in place.
- The institution of a legal requirement in the SOSCS and the SOSIB to have in place written policies and procedures for the handling of complaints.
- The establishment of a legal requirement in the SOCPF to object to the appointment of the external auditor of a company pension fund if in the CBA’s opinion the auditor does not provide or no longer provides the necessary guarantees that he can fulfill his task properly in relation to a company pension fund.

3.1.2 State Ordinance on Consumer Credit

In 2015, the CBA started drafting a legislative proposal to regulate consumer credit. The final draft was submitted to the Minister of Finance and Government Organization in June 2016. The main objectives of this proposal are to (1) ensure that consumers receive sufficient information before entering into a consumer loan agreement; (2) place a cap on the interest rates that lenders are allowed to charge to consumers; and (3) prevent over-crediting. This proposal is still in the legislative process.

3.1.3 Deposit insurance scheme

On January 16, 2014, the Parliament of Aruba passed a motion in which the Minister of Finance and Government Organization was asked to present a proposal for the introduction of a deposit insurance scheme to the Parliament of Aruba. Upon request of the Minister of Finance and Government Organization, the CBA drafted a legislative proposal, which was submitted to the Minister of Finance and Government Organization on August 27, 2015. Based upon the comments received from the Department of Legislation and Legal Affairs (“Directie Wetgeving en Juridische Zaken”), the CBA extended the Explanatory Memorandum pertaining to the legislative proposal and also drafted a State Decree containing general measures and an accompanying Explanatory Note, which describes, among other things, the modalities of the deposit insurance scheme. The modalities include the type of deposits covered by the scheme and also to what extent (the maximum coverage), the way the scheme is financed, and the procedures to follow in case of a bank failure. The tasks and responsibilities of the foundation entrusted with executing the scheme also are laid down in the mentioned state decree. The revised legislative proposal was submitted to the Minister of Finance and Government Organization on May 5, 2017, and is currently under review.

3.1.4 Amendment of the State Ordinance on the Supervision of Money Transfer Companies

On September 1, 2017, the amended SOSMTC went into effect. Herewith, the supervisory scope of this ordinance was extended to money exchange offices (“geldwisselkantoren”). To date, only the licensed commercial banks are allowed to conduct money exchange activities.

3.2 Regulatory framework

3.2.1 Revised policy rule on banking license and admission requirements for credit institutions

In November 2017, a revised policy rule was issued on banking license and admission requirements for credit institutions operating in or from Aruba. According to the revised policy rule, if in the CBA's opinion, the condition of comprehensive and effective consolidated supervision by the (ultimate) home country supervisor(s) is no longer met or if the CBA has significant doubts about the adequacy of the solvency or liquidity position of the parent bank, the shares in the Aruban bank must be transferred to a pure bank holding company. This to prevent any negative spill-over effects on the Aruba banking entity.

3.2.2 Increase minimum solvency requirement for credit institutions

As of January 1, 2017, the minimum solvency requirement for credit institutions was increased from 14 percent to 16 percent. This increase was considered necessary in light of the one-sided economy of Aruba and the ensuing associated risks for banks, as well as the Basel III standards issued by the Basel Committee on Banking Supervision (Basel Committee), which set higher capital and liquidity requirements for banks.

3.2.3 Increase minimum Prudential Liquidity Ratio for credit institutions

The maintenance of a sound and efficient financial system requires banks to hold sufficient liquid funds to absorb liquidity shocks. The Aruban banking system is highly concentrated, which makes its institutions, and the system as a whole, more vulnerable to liquidity shocks. In view of this vulnerability and in line with the above-mentioned Basel III standards, the CBA decided, after consulting with the Aruban Bankers' Association (ABA), to increase the minimum PLR

gradually from 15 percent to 20 percent and also to gradually raise the liquidity charge on undisbursed loan funds and other commitments in the liquidity testing sheet from 10 percent to 20 percent as of January 1, 2018 (see Table 3.1).

Table 3.1: Changes to the PLR and the liquidity charge on undisbursed loan funds and other commitments

Effective date	Minimum PLR	Liquidity charge on undisbursed loan funds and other commitments
January 1, 2018	16 percent	10 percent (unchanged)
January 1, 2019	18 percent	15 percent
January 1, 2020	20 percent	20 percent

3.2.4 Policy paper ‘Technology Risk Management’ for credit institutions

In December 2017, the CBA issued a draft policy paper ‘Technology Risk Management’ to the credit institutions for consultation. The advancement of information technology has brought about rapid changes to the way businesses and operations are being conducted in the banking industry. In consideration of the ensuing risks, the CBA has set out risk management principles and best practice standards on the management of technology risks. The final policy paper on technology risk management was issued in March 2018 and will go into effect on July 1, 2018, with a transition period of twelve (12) months.

3.2.5 Chart of Accounts

In close cooperation with the Centrale Bank van Curaçao en St. Maarten (CBCS), the CBA drafted new regulatory and monetary reporting format the CoA for the supervised credit institutions. The CoA is based on the basic concepts and principles of, inter alia, the Monetary and Financial Statistics Compilation Guide (MFSCG) issued by the International Monetary Fund (IMF) in 2008⁷, as well as the International Financial Reporting Standards (IFRS) and Pillar I of the Basel II capital standards.

7- The MFSCG is an accompaniment to the Monetary and Financial Statistics Manual issued by the IMF in 2000.



Pillar 1 defines the minimum capital charges for credit, operational, and market risk. The final draft of the CoA was sent to the banks in September 2017. The planned introduction date is January 1, 2019.

3.2.6 Revised directive on the publication of the audited annual financial statements for credit institutions and insurance companies

In line with international standards on disclosure of financial information, in December 2017 the CBA issued a draft revised directive on the publication of the audited annual financial statements to the credit institutions and insurance companies for consultation. The draft directive requires that banks and insurance companies, among other things, publish their annual reports on their website. The comments received are under review.

3.2.7 Policy paper on Outsourcing Arrangements

In July 2017, the CBA distributed for consultation a draft policy paper on outsourcing arrangements for credit institutions, insurance companies, company pension funds, and investment companies under the supervision of the CBA. This draft policy paper contains a set of standards on sound practices on risk management for outsourcing arrangements. The extent and degree to which an institution implements these standards should be commensurate with the nature of the risks in, and materiality of, the outsourcing arrangement. The institutions have some room to deviate from the requirements laid down in this draft policy paper, for example, if the small size of an institution or the low complexity of activities warrants it. The final policy paper on outsourcing arrangements was released in March 2018, and will become effective on July 1, 2018, with a transition period of twelve (12) months.

3.2.8 Revised actuarial guidelines for company pension funds

In June 2017, the final version of the revised actuarial guidelines for company pension funds was issued. These guidelines went into effect on January 1, 2018. An important revision in the guidelines is the method for calculating the coverage ratio, which is defined in the revised guidelines as the ratio between the assets less the short-term liabilities and the risk adjustments “weerstandvermogen” vis-à-vis the pension liabilities. Other important revisions concern the mortality table to use for calculating the technical provisions and the

establishment of minimum conditions that recovery plans must meet. Company pension funds whose coverage ratio falls below the minimum requirement of 100 percent are required to submit a recovery plan to the CBA for its approval.

3.2.9 Revised calculation coverage ratio for insurance companies

In November 2017, the CBA distributed a draft revised method for calculating the coverage ratio to the insurance companies for consultation. According to the revised calculation method, insurance companies must deduct their current liabilities from the total weighted assets when calculating their coverage ratio. The final revision to the calculation of the coverage ratio was issued in January 2018 and went into effect on January 1, 2018, with a transitional period of six (6) months to comply with the required minimum coverage ratio of 100 percent, if the new calculation method resulted in a deficit.

Chapter 4.

International developments



To comply with international standards, the CBA closely monitors international developments in the fields of financial sector supervision and AML/CFT oversight. This chapter provides an overview of some significant international developments observed in 2017 that are considered relevant for Aruba's legislative and regulatory framework.

4.1 Basel Committee: 'Sound Practices: Implications of FinTech Developments for Banks and Bank Supervisors'

New technology is transforming the banking industry at a fast pace. The global banking landscape will continue to undergo significant changes in the years ahead, including the entrance of new market players providing niche services that previously fell within the domain of the "traditional" banks. The Basel Committee released a consultation paper in August 2017 on the implications of FinTech on the financial sector titled 'Sound practices: Implications of FinTech developments for banks and bank supervisors'. The Basel Committee emphasizes that the impact of technology-driven developments on banks is uncertain. However, an in-depth analysis of the impact of a set of scenarios leads to the finding that banks increasingly will encounter challenges to preserve their current business models as a consequence of the changes in technology and customer expectations. The CBA is looking into the effects that new technologies may have on the viability of the current business models applied by banks and other financial institutions in Aruba. Note that also the banks in Aruba, in reducing costs, are striving to move their clients to digital banking (internet and mobile banking).

4.2 International Association of Insurance Supervisors (IAIS): 'Application Paper on Group Corporate Governance'

In November 2017, the IAIS published a paper on group corporate governance. This paper establishes sound supervisory practices with respect to the governance of insurance groups. The paper also aims to guide supervisors on how to assess the governance frameworks of complex insurance groups. The supervisory responses and best practices in the area of group corporate governance provided in this paper relate mainly to supervision of the corporate governance framework, the risk management system, allocation of responsibilities, and collaboration between regulators. The paper furthermore addresses the five (5) main

challenges that insurance groups are confronted with: (1) setting objectives and strategies, (2) allocating oversight and management responsibilities, (3) policies and processes, (4) risk management and compliance, and (5) control functions. The CBA will consider this paper when revising its existing policy paper on corporate governance for insurance companies.

4.3 FATF: 'Guidance paper on AML/CFT measures and financial inclusion, with a supplement on customer due diligence'

In November 2017, the FATF issued a guidance paper addressing financial inclusion. This FATF Guidance aims to provide support in designing AML/CFT measures that meet the goal of financial inclusion without compromising the measures that exist to combat crime. This guidance paper is a revision of the 2013 guidance on the subject matter and reflects the changes made to the FATF Recommendations in 2012. It focuses in particular on reinforcing the risk-based approach as a general and underlying principle of all AML/CFT systems.

The application of measures that enable individuals and businesses, especially low-income, unserved, and underserved groups, to access and use regulated financial services increases the reach and the effectiveness of anti-money laundering/countering the financing of terrorism (AML/CFT) regimes. Unserved and underserved people have to be financially active and may be forced to conduct their transactions through unregulated channels when they lack access to formal financial services. Enabling these groups to use regulated and supervised channels supports improved consumer protection against fraud, financial abuse, and exploitation.

The CBA also is looking into ways to promote financial inclusion without compromising existing measures aimed at combating money laundering and terrorist financing.

4.4 IMF working paper: 'Loss of Correspondent Banking Relationships in the Caribbean: Trends, Impact, and Policy Options'

Pursuant to the guidance paper issued by the FATF in October 2016, the IMF issued a working paper on the subject of de-risking focused on the Caribbean region. It elaborates on the developments in the Caribbean and the factors that play a role in the withdrawal of

Correspondent Banking Relations (CBRs). In the Caribbean, many drivers for de-risking have been identified; consequently, no “silver bullet” exists to solve the problem. The IMF has formulated a number of policy options to address the loss of CBRs, such as (i) ensuring compliance with international standards; (ii) having regulators provide more clarity for their expectations; (iii) improving information sharing and communication between respondent and correspondent banks; and (iv) improving the quality of payment messages. One conclusion of the IMF’s working paper is that further loss of CBRs remains a significant risk to the region and could have large economic costs. Enhanced international coordination and action by all stakeholders is required to address CBR challenges.

Notwithstanding that the Aruban banking sector has so far not been impacted much by the de-risking practices increasingly applied by banks in North America and Europe, the CBA will continue to closely monitor the developments in this area and continue to assess the available policy options to mitigate the ensuing risks.





Chapter 5.

National and international cooperation



5.1 National cooperation

In 2017, the CBA continued its periodic meetings with the Financial Intelligence Unit (“Meldpunt Ongebruikelijke Transacties”) (FIU) and the Public Prosecutor’s Office (“Openbaar Ministerie”) (PPO) to discuss topics of mutual interest with respect to integrity matters. In the year under review, three (3) bilateral meetings were held between the CBA and the FIU, while two (2) bilateral meetings were held between the CBA and the PPO. The basis for these periodic meetings is the Memoranda of Understanding with the FIU (signed in 2011) and the PPO (signed in 2012). In addition to setting procedures for information exchange, the Memorandum of Understanding (MoU) with the PPO contains guidelines in the event of a concurrence of administrative and criminal offences. Because of the universal “ne bis in idem-principle,” i.e., a person cannot be punished twice for the same act, the parties in these cases must decide which enforcement route to follow. In addition to the mentioned periodic meetings with the PPO and the FIU, the CBA organized a presentation to the Courts regarding (inter alia) integrity supervision. In 2017, the Aruban AML/CFT Steering Group, which is chaired by the Prime Minister and consists of the main government agencies and public organizations involved in the design of the AML/CFT architecture, met twice to discuss AML/CFT-related matters.

The CBA again held periodic meetings with the representative organizations of the commercial banks and the insurance companies, i.e., the ABA and the Insurance Association of Aruba (IAA), respectively. The following supervisory matters were discussed during these meetings: (a) the revised policy rule on banking license requirements and admission requirements for credit institutions operating in or from Aruba, (b) the intended increase of the liquidity requirements for banks, (c) the intended revision to the calculation of the coverage ratio for insurance companies, (d) the draft revision to the supervisory directive on the publication of certified annual financial statements, (e) the digitalization project FAME, (f) de-risking of banks in the Caribbean Region by correspondent banks in the United States and Europe, and (g) the policy paper on outsourcing arrangements.

Furthermore, the CBA met separately with the management of each commercial bank during the periodic bilateral meetings to discuss the economic environment, financial market developments, credit growth, the development of the nonperforming loans, and their annual budget.

5.2 International cooperation

In 2017, the CBA received eight (8) information requests from foreign supervisory authorities, all of which were responded to in a timely manner. The CBA also requested and received information from foreign supervisors on five (5) occasions.

The CBA meets regularly with its counterparts within the Kingdom of the Netherlands, namely, De Nederlandsche Bank N.V. (DNB), the Authority for the Financial Markets (“Autoriteit Financiële Markten”) (AFM), and the CBCS. The Technical Committee of the Supervisory authorities of the Kingdom of the Netherlands met twice in 2017, based upon the MoU signed between the parties involved. Reference is made to Annex 4 for a complete list of the MoUs signed in the area of supervision.

Furthermore, the CBA participated in two (2) meetings of the Joint Working Group on Integrity Issues, consisting of representatives of the supervisory authorities within the Kingdom of the Netherlands. The FIUs within the Kingdom of the Netherlands also attended both meetings. During these meetings issues such as criminal networks, regional risks, and terrorist financing were amply discussed.

The CBA continued to provide assistance to the Caribbean Financial Action Task Force (CFATF) in the first half of 2017 with regard to assessing Suriname’s progress in addressing the deficiencies found during the CFATF’s last mutual evaluation vis-à-vis the FATF recommendations. Note that in May 2017, Suriname was exited from the CFATF International Co-operation Review Group (ICRG) follow-up process. Furthermore, the CBA attended the two (2) plenary meetings organized by the CFATF during the year under review.

5.3 International supervisory groups

The CBA is a member of various international supervisory groups and participated in different meetings held by these groups throughout 2017:

- Plenary meetings of the Group of International Finance Centre Supervisors (GIFCS),
- XXXV Annual Conference of the Caribbean Group of Banking Supervisors (CGBS),

- Annual Seminar and Annual General Meeting of the Group of International Insurance Centre Supervisors (GIICS), and
- XII High-level Meeting and XX Annual Assembly Meeting of the Association of Supervisors of Banks of the Americas (ASBA).

See Annex 5 for an overview of the main topics discussed during these meetings.





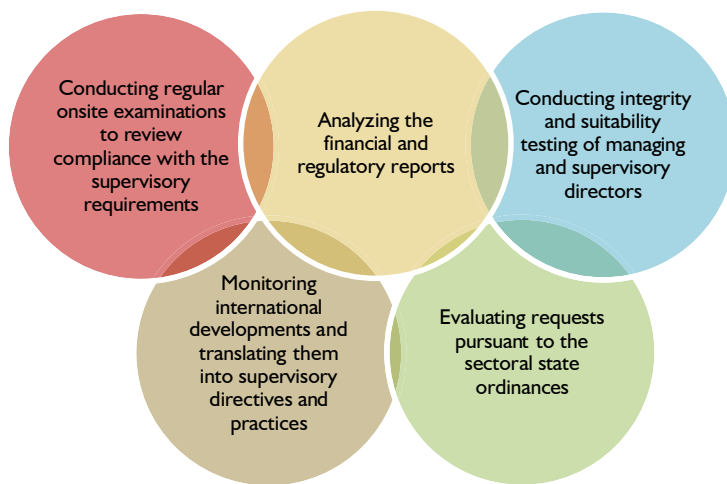
Chapter 6.

Prudential supervision



The Prudential Supervision Department (PSD), consisting of ten (10) full-time staff members at end-2017, is responsible for the proper monitoring of the financial soundness of supervised financial institutions, in particular, credit institutions, insurance companies, and company pension funds. The PSD monitors international developments in the area of prudential supervision and, insofar as relevant for Aruba, translates these developments into supervisory policy directives and policy papers. The department monitors compliance with the supervisory laws and regulations through ongoing offsite surveillance (including the conduct of integrity and suitability assessment of proposed management and supervisory directors), and regular onsite examinations. The primary tasks and responsibilities of the PSD are presented in figure 6.1.

Figure 6.1: Tasks and responsibilities of the PSD



In general, with a few exceptions, the supervised institutions remained in compliance with the CBA's prudential requirements during 2017.

6.1 Offsite surveillance

In 2017, as part of its offsite surveillance, the PSD undertook several activities including, among other things, analysis of the financial and regulatory returns submitted by the supervised institutions and evaluation of several requests for approval pursuant to the various sectoral supervisory laws. The latter requests related mainly to the appointment of key persons or a change of external auditor. In 2017,

seventeen (17) requests related to the appointment of a key person from the credit institutions, twenty-three (23) requests from the insurance companies, and seven (7) requests from the company pension funds were received (see also Annex 7). Also, fifteen (15) new petitions for a change of external auditor by the credit institutions, insurance companies, and company pension funds were received and processed.

As in previous years, the CBA conducted its yearly stress testing exercise on the domestic commercial banking sector. In 2017, the banks' resilience was tested against severe shocks with respect to their sectoral loans and large exposures. The results show that the commercial banking sector remains highly resilient to adverse scenarios. The results of the exercise conducted in 2017 were communicated to the commercial banks during the bilateral meetings with the domestic commercial banks held near the end of 2017.

6.2 Onsite examinations

The PSD conducted eight (8) targeted onsite examinations during 2017, namely, at two (2) credit institutions, three (3) insurance companies, and three (3) company pension funds. The focus of the examinations conducted at the credit institutions and two (2) insurance companies was the quality of their assets. During the onsite visit at these insurance companies, the CBA also undertook an in-depth review of their financial position and the intragroup positions. The examinations conducted at the other institutions (one (1) life insurer and three (3) company pension funds) focused on compliance with the CBA's policy papers on corporate governance and pension fund governance. During the onsite visits at two (2) company pension funds, the CBA additionally assessed the admissibility of assets and the quality of the prudential returns, and in one case, the progress vis-à-vis the recovery plan. Table 6.1 provides an overview of the onsite examinations conducted by the PSD.

Table 6.1: Onsite examinations by PSD 2015-2017 (End of period)

	2015	2016	2017
Sector			
Credit institutions	2	2	2
Life insurance companies	-	3	2
General insurance companies	2	3	1
Company pension funds	2	-	3
Total onsite examinations	6	8	8

6.3 Passing on of the supervisory costs

Pursuant to the various sectoral state ordinances and state decrees, the CBA may pass on the incurred supervision costs, in full or in part, to the supervised entities. Annex 8 contains a breakdown of the supervision costs passed on to the different sectors supervised by the CBA. In view of the more challenging environment in which financial institutions operate and the more complex supervisory architecture in recent years, it has become necessary to attract and retain highly qualified staff and to charge a larger part of the supervisory costs to the sectors supervised.





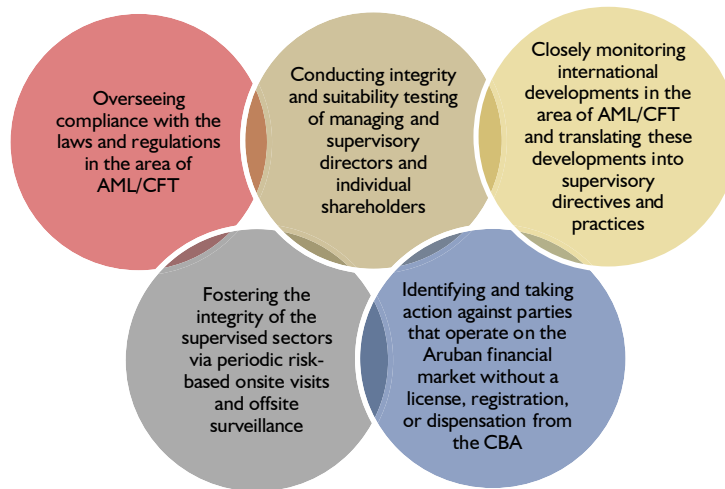
Chapter 7.

Integrity supervision



Integrity supervision is a key pillar of the CBA's supervision and is aimed at the overarching goal of maintaining confidence in the financial system. Breaches of the law, facilitating unlawful activity, and other unethical behavior can result in enforcement actions, including monetary penalties, civil liability claims, and reputational damage. Therefore, integrity risk management is of paramount importance to financial institutions. The primary tasks and responsibilities of the ISD are presented in figure 7.1.

Figure 7.1: Primary tasks and responsibilities of the ISD



In view of the expanded supervisory mandate in the area of integrity supervision, CBA's focus for 2017 remained on fostering the supervised institutions' compliance with the integrity-related requirements via information sessions and onsite visits and offsite surveillance.

7.1 Offsite surveillance

In 2017, the CBA undertook several activities as part of its offsite surveillance. Surveys were sent out to financial institutions as well as some specific sectors that form part of the so-called DNFBPs to enhance the CBA's information position regarding specific topics. The surveys conducted among the domestic commercial banks were aimed at gathering information on, among other things, the risk assessments conducted vis-à-vis supermarkets and free-zone companies. The CBA also sent out questionnaires to lawyers, real estate companies, jewelers,

and car dealers in 2017 to inquire about their AML/CFT framework. The information received from said surveys concluded in onsite examinations and information sessions among other things.

7.2 Onsite examinations

The year 2017 saw a sharp increase in the number of onsite examinations carried out by the ISD in an effort to strengthen its oversight in the AML/CFT area, especially on the DNFBPs. A total of seventeen (17) onsite examinations were conducted: eight (8) examinations at credit institutions, five (5) at trust service providers, and four (4) at the DNFBPs, namely, one (1) at a tax advisor, one (1) at a casino, one (1) at a lawyer and one (1) at a real estate company (see also table 7.1). The onsite examinations conducted mainly focused on specific risks, such as corruption and the use of international tax structures, identified by the CBA through its risk-based approach.

Table 7.1: Onsite examinations by ISD 2015-2017 (End of period)

	2015	2016	2017
Sector			
Credit institutions	1	2	8
Pawnshops	1	-	-
Life insurance companies	-	1	-
General insurance companies	-	-	-
Company pension funds	-	1	-
Money transfer companies	2	-	-
Trust service providers	1	1	5
DNFBPs	1	3	4
Total onsite examinations	6	8	17

7.3 Information sessions held for supervised institutions

In 2017, the ISD organized two (2) information sessions, one (1) for the trust sector and one (1) for the real estate sector. During these sessions, AML/CFT-related topics such as business risk assessment, AML/CFT training, transaction monitoring, customer due diligence/KYC, and unusual transaction reporting were discussed. The FIU also actively participated in these sessions by giving a presentation on unusual transaction reporting requirements. Additionally, the ISD contributed to an information session for lawyers organized by the FIU.

7.4 Passing on of the supervisory costs

Reference is made to Annex 8 in which an overview is given of the amounts passed on per sector by the CBA to cover part of the supervisory costs incurred. The intention is to draft in 2018 a proposal for the charging of the supervisory costs related to the execution of the AML/CFT State Ordinance.





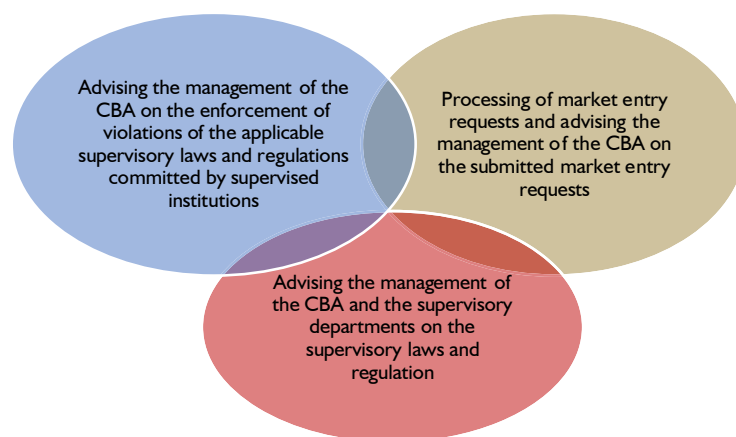
Chapter 8.

Enforcement, Market Entry, & Legal Advisory



The Enforcement, Market Entry, and Legal Advisory Department (EML) is a new department established on January 1, 2017. At year-end 2017, EML consisted of two (2) full-time staff members. EML works closely with the PSD and ISD on enforcement and market entry matters. EML monitors international developments in the area of enforcement and market entry and, insofar as is relevant for Aruba, translates these developments into policy proposals. The primary tasks and responsibilities of EML are presented in figure 8.1. This chapter elaborates on the activities carried out by EML in 2017.

Figure 8.1: Primary tasks and responsibilities of EML



8.1 Enforcement

As in previous years, in 2017 the CBA exercised strict oversight of the supervised institutions to ensure their compliance with the applicable supervisory laws and regulations. In cases where the CBA identified a situation of noncompliance with the applicable supervisory laws and regulations, formal or informal measures were taken. The decision to apply formal or informal measures depends, among other things, on the seriousness of the case. See boxes 8.1 and 8.2 for an overview of the CBA's enforcement "toolkit". The CBA's enforcement policy can be found on its website: www.cbaruba.org.

Box 8.1: Informal enforcement measures

The following informal measures can be considered:

- Normative conversation;
- Strong letter; and
- Warning.

Box 8.2: Formal enforcement measures

The following formal measures can be considered depending on the nature and seriousness of the breaches found:

- Issuing a formal directive, whether or not accompanied by publication thereof;
- Imposing a penalty charge order and/or administrative fine, whether or not accompanied by publication thereof;
- Declaring that an auditor or actuary is no longer authorized to certify the annual filings (including the annual report) of a credit institution, an insurance company, a money transfer company, or a company pension fund;
- Appointing a silent receiver in the case of a credit institution, an insurance company, or a company pension fund;
- Filing of a request to the Court of First Instance to apply the emergency regulations and to appoint one or more administrators in the case of a credit institution or insurance company;
- Requesting the Court of First Instance to appoint an administrator in the case of a company pension fund; and
- Revoking the license or cancelling the registration.

In addition, it is also possible to report a case to the Public Prosecutor's Office, where grounds exist for doing so.

Table 8.1 provides an overview of the number and type of measures taken in the period 2015-2017 per (sub) sector.

8.2 Market Entry

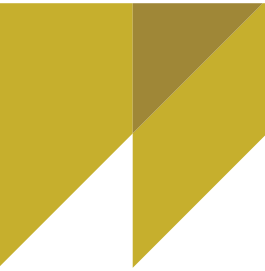
In 2017 the CBA received eight (8) petitions for an exemption pursuant to article 27b of the SOSIB to act as an intermediary for an insurance contract with foreign insurance companies not in the possession of a license of the CBA. One (1) company filed a petition to be registered in the registry of money transfer companies. One (1)

general insurance company lodged a petition to expand the scope of its general insurance license. Furthermore, in 2017 the CBA received four (4) petitions for approval for changes in qualifying holding, two (2) of which were approved in 2017 (see Annex 6), one (1) in early 2018, and one (1) is still outstanding, pending submission of missing information. In connection with the two (2) changes in qualifying holding approved by the CBA, the CBA conducted two (2) integrity assessments of the natural persons holding a qualifying holding.

Table 8.1: Imposed measures 2015 – 2017 (end of period)

	2015				2016				2017			
	Normative conversations	Formal directives	Penalty charge orders	Administrative fines	Normative conversations	Formal directives	Penalty charge orders	Administrative fines	Normative conversations	Formal directives	Penalty charge orders	Administrative fines
Sector												
Credit institutions	-	1	-	1	-	-	-	1	-	-	-	1
Pawnshops	-	-	-	-	-	-	-	-	-	-	-	-
Life insurers	-	2	1	1	-	-	-	1	-	1	-	1
General insurers	-	1	-	3	-	1	-	3	-	1	-	-
Captive insurers	-	-	-	-	-	1	-	-	-	-	-	-
Money transfer companies	-	-	-	-	-	-	-	-	-	-	-	-
Trust service providers	-	-	-	-	-	-	-	-	-	-	-	4
DNFBPs:												
- Casinos	-	-	-	-	-	-	-	-	-	1	-	2
- Other	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	1	1	-	-	1	1	-	-	-	1
Total enforcement actions	-	4	2	6	-	2	1	6	-	3	-	9





Chapter 9.

Key financial developments



This chapter describes the key financial developments in the financial sector comprising banks, money transfer companies, insurance companies, and pension funds. Detailed financial data on these sectors also can be found in the Annual Statistical Digest published by the CBA.

Table 9.1: Number of supervised institutions (at end of period)

Number of supervised institutions within the banking sector			
	2015	2016	2017
Total	12	12	11
Commercial banks	6	6	5
International banks	1	1	1
Bank-like institutions	3	3	3
Credit unions	2	2	2
Number of supervised institutions within the insurance sector			
	2015	2016	2017
Total	32	38	38
Nonlife insurance companies	12	12	12
Life insurance companies	6	6	6
Captive insurance companies	4	4	4
Insurance brokers	10	16	16
Number of supervised institutions within the pension fund sector			
	2015	2016	2017
Company pension funds	10	10	10

Source: CBA.

9.1 Banking sector

The number of credit institutions supervised by the CBA decreased by one to 11 at year-end 2017 compared to year-end 2016, as BBA Bank N.V. decided to cease its operations in 2016. In connection herewith, the CBA revoked BBA Bank N.V.'s license on November 24, 2017.

9.1.1 Commercial banks

9.1.1.1 Aggregated balance sheet total and outstanding loans

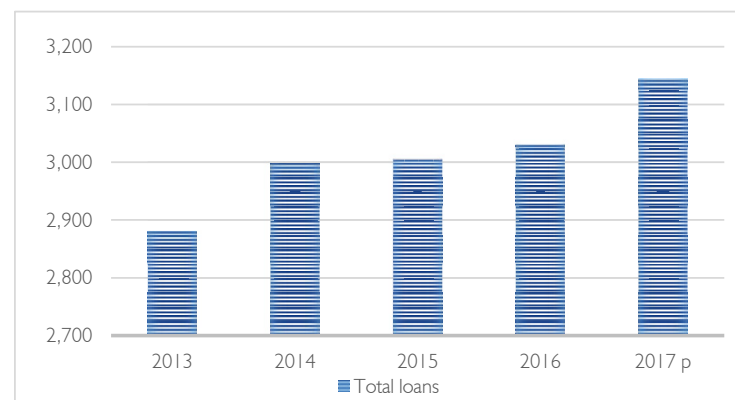
Aggregated balance sheet total

The commercial banks' aggregated balance sheet total amounted to Afl. 5,511.3 million at year-end 2017, equivalent to 114.0 percent of Aruba's estimated 2017 Gross Domestic Product (GDP), confirming the significant size of the banking sector compared to the Aruban economy.

Aggregated outstanding loans

Chart 9.1 illustrates the aggregated outstanding loans over the past five (5) years. The significant growth in 2017 may be a sign of an improving economy.

Chart 9.1 Development in aggregated outstanding loans of the commercial banks in Afl. million (at end of period)



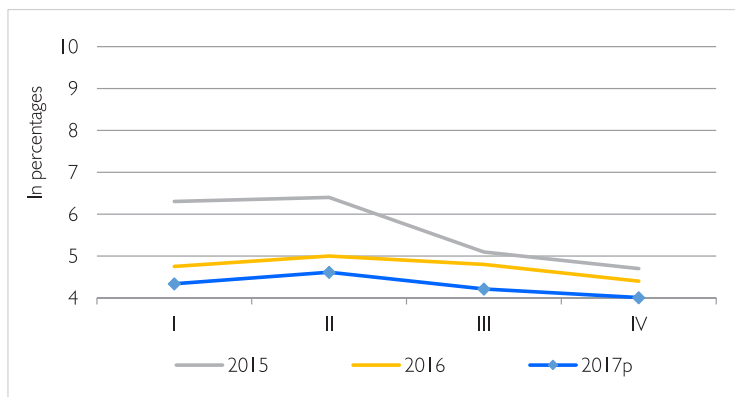
Source: CBA: commercial banks; p= preliminary figures.

Quality of loan portfolio

As shown in Table 9.2 and Chart 9.2, the quality of the commercial banks' loan portfolio improved significantly over the past five (5) years. The nonperforming loans-to-gross loans ratio shrank from 7.0 percent at the end of 2013 to 6.3 percent at year-end 2014, 4.7 percent at year-end 2015, 4.4 percent at the end of 2016, and 4.0 percent at the end of 2017. The decrease over these years was due mostly to the restructuring and the write-off of some

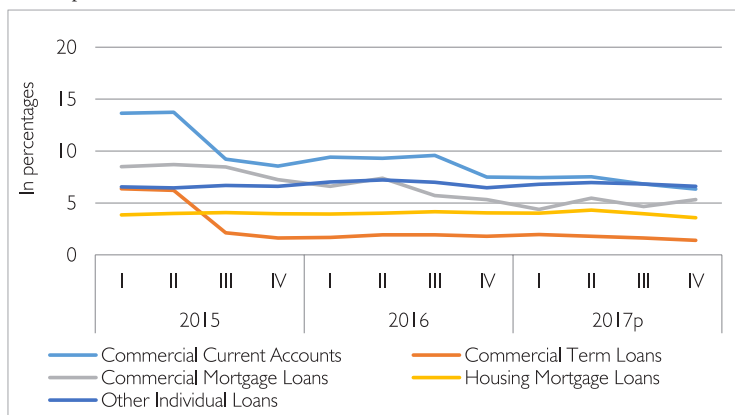
nonperforming loans. Chart 9.3 shows that the decline in nonperforming loans occurred mainly in the commercial current account and commercial term loan categories. Note that the commercial banks' nonperforming loan ratio is very low compared to most banks in the Caribbean basin. The strict loan underwriting policies and the, in general, sound credit risk management practices that the commercial banks apply have likely contributed to the relatively low nonperforming loan ratio of the Aruban commercial banks.

Chart 9.2 Development of nonperforming loans (gross) to total gross loans of the commercial banks (at end of period)



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

Chart 9.3: Development of nonperforming loans by category of the commercial banks (end of period)



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

9.1.1.2 Key ratios

Table 9.2: Financial soundness indicators of the commercial banks on an aggregated basis (at end of period and in percentages)

	2013	2014	2015	2016	2017p
Capital adequacy					
Regulatory capital (Tier I) to risk-weighted assets	14.7	15.3	17.6	19.6	22.4
Regulatory capital (Tiers I + II) to risk-weighted assets	22.7	23.3	26.0	28.1	30.7
Asset quality					
Nonperforming loans to gross loans	7.0	6.3	4.7	4.4	4.0
Nonperforming loans (net of ALLP ¹) to gross loans	3.7	3.2	1.6	1.5	1.5
Nonperforming loans (net of ALLP) to regulatory capital	18.3	14.7	6.8	5.8	5.3
Profitability					
Return on assets (before taxes)	3.1	2.8	2.7	2.7	2.3
Return on equity (before taxes)	28.0	23.3	21.4	19.6	16.0
Interest margin to gross income	61.8	60.4	57.3	58.6	57.2
Noninterest expenses to gross income	71.8	72.0	73.2	72.0	74.0
Interest rate margin ²⁾	7.0	5.7	6.1	5.9	5.1
Liquidity					
Loans to deposits ratio (max. 80%)	72.9	73.6	69.9	66.2	68.2
Liquid assets to total assets ³⁾ (min. 15%)	24.3	24.1	27.3	30.6	28.6

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

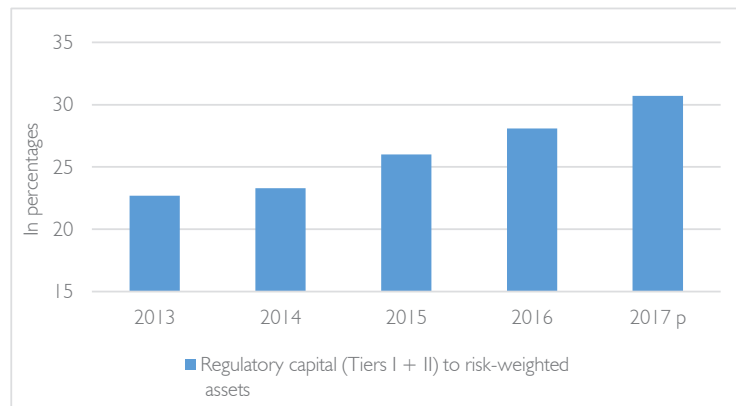
- 1) ALLP= allocated loan loss provision.
- 2) Weighted averages related to new loans granted and new deposits during the indicated period.
- 3) This ratio is the Prudential Liquidity Ratio (PLR).

Capital adequacy

The commercial banks' aggregated risk-weighted capital adequacy ratio moved up to 30.7 percent at end-2017 from 22.7 percent at end-2013.

Table 9.2 and Chart 9.4 illustrate that the commercial banks' aggregated risk-weighted capital adequacy ratio continued on a path of pronounced growth, and remained well above the required minimum during these years, due mainly to the continued increases in the commercial banks' capital and reserves. The CBA raised the minimum capital adequacy ratio to 16.0 percent as of January 1, 2017, primarily because of the heavy dependence of the Aruban economy on one sector and the ensuing risks for banks, as well as in response to the Basel III accord, setting, inter alia, higher capital standards. As in previous years, the commercial banks' resilience was stress-tested by the CBA in 2017. The outcome of these stress tests continues to show that the commercial banks are able to absorb significant external shocks without their prudential ratios falling below the minimum required levels set by the CBA.

Chart 9.4 Development of the aggregated risk-weighted capital asset ratio (at end of period)



Source: CBA: commercial banks; p= preliminary figures

Profitability

As indicated in Table 9.2, return on assets (before taxes) declined during the period 2013-2017, and equaled, respectively, 3.1 percent

in 2013, 2.8 percent in 2014, 2.7 percent in both 2015 and 2016, and 2.3 percent in 2017. During this period, return on equity (before taxes) also showed a contractionary trend and shrank to, respectively, 28.0 percent in 2013, 23.3 percent in 2014, 21.4 percent in 2015, 19.6 percent in 2016, and 16.0 percent in 2017. The main reason behind these drops is that capital and reserves increased at a faster pace than the profit before taxes over the last five years. On average, the yearly increase in capital and reserves equaled 9.6 percent. Non-interest expenses to gross income hovered between 71.8 percent and 74.0 percent during 2013-2017. In the same period, the interest rate margin, except for 2015, recorded decreases of, respectively, 1.3 percentage points in 2014, 0.2 percentage point in 2016, and 0.8 percentage point in 2017. The observed contractions in the interest rate margin indicate intensified competition between the banks, especially in the commercial loans and residential mortgages segments.

Liquidity

Per year-end 2017, the PLR (liquid assets to total assets) stood at 28.6 percent, remaining far above the required minimum of 15.0 percent.

Table 9.2 demonstrates that the PLR (liquid assets to total assets) of the commercial banks fluctuated between 24.1 percent in 2014 and 30.6 percent in 2016. Per year-end 2017, the PLR equaled 28.6 percent, staying far above the required minimum of 15.0 percent. After peaking in 2014 at 73.6 percent, the commercial banks' aggregated loans-to-deposits ratio fell to 68.2 percent in 2016, due to notable increases in the deposits held by the commercial banks.

9.1.2 International banks

9.1.2.1 Aggregated balance sheet total

The aggregated balance sheet total of the international banks plummeted from Afl. 290.2 million at year-end 2013 to Afl. 44.5 million at year-end 2017. This sharp decline is attributable to the depressed economic situation in Venezuela.

9.1.2.2 Risk-weighted capital adequacy ratio

Table 9.3: Development of risk-weighted capital asset ratio of the international banks (at end of period)

	2013	2014	2015	2016	2017p
Risk-weighted capital asset ratio (%)	34.4	60.3	53.7	295.2	493.9

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

Table 9.3 illustrates the considerable upward trend in the risk-weighted capital adequacy ratio of the international banking sector, which stood at 493.9 percent at year-end 2017, compared to 295.2 percent at year-end 2016. This trend is completely the result of the sharp decline of the activities in this sector.

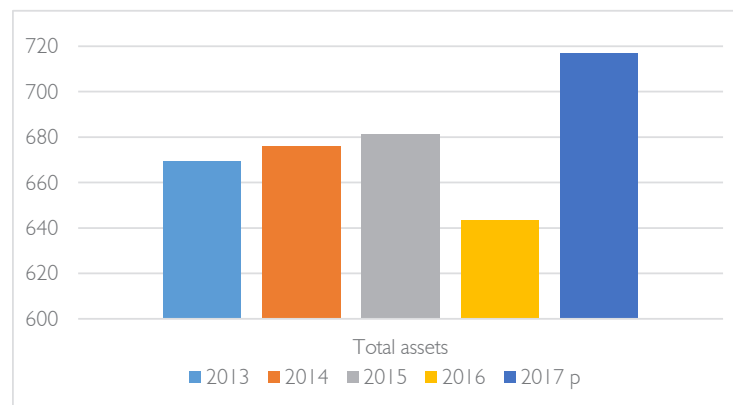
9.1.3 Bank-like institutions

9.1.3.1 Aggregated balance sheet total

The bank-like institutions' aggregated balance sheet total amounted to Afl. 716.7 million at year-end 2017, equivalent to 14.8 percent of Aruba's estimated 2017 GDP.

At year-end 2017, a strong growth of Afl. 73.3 million or 11.4 percent in the bank-like institutions' aggregated balance sheet total was observed when compared to year-end 2016. This considerable increase was due mainly to the renewal of a revolving credit facility in conjunction with a securitization, which led to expansions in, respectively, total loans by Afl. 20.2 million, cash and due from banks by Afl. 28.0 million, other assets by Afl. 28.3 million, and borrowings by Afl. 94.8 million. The pronounced decline in the aggregated balance sheet total in 2016 compared to 2015 is attributable mostly to the category other assets, which fell by Afl. 46.1 million or 25.3 percent to Afl. 136.1 million in 2016, due to the settlement of an outstanding amount receivable from the government of Aruba in the fourth quarter of 2016.

Chart 9.5 Development of aggregated balance sheet total in Afl. million (at end of period)



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

9.1.3.2 Key ratios

Table 9.4: Financial soundness indicators of the bank-like institutions on an aggregated basis (at end of period and in percentages)

	2013	2014	2015	2016	2017p
Capital adequacy					
Regulatory capital (Tier I) to risk-weighted assets	52.4	55.3	58.8	63.6	63.1
Regulatory capital (Tiers I + II) to risk-weighted assets	60.5	62.6	66.4	71.0	70.9
Asset quality					
Nonperforming loans to gross loans	8.7	8.5	7.9	8.1	8.4
Nonperforming loans (net of ALLP) to gross loans	6.6	6.9	6.2	5.5	6.0
Nonperforming loans (net of ALLP) to regulatory capital	8.3	8.3	6.8	6.2	7.2
Profitability					
Return on assets (before taxes)	4.8	4.2	4.7	4.2	4.1
Return on equity (before taxes)	9.9	8.0	8.4	7.0	6.9
Interest margin to gross income	61.7	62.8	61.0	61.2	63.4
Noninterest expenses to gross income	59.7	66.3	65.2	69.1	70.7

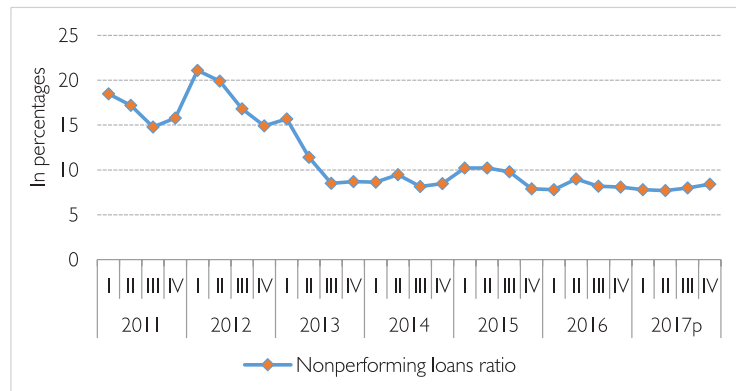
Source: CBA: bank-like institutions; p= preliminary figures.



Asset quality

As reflected in Chart 9.6 and Table 9.4, the nonperforming loans-to-gross loans ratio showed a declining trend since 2012 and stood at 8.4 percent at year-end 2017. This decrease was the result of the restructuring and the write-off of some nonperforming loans.

Chart 9.6: Development of nonperforming loans (gross) to total gross loans of the banklike institutions (at end of period)



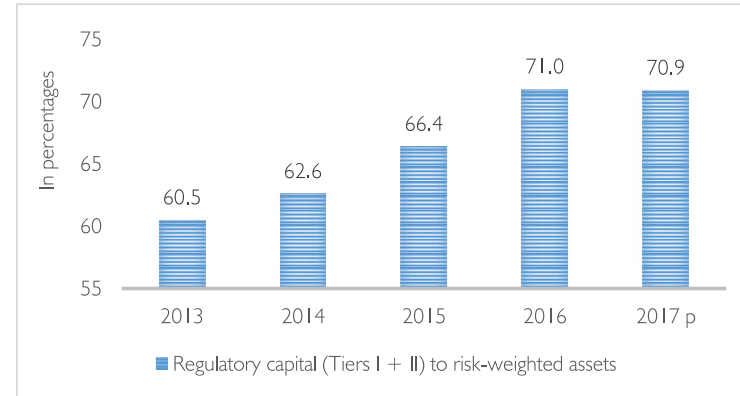
Source: CBA: bank-like institutions; p = preliminary figures.

Capital adequacy

The aggregated regulatory capital to risk-weighted assets ratio remained steady at 70.9 percent at year-end 2017.

Table 9.4 and Chart 9.7 reveal that, in the period 2013-2017, the aggregated regulatory capital (Tier I + Tier II) to risk-weighted assets ratio of the bank-like institutions improved steadily, moving upward from 60.5 percent at year-end 2013 to 70.9 percent at year-end 2017. The small drop in 2017, when compared to 2016, was due primarily to a minor decrease of Afl. 4.5 million or 1.1 percent in capital and reserves (numerator of the capital adequacy ratio), combined with a notable surge in total assets, impacting the risk-weighted assets (denominator of this ratio).

Chart 9.7 Regulatory capital (Tiers I + II) to risk-weighted assets (at end of period)



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

Profitability

As illustrated in Table 9.4, return on equity (before taxes) stayed quite stable and stood at 6.9 percent at year-end 2017 compared to 7.0 percent at year-end 2016. The interest margin to gross income increased by 2.2 percentage points from 61.2 percent in 2016 to 63.4 percent in 2017. The noninterest expenses-to-gross income ratio rose by 11.0 percentage points in 2017 when compared to 2013 as a result of a significant growth in the operating expenses (Afl. 8.9 million or 22.5 percent) compared to the rise in gross income (Afl. 6.5 million or 10.1 percent).

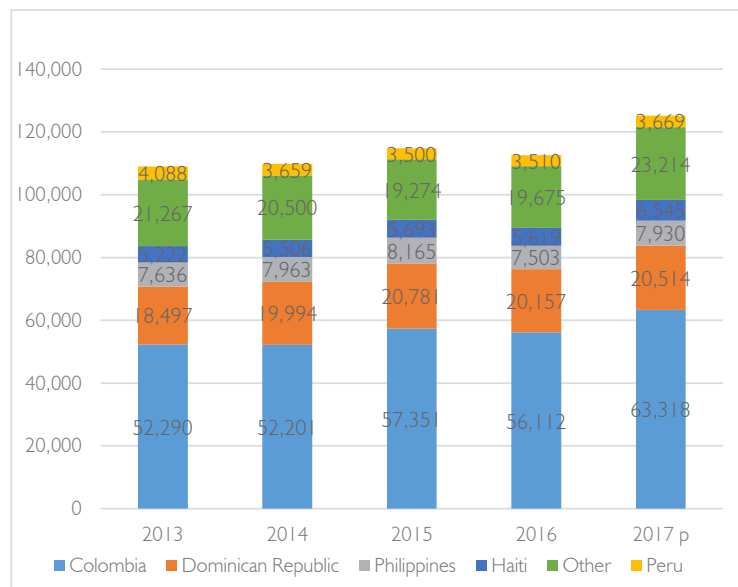
9.2 Money transfer companies

At the end of 2017, three (3) money transfer companies were registered in Aruba, Post Aruba N.V., Mack's Exchange Services V.B.A. and Union Caribe N.V.

9.2.1 Outgoing money transfers

The total amount of outgoing money transfers executed through the money transfer sector increased significantly in 2017.

Chart 9.8 Outgoing money transfers by countries of destination in Afl. thousand



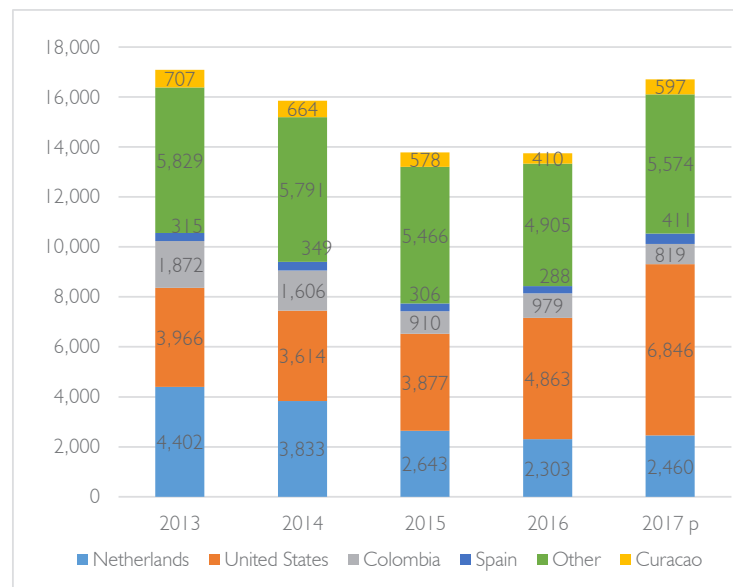
Source: CBA: money transfer companies; p= preliminary figures.

One of the main reasons for making transfers to abroad is to provide financial support to relatives in the countries of origin of the foreign workers residing in Aruba. A substantial part of Aruba's labor force consists of foreign workers, predominantly from South America. Over the period 2013-2017, the number of outgoing transfers exhibited an increasing trend, with the exception of the year 2016. In 2017, the number of outgoing transfers rose by roughly 29,300 to approximately 318,900 compared to 2016. Colombia remained the main destination for outgoing money transfers with a share of approximately 50.0 percent of the total transfers in 2017 (Chart 9.8).

9.2.2 Incoming money transfers

The incoming transfers originated mainly from the Netherlands and the United States (Chart 9.9). Note that in the past three years, the United States' share markedly surpassed that of the Netherlands.

Chart 9.9 Incoming money transfers by countries of origin in Afl. thousand



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

9.3 Insurance companies

The number of insurance companies (including nonlife, life, and captive insurance companies) registered in Aruba remained unchanged in 2017.

9.3.1 Nonlife insurance companies

In 2016, Aruba AIG Insurance Company N.V. decided to cease its operations.

9.3.1.1 Aggregated balance sheet total and net premium per indemnity line

Aggregated balance sheet total

The combined assets of the nonlife insurance sector equal 6.1 percent of Aruba's estimated 2017 GDP.



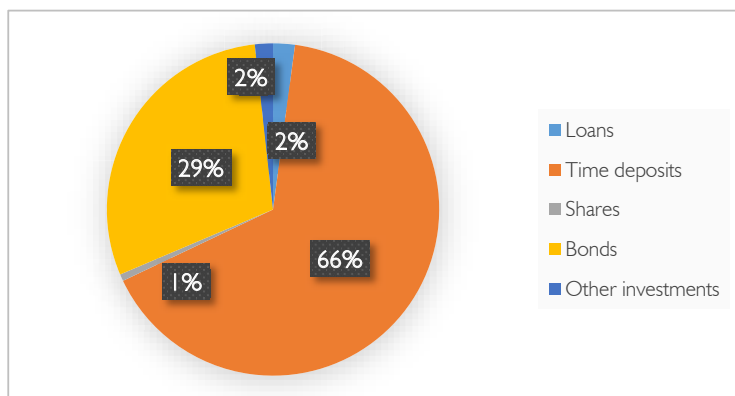
At year-end 2017 a sharp decline of Afl. 58.2 million or 16.5 percent in the aggregated balance sheet total was registered, due primarily to a drop of Afl. 45.0 million or 21.4 percent in investments, which were reallocated to an affiliated company to reduce the outstanding intercompany payable. The latter reallocation resulted in a decrease in “Due to affiliated companies” of Afl. 57.4 million or 32.9 percent.

Chart 9.10 depicts the composition of the investments at year-end 2017.

Net premium per indemnity line

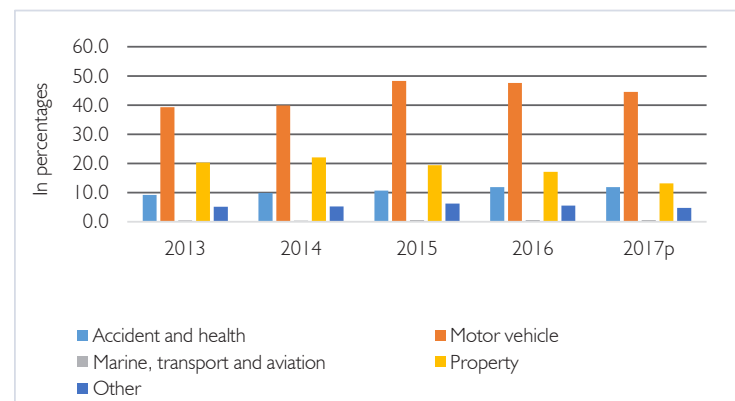
Chart 9.11 shows that the net premiums received from motor vehicle insurance and property insurance continued to be the main source of income of the nonlife insurance companies in 2017.

Chart 9.10: Investments of the nonlife insurance companies at year-end 2017



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

Chart 9.11: Net earned premium by indemnity line



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

9.3.1.2 Key ratios

Table 9.5: Financial soundness indicators of the nonlife insurance companies on an aggregated basis (at end of period and in percentages)

Ratios	2013	2014	2015	2016	2017p
Coverage ratio	433.3	491.6	402.0	423.0	440.8
Return on investment ratio	4.4	4.5	4.4	4.7	4.4
Liquidity ratio	26.4	26.9	24.7	31.7	33.5

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

Coverage ratio

The coverage ratio of the nonlife insurance sector further strengthened from 423.0 percent at the end of December 2016 to 440.8 percent at the end of December 2017.

Table 9.5 shows that the coverage ratio of the nonlife insurance sector remained far above the minimum requirement of 100 percent. This ratio stood at 440.8 percent at end-2017, registering a notable increase of 17.8 percentage points when compared to end-2016.

Return on investments ratio

The return on investments ratio dropped by 0.3 percentage point to 4.4 percent in 2017 when compared to 2016. Chart 9.12 illustrates that this ratio remained quite stable over the past five (5) years.

Chart 9.12: Return on investments ratio (at end of period)



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

Liquidity ratio

With the exception of 2015, the liquidity ratio of the nonlife insurance companies increased considerably over the past five (5) years, equaling 33.5 percent at the end of 2017.

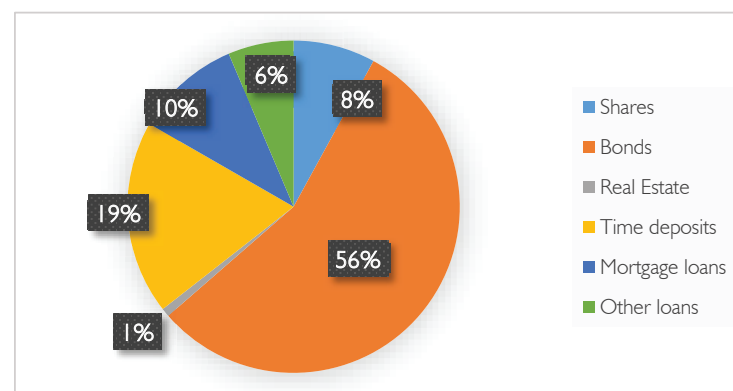
9.3.2 Life insurance companies

The combined assets of the life insurance sector equal 26.4 percent of Aruba's estimated 2017 GDP.

9.3.2.1 Aggregated balance sheet total

The aggregated balance sheet total of the life insurance companies expanded markedly over the past five (5) years by Afl. 252.6 million or 24.7 percent to Afl. 1,276.7 million at end-2017, equivalent to 26.4 percent of Aruba's estimated 2017 GDP. The raise in total assets over the past five (5) years was mainly the result of the yearly increases in investments. Chart 9.13 depicts the composition of the investments at year-end 2017. Technical provisions also showed a consistent upward trend over the past five (5) years, rising by Afl. 311.8 million or 40.8 percent from Afl. 764.0 million at end-2013 to Afl. 1,075.8 million at end-2017.

Chart 9.13: Investments of the life insurance companies at year-end 2017



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

9.3.2.2 Key ratios

Table 9.6: Financial soundness indicators of the life insurance companies on an aggregated basis (at end of period and in percentages)

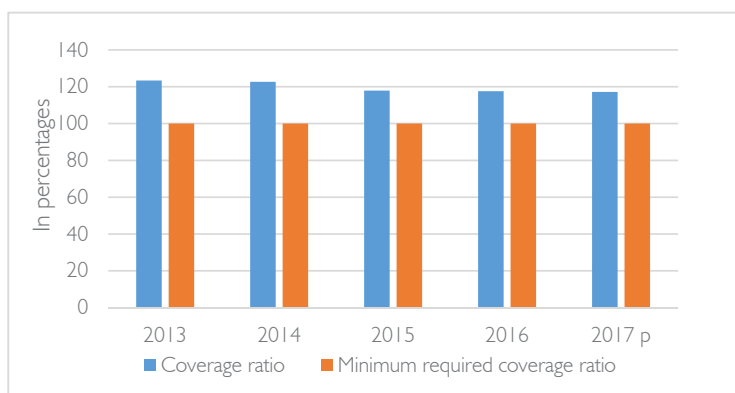
Ratios	2013	2014	2015	2016	2017p
Coverage ratio	123.4	122.7	117.9	117.6	117.2
Return on investment ratio	5.8	6.7	4.8	5.8	5.5
Liquidity ratio	20.4	11.4	19.4	18.1	18.5

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

Coverage ratio

During the past five (5) years, the coverage ratio followed a downward path. It shrank at year-end 2017 by 6.2 percentage points when compared to year-end 2013 and stood at 117.2 percent at year-end-2017, still well above the minimum requirement of 100 percent, as illustrated in Chart 9.14. However, without prejudice to the aforementioned, the significant decline over the past five (5) years is of some concern.

Chart 9.14: Combined coverage ratio of the life insurance companies (at end of period)

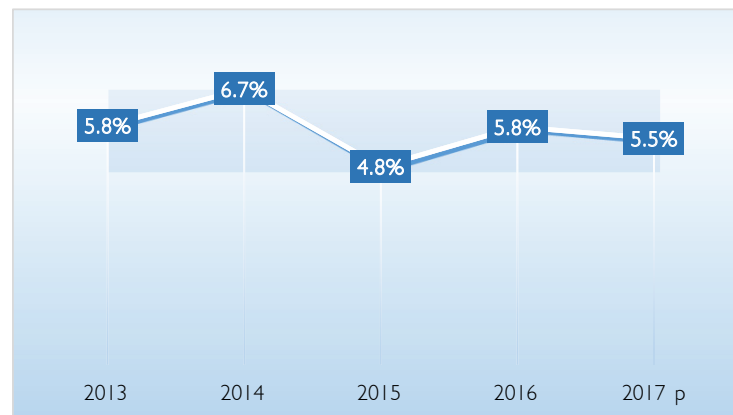


Source: CBA: life insurance companies; p= preliminary figures.

Return on investments ratio

Chart 9.15 and Table 9.6 illustrate that during the period 2013-2017, the return on investments ratio hovered between a low of 4.8 percent in 2015 and a peak of 6.7 percent in 2014. Over 2017, this ratio was 5.5 percent.

Chart 9.15. Return on investments ratio



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

Liquidity ratio

As depicted in Table 9.6, the liquidity ratio fluctuated between 11.4 percent in 2014 and 20.4 percent in 2013. In 2017, the liquidity ratio stood at 18.5 percent.

9.4 The company pension funds⁸

At the end of 2017, the coverage ratio of one company pension fund and that of Stichting Algemeen Pensioenfonds Aruba (the Civil Servants Pension Fund) (APFA) was still below the minimum requirement of 100 percent.

9.4.1 Aggregated balance sheet total, technical provisions, and capital and reserves

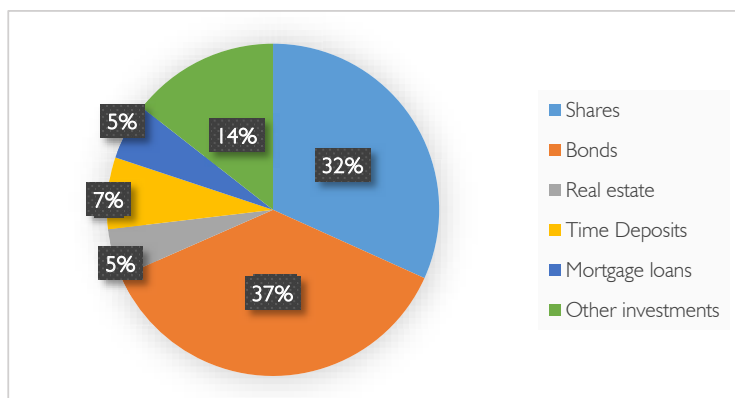
Aggregated balance sheet total

The total aggregated assets of the company pension funds (excluding Lago Annuity Foundation which pension obligations are covered by a guarantee from the Exxon Mobil Corporation) were widening throughout the past five (5) years and equaled Afl. 473.8 million at

8 - Please note that the developments in this section do not include the Civil Servants Pension Fund (APFA).

end-2017. This pronounced growth in the total aggregated assets in 2017 when compared to 2016, is due to an expansion in the combined investment portfolio. Chart 9.16 displays the composition of the investments at year-end 2017.

Chart 9.16: Investments of the company pension funds at year-end 2017



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

Technical provisions

Over the past five (5) years, technical provisions grew substantially, expanding by Afl. 101.6 million or 34.3 percent from Afl. 296.9 million at end-2013 to Afl. 398.5 million at end-2017.

Capital and reserves

Capital and reserves of the company pension funds more than doubled over the past five years rising by Afl. 40.3 million or 123.2 percent from Afl. 32.7 million at end-2013 to Afl. 73.0 million at end-2017.

9.4.2 Key ratios

Table 9.7: Financial soundness indicators of the company pension funds on an aggregated basis (at end of period and in percentages)

Ratios	2013	2014	2015	2016	2017p
Coverage ratio	104.5	102.5	101.0	104.6	105.2
Return on investment ratio	8.4	5.2	2.4	9.5	8.1
Liquidity ratio	10.3	8.4	6.0	7.6	4.3

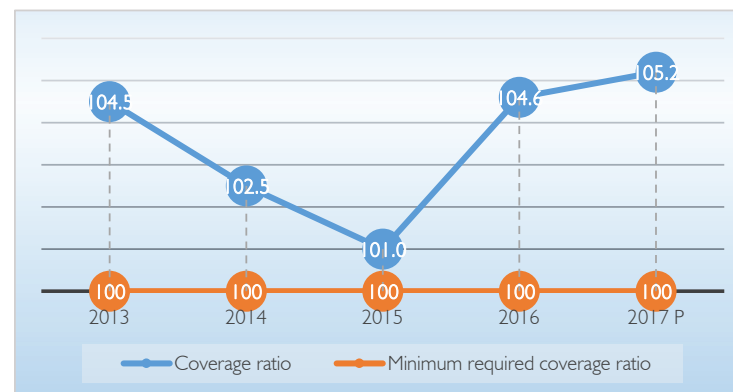
Source: CBA: company pension funds; p= preliminary figures.

Coverage ratio

The aggregated coverage ratio of the company pension funds' sector remained slightly above the minimum requirement of 100 percent during the period 2013-2017.

Chart 9.17 depicts the coverage ratio during the past five years. In 2014 and 2015, the coverage ratio stood, respectively, at 102.5 percent in 2014 and 101.0 percent in 2015, followed by an increase of 3.6 percentage points in 2016, and 0.6 percentage point in 2017. The latter slight combined gain occurred primarily because the assets to cover technical provisions of the company pension funds increased at a faster pace than those of the technical provisions.

Chart 9.17: Aggregated coverage ratio of the company pension funds (at end of period)



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

Return on investments ratio

Investments grew by Afl. 60.7 million or 15.5 percent at year-end 2017 when compared to year-end 2016, while investment income dropped by Afl. 2.6 million or 7.4 percent in 2017 in comparison to 2016. Consequently, the return on investments ratio decreased by 1.4 percentage points from 9.5 percent in 2016 to 8.1 percent in 2017.

Liquidity ratio

The liquidity ratio of the company pension funds was rather volatile over the years 2013-2017. The decrease of 3.3 percentage points in the liquidity ratio in 2017, when compared to 2016, was mainly the result of the strong rise in total assets (the denominator of this ratio).

9.5 The Civil Servants Pension Fund (APFA)

At end-2017, the net coverage ratio (including a buffer for possible losses on the investment portfolio) of APFA was 99.1 percent, slightly below the required minimum of 100 percent.

9.5.1 Balance sheet total, technical provisions, and capital and reserves

The total assets of APFA amounted to Afl. 2,804.6 million at year-end 2017, equivalent to 58.0 percent of Aruba's 2017 estimated GDP.

APFA's balance sheet total grew strongly during the past five (5) years, climbing from Afl. 2,242.5 million at end-2013 to Afl. 2,804.6 million at end-2017. This considerable rise in APFA's balance sheet total is due mainly to the expansion in APFA's investments portfolio. The fund's equity strengthened considerably to a positive Afl. 71.6 million by end-2014, up from a negative Afl. 462.3 million in 2013. This was mostly because of the decrease of Afl. 247.3 million (9.2 percent) in the technical provisions, and a one-time additional contribution of Afl. 184.4 million from the employers. Capital and reserves increased further to Afl. 207.2 million at end-2017.

9.5.2 Key ratios

Table 9.8: Financial soundness indicators of APFA (at end of period and in percentages)

Ratios	2013	2014	2015	2016	2017p
Coverage ratio	75.6	95.6	95.4	96.0	99.1
Return on investment ratio	5.0	6.3	3.8	5.8	7.4
Liquidity ratio	4.1	4.1	2.5	3.0	3.0

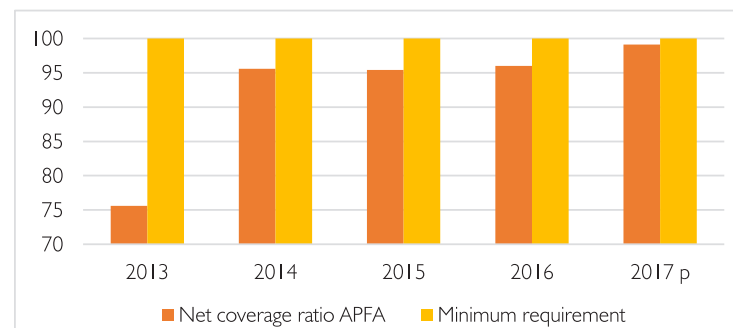
Source: CBA: APFA; p = preliminary figures.

Coverage ratio

Table 9.8 and Chart 9.18 depict the sharp increase in APFA's coverage ratio, which jumped from 75.6 percent in 2013 to 99.1 percent in 2017, primarily the result of the pension reform that took place in 2014 and the one-time additional contributions from the employers.

The coverage ratio at end-2017 (99.1 percent) continued to improve compared to end-2016 (96.0 percent).

Chart 9.18: Net coverage ratio of APFA (at end of period and in percentages)



Source: CBA: APFA; p= preliminary figures.

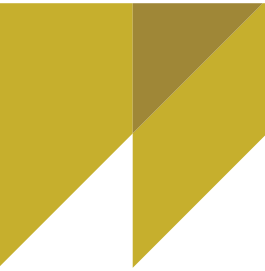
Return on investments ratio

Table 9.8 illustrates that the return on the investments ratio was 7.4 percent over 2017, 1.6 percentage points higher than in 2016, mainly associated with a strong growth of Afl. 50.4 million or 35.4 percent in investment income.

Liquidity ratio

The liquidity ratio of APFA hovered between 3.0 percent in 2016 and 2017, and 4.1 percent in 2013 and 2014.





Annex I.

Overview of the supervisory and AML/CFT 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 Transfer Companies (SOSMTC)	AB 2003 no. 60
Sanction 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 Terrorism Financing	AB 2010 no. 27
State Ordinance on the Prevention and Combating of Money Laundering and Terrorism 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 putting into effect certain provisions contained in these ordinances.



Annex 2.

Financial institutions supervised by the CBA (December 31, 2017)

In alphabetical order

1. Banking sector⁹

1.1 Commercial banks

1. Aruba Bank N.V.
2. Banco di Caribe (Aruba) N.V.
3. Caribbean Mercantile Bank N.V.
4. FirstCaribbean International Bank (Cayman) Limited, Aruba Branch
5. RBC Royal Bank (Aruba) N.V.

1.2 International banks

1. BBA Bank N.V.¹⁰
2. Citibank Aruba N.V.

1.3 Mortgage banks

1. Fundacion Cas pa Comunidad Arubano (FCCA)

1.4 Credit unions

1. Cooperativa di Ahorro y Prestamo Aruba
2. Coöperatieve Spaar- en Kredietvereniging Douane Aruba

1.5 Other financial institutions

1. AIB Bank N.V.
2. Island Finance Aruba N.V.

2. Money transfer sector¹¹

2.1 Money transfer companies

1. Mack's Exchange Services V.B.A.
2. Union Caribe N.V.
3. Post Aruba N.V.

9 - Supervision by virtue of the SOSCS.

10 - In liquidation and removed from the register as of March 22, 2018.

11 - Supervision by virtue of the SOSMTC.

3. Trust sector¹²

3.1 Trust service providers

1. AMTR N.V.
2. Arulex Trust Services N.V.
3. Ascor Trust (Aruba) N.V.
4. C.T.F. (Aruba) N.V.
5. Curado Trust (Aruba) N.V.
6. Euro Trust International N.V.
7. IMC International Management & Trust Company N.V.
8. Intima Management N.V.
9. Orangefield (Aruba) N.V.
10. SGG Management (Aruba) N.V.
11. Standard Trust Company N.V.
12. United Trust Management (Aruba) UTM N.V.

4. Company pension fund sector¹³

4.1 Company Pension Funds

1. Lago Annuity Foundation
2. Stichting Algemeen Pensioenfonds Aruba (APFA)
3. Stichting Bedrijfspensioenfonds Aruba
4. Stichting Fondo di Pensioen di Trahadornan di Empresanan y Fundacionnan Publico
5. Stichting Pensioenfonds Caribbean Mercantile Bank N.V.
6. Stichting Pensioenfonds Havenwerkers Aruba
7. Stichting Pensioenfonds META Bedrijven Aruba
8. Stichting Pensioenfonds RBTT Bank Aruba¹⁴
9. Stichting Pensioenfonds RBTT Bank Aruba II¹⁵
10. Stichting Pensioenfonds Tourist Sector Aruba

5. Insurance companies¹⁶

5.1 Life insurance companies

1. American Bankers Life Assurance Company of Florida Limited, 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.

12 - Supervision by virtue of the SOSTSP.

13 - Supervision by virtue of the SOCPE.

14 - In liquidation and removed from the register as of February 5, 2018.

15 - In liquidation and removed from the register as of February 5, 2018.

16 - Supervision by virtue of the SOSIB.



5.2 Nonlife (general) insurance companies

		Accident & health	Motor vehicle & aviation	Maritime transport	Fire & other property	Other indemnity
1.	Aruba AIG Insurance Company N.V. ¹⁷	•	•	•	•	•
2.	Best Doctors Insurance V.B.A.	•				
3.	Bupa Insurance Company, Agency	•				
4.	Elvira Verzekeringen N.V.					•
5.	Ennia Caribe Schade (Aruba) N.V.	•	•	•	•	•
6.	Fatum General Insurance Aruba N.V.	•	•	•	•	•
7.	Massy United Insurance Company N.V.	•	•	•	•	•
8.	NAGICO Aruba N.V.	•	•	•	•	•
9.	Netherlands Antilles & Aruba Assurance Company (NA&A) N.V.	•	•	•	•	•
10.	Stichting Fondo Nacional di Garantia pa Vivienda					•
11.	The New India Assurance Co. Ltd., Aruba Branch	•	•	•	•	•
12.	TRESTON Insurance Company (Aruba) N.V. ¹⁸	•	•	•	•	•

5.3 Captive insurance companies¹⁹

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

5.4 Insurance brokers²⁰

1. AON Aruba N.V.
2. Aresta Aruba N.V.
3. Assurantie Service Centrum Aruba A.S.C.A. N.V.
4. Boogaard Assurantiën N.V.
5. De L'Isle & Sons Insurance Brokers N.V.
6. EFS Equidad Financial Services N.V.
7. Framo Insurances N.V.
8. Jai Mahalaxmi Enterprises N.V.
9. Lyder Insurance Consultants N.V.
10. Nos Seguro N.V.
11. Pentagon Investment & Consultancy N.V.
12. Seguros Geerman N.V.
13. Turtle Island Insurance Broker N.V.
14. Verdant Insurance and Management Company Group N.V.
15. Windward Insurance Solutions N.V.
16. Worldwide Insurance Agency N.V.

17 - In liquidation.

18 - In liquidation.

19 - Supervision by virtue of the SOSIB and SDCIC.

20 - Supervision by virtue of the SDSIB.

Annex 3.

Financial institutions or persons in possession of a dispensation (December 31, 2017)

Financial institutions in possession of a dispensation as meant in article 48, paragraph 3 of the SOSCS

Pawnshops

1. 't Juwelenhuisje N.V.
2. Estrella America N.V.
3. Compra y Venta El Triunfo N.V.

Finance companies

1. H.J. Ruiz N.V.
2. Volkskredietbank van Aruba
3. Qredits Microfinanciering Nederland

Financial institutions in possession of a dispensation as meant in article 10, paragraph 1 of the SOSMTC

Money transfer companies

1. MoneyGram International Inc.²¹
2. Western Union Financial Services International Inc.²²

Insurance brokers in possession of a dispensation as meant in article 4, paragraph 2 of the SOSIB

1. Aruba Bank N.V.
2. Banco di Caribe (Aruba) N.V.
3. Caribbean Mercantile Bank N.V.
4. RBC Royal Bank (Aruba) N.V.
5. FirstCaribbean International Bank (Cayman) Limited – Aruba Branch
6. Fundacion Cas pa Comunidad Arubano (FCCA)
7. Island Finance 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. Mr. J.W. Isenia
2. Mrs. T.D. Kelly-Hernandez
3. Mr. G.M. Daal

21 - For conducting money transfer activities through Union Caribe N.V.

22 - For conducting money transfer activities through Post Aruba N.V. and Mack's Exchange Services V.B.A.



4. Mr. J.A.M. Lomans
5. Mrs. M.D.D. Geerman
6. Mr. J.W.P.J. Kaan
7. Mr. F.J. Gonzalez
8. Mr. R. Seraus

Pan-American Life Insurance Company of Aruba V.B.A.:

1. Mrs. Alli-Martijn
2. Mr. J.R. Martina
3. Mrs. L. Kelly
4. Mrs. A.R. Cordero-Murray
5. Mrs. B.R. Simileer
6. Mrs. J.M. Pesqueira
7. Mrs. M.N.R. Tromp
8. Mr. G.S. Lacle
9. Mr. E.E. Werleman
10. Mrs. A.S. Hernandez
11. Mr. J.J.E. Vermeulen
12. Mrs. R.L.R.A. Martijn
13. Mr. J.G. de Cuba
14. Mr. C.L. Bermudez-Romero
15. Mrs. C.R. Kock
16. Mr. K.E. Croes
17. Mr. J.R. Brete

Sagicor Life Aruba N.V.:

1. Mrs. D. A. Dormoy
2. Mrs. L. R. Faustin
3. Mrs. F. Bernier Corbacho
4. Mrs. A. R. Koolman
5. Mrs. B. I. Wolff - Croes
6. Mrs. N. C. Marques Hidalgo
7. Mr. F.C. Martina

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 signed by the CBA

Supervisory authority	Scope	Year signed
Centrale Bank van Curaçao en Sint Maarten	Exchange of information regarding banks	1998
Centrale Bank van Curaçao en Sint Maarten	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
Financial Intelligence Unit 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 to facilitate and meet requirements for effective supervision of the financial sectors and financial markets in the Dutch Kingdom	2011/2012
De Nederlandsche Bank N.V.	Cooperation and exchange of information in the area of supervision of banks, insurance companies, trust service providers, and money transfer companies	2014
Netherlands Authority for the Financial Markets (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



Annex 5.

Meetings of international supervisory bodies attended in 2017

This annex provides an overview of the meetings the CBA's supervisory staff attended in 2017 in the areas of financial sector supervision and AML/CFT oversight²³.

Supervisory group/ institution	Discussions were held on the following topics, among others
Group of International Finance Centre Supervisors (GIFCS) Plenary meetings (April and November)	<ul style="list-style-type: none"> ▪ Corporate governance and evolving standards; ▪ Trust and Company Service Providers regulation and assessments; ▪ Disqualification of directors; ▪ Key challenges with AML/CFT and other investigations; ▪ Current priorities, work plan, and effects of global changes of International Organization of Securities Commissions (IOSCO); ▪ FinTech: Developments and trends in banking and the implications for banking regulation and supervision; ▪ Cybersecurity practices and approaches and emerging prudential approaches of cyber risk; and ▪ The importance of an enforcement function as part of a regulatory body.
Caribbean Group of Banking Supervisors (CGBS) XXXV Annual Conference (July) "Impact of Information Technology on Supervision"	<ul style="list-style-type: none"> ▪ Mobile money and financial inclusion; ▪ Cybersecurity: The role and responsibilities of an effective regulator; ▪ Emerging issues in banking supervision: Payment system oversight, IFRS 9, and RegTech; and ▪ Financial consumer protection.
Group of International Insurance Centre Supervisors (GIICS) Annual Seminar and Annual General Meeting (June)	<ul style="list-style-type: none"> ▪ Big data ▪ Cyber insurance ▪ Financial ombudsman ▪ Captives ▪ Update on IAIS activities
Association of Supervisors of Banks of the Americas (ASBA) XII High-Level Meeting and XX Annual Assembly Meeting (November)	<ul style="list-style-type: none"> ▪ Implementing the post-crisis reforms and other financial stability priorities in Latin America and Caribbean; ▪ Basel III: Regulatory reforms and updates; ▪ Implications of expected credit loss provisioning for supervisors and banks; ▪ Bank's cyber risk: Regulation and supervision, and financial stability implications; and ▪ Global banks: Addressing the de-risking challenge.
Caribbean Financial Action Task Force (CFATF) Plenary meeting (May and November)	<ul style="list-style-type: none"> ▪ Adoption of mutual evaluation reports Bahamas (1) and Barbados (2); ▪ Follow-up reports 4th round of mutual evaluations; and ▪ AML/CFT developments (including FATF papers).

23 - See chapter 2 for information on the trainings attended by the supervisory staff in 2017.

Annex 6.

Change in the shareholding of supervised institutions in 2017

Insurance sector

In accordance with article 14a, paragraph 1, of the SOSIB, the CBA granted permission for the following changes in shareholding:

- On July 11, 2017, the CBA granted permission to Mr. P.W.H. James, Primary Group Holdings 1 Limited and Primary Group Holdings 2 Limited for acquiring a qualifying holding of 80.52 percent in Best Doctors Insurance VBA.
- On August 23, 2017, the CBA granted permission to Mr. A.L. Wharton-Lake for the acquisition and holding of a qualifying holding of 100 percent in Netherlands Antilles & Aruba Assurance Company N.V.



Annex 7.

Integrity and suitability testing conducted in 2017

This annex provides an overview of the integrity and suitability testing conducted by the supervision departments in 2017.

Sector	Credit institutions	Insurance companies	Company pension funds	Money transfer companies	Trust service providers	Insurance brokers	Total
Pending as of January 1, 2017	5	16	2	7	1	7	38
New requests	17	23	7	1	4	4	56
Reassessments	-	-	-	-	-	-	-
Withdrawn requests	3	10	-	2	1	2	18
Rejected requests	-	-	-	4	-	-	4
Approved	9	9	3	-	2	7	30
Conditionally approved	5	9	1	-	-	-	15
Assessment ceased	1	-	-	1	-	2	4
Pending as of December 31, 2017	4	11	5	1	2	0	23

Annex 8.

Supervisory costs passed on in 2017

Pursuant to the respective state decrees²⁴, the CBA charges the sectors supervised for part of the supervision costs incurred. The supervisory costs passed on to the different sectors in 2017 are as follows:

Sectors:	Supervisory costs passed on in 2017	
Credit institutions	Afl.	800,000
Insurers	Afl.	300,000
Captives	Afl.	30,000
Company pension funds	Afl.	155,000
Money transfer companies	Afl.	150,000
Trust service providers	Afl.	100,000
Total	Afl.	1,535,000



24 - 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 the insurance companies (AB 2006 no. 3), the State Decree on the charging of supervision costs to the Captive Insurance Companies (AB 2002 no. 50), the State Decree on the charging of supervision costs to the trust service providers (AB 2012 no. 60), the Ministerial Regulation on the charging of supervision costs to the company pension funds (AB 2010 no. 86), and the State Decree on the charging of supervision costs to the money transfer companies (AB 2007 no. 18).







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