

# OPERATIONAL REPORT 2018



CENTRALE BANK VAN ARUBA



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## Mission, vision and core values

The Centrale Bank van Aruba maintains the following mission, vision, and core values.

### Mission

The CBA contributes to the financial stability and economic well-being of the Aruban community by:

- maintaining the stability of the value of the Aruban florin vis-à-vis the US dollar;
- promoting financial soundness and integrity of the financial system; and
- promoting an efficient and reliable payment system.

### Vision

In 2020, the CBA is a prominent central bank in the region, driven by a culture of integrity, excellence, and innovation.

### Core values

The CBA has adopted six (6) core values which are integrated into its mission and vision:

Integrity

Excellence

Cooperation

Open communication

Personal responsibility

Willingness to change



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## List of abbreviations

AC	Audit Committee
AML/CFT	Anti-money laundering and combating financing of terrorism
APFA	Stichting Algemeen Pensioenfonds Aruba (the civil servants pension fund)
BAVP	Turnover tax - additional provisions for Public-Private Partnerships
BAZV	Turnover tax - general health care contribution
BBO	Turnover tax
BOP	Balance of Payments
BPM6	Balance of Payments and International Investment Position Manual of the IMF
BoSD	Board of Supervisory Directors
CBA	Centrale Bank van Aruba (the Central Bank of Aruba)
CBO	Central Bank Ordinance
CBCS	Centrale Bank van Curaçao en Sint Maarten (the Central Bank of Curaçao and Sint Maarten)
CBS	Central Bureau of Statistics
CFATF	Caribbean Financial Action Task Force
COA	Chart of Accounts
DIMP	Departamento di Impuesto (the Aruban Tax Authority)
DOF	Department of Finance
DNB	De Nederlandsche Bank (the Dutch Central Bank)
EC	Executive Committee
ERMC	Exchange Rate Margin Compensation
ECB	European Central Bank
eW	equensWorldline
FATF	Financial Action Task Force

FEC	Foreign Exchange Commission
Fed	Federal Reserve System
FDA	Stichting Fondo Desaroyo Aruba (Foundation Development Fund Aruba)
FPN	Foro di Pago Nacional (Platform of National Payments)
GDP	Gross Domestic Product
GOA	Government of Aruba
HRM	Human Resources Management
IAD	Internal Audit Department
IC	Investment Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IP CSM	Instant Payment Clearing and Settlement Mechanism
ONCS	OnNet Clearing System
PLR	Prudential Liquidity Ratio
PSC	Payment System Committee
PSD	Payment System Department
RMC	Risk Management Committee
SOERMC	State Ordinance on Exchange Rate Margin Compensation
SOFEC	State Ordinance on Foreign Exchange Commission
SOFET	State Ordinance on Foreign Exchange Transactions
SOSMTC	State Ordinance on the Supervision of Money Transfer Companies
USA	United States of America



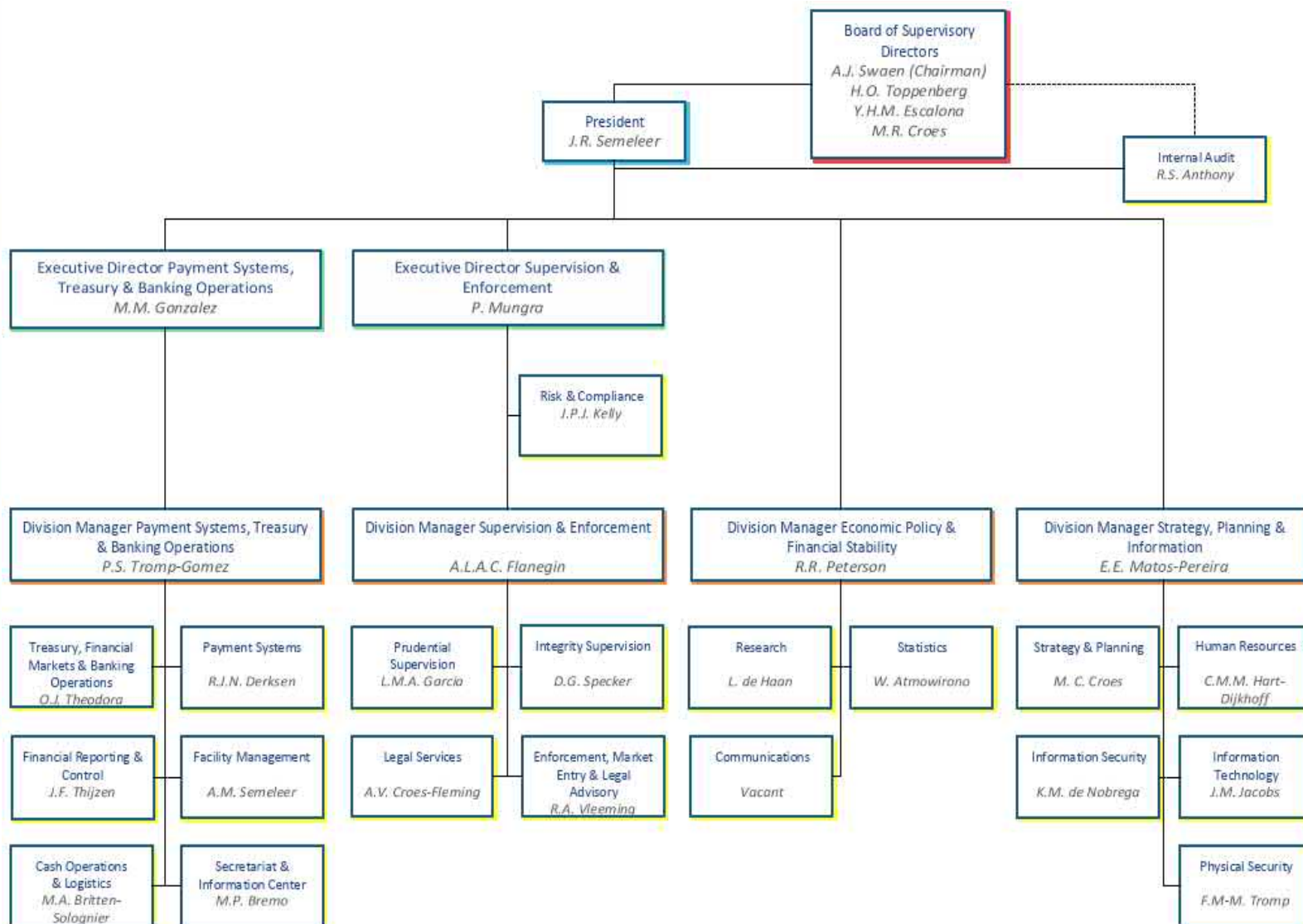


## The legal mandate

In accordance with its legal mandate, the Centrale Bank van Aruba (CBA) determines the monetary policy to protect the stability of the value of the Aruban florin (florin), promotes soundness and integrity in the supervised sectors and institutions, and issues florin banknotes and, on behalf of the Government of Aruba (GOA), florin coins. In addition, it regulates the flow of international payments, manages the foreign exchange reserves of Aruba, and supervises the spending thereof. Furthermore, the CBA acts as a banker to the GOA, and gives the Minister of Finance both solicited and unsolicited advice on financial and economic matters.



# Organizational chart as of September 1, 2019





## 2018: the CBA at a glance



**ECONOMIC  
GROWTH**  
**+ 0.9%**



**3.6  
percent**

**12 - month  
average  
Consumer  
Price Index**



**Reserve Requirement rate**  
**11.0 percent**  
**Legal interest rate**  
**3.0 percent**  
**Advance rate**  
**1.0 percent**

**CBA's Net Income**

Year-end 2017: Afl. 8.8 million

Year-end 2018: Afl. 9.5 million

**Total assets and  
liabilities of the CBA**

Year-end 2017: Afl. 1,673.7 million

Year-end 2018: Afl. 1,806.4 million



**32**

**Total number of the CBA's publications  
relating to the economy and financial sector**



**98**

**Total employees at  
the CBA**

**Total value  
of funds  
transferred  
through the  
CBA clearing  
system**

**Afl. 9.2  
billion**

**Total value  
of foreign  
exchange  
licenses  
issued**

**Afl. 1,276.8  
million**

**Afl.  
1,780.6**

**Total market value of  
the foreign exchange  
reserves**

million



**Afl.  
38.2**

**Total value of coins in  
circulation**

million



**Afl.  
297.9**

**Total value of  
banknotes in  
circulation**

million



**72**

**Total number of financial  
institutions under the CBA's  
supervision**

**Net domestic assets**

**Afl. 2,601.4**

million

**Net foreign assets**

**Afl. 1,776.2**

million

**Money supply**

**Afl. 4,377.6**

million



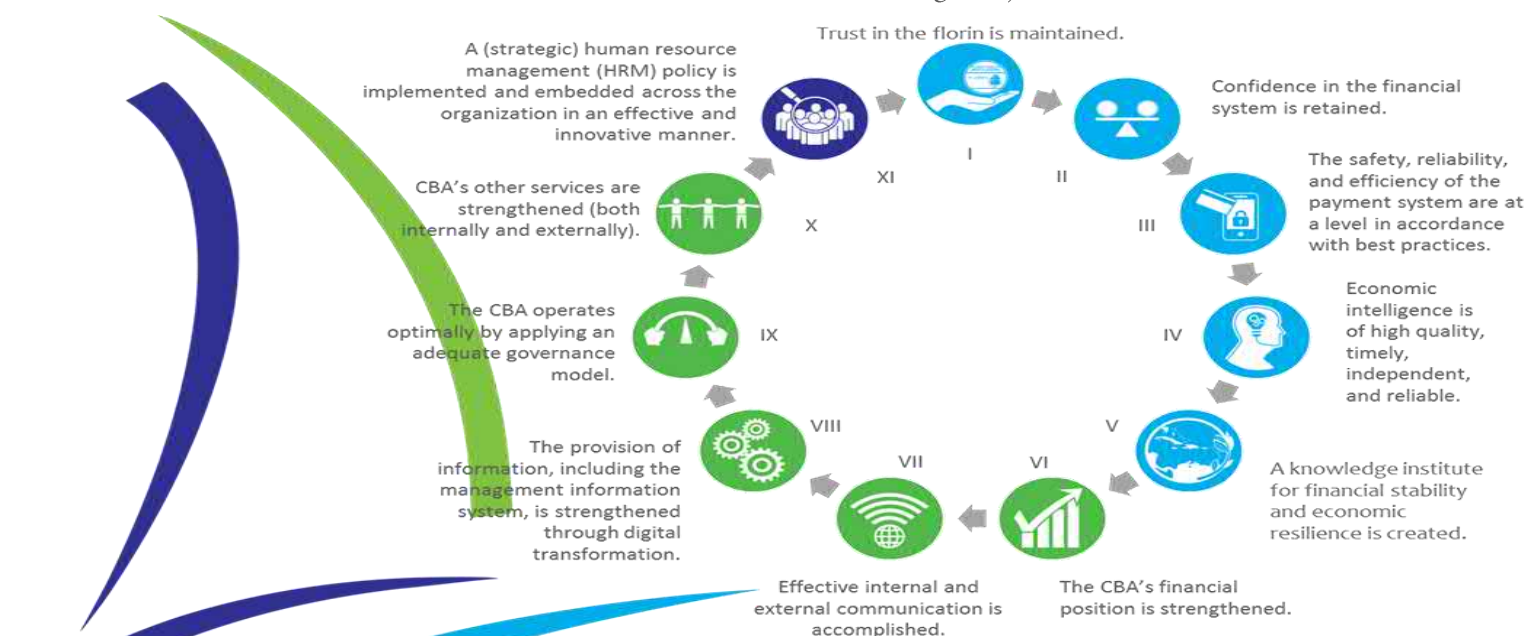


## I. Strategic plan of the CBA

The CBA's three (3) main ambitions are:

- 1) To be a prominent central bank in the region.
- 2) To execute its tasks in an efficient and results-oriented manner.
- 3) To be an attractive organization for top talent.

To achieve its vision and ambitions, the CBA has set out eleven (11) strategic objectives:



# BELA YEN



### Strategy, planning & information

The strategic plan of the CBA “Bela Yen: Nos Plan Strategico 2016-2020” (Bela Yen<sup>1</sup>) comprises the mission, the vision, and the strategic objectives of the CBA. Through the execution of this plan, the CBA set its strategic course for the period up to 2020.

The CBA has a strategic planning framework in place to implement Bela Yen.



In the first quarter of each year, the Executive Committee evaluates Bela Yen to determine whether it should be adapted considering the CBA’s constantly changing internal and external environments. Following the strategy review,

the Executive Committee issues a policy letter indicating its priorities for the next year. Thereafter, plans and budgets are prepared for the various divisions and departments for the following year, taking into account the priorities included in the mentioned policy letter. Finally, the individual performance agreements of the CBA personnel are drawn up for the upcoming year, taking into account the division and department plans. This strategic planning framework ensures the necessary alignment with Bela Yen.

In addition to this planning framework, management reports are furnished regularly to adequately monitor the implementation of Bela Yen.

### Strategic achievements in 2018

The CBA’s strategic achievements in 2018 included:

- Introduction of the Balance of Payments and International Investment Position Manual of the IMF (BPM6).
- Implementation of the FAME data warehouse (first phase).
- Conduct of surveys in the area of corruption and financial inclusion.
- Further intensification of the supervision framework.
- Increase in the number of AML/CFT on-site examinations.

<sup>1</sup> “Bela Yen” is a saying in Papiamentu that means full steam ahead.







- Intensification of enforcement in case of violations of the CBA's supervision laws and regulations.
- Establishment of an agreement with the commercial banks on a new payment system.
- Rollout of SharePoint within CBA.
- Publication and implementation of the Technology Risk Management (TRM) Guidelines for all commercial banks.
- Upgrade of the IT Infrastructure.
- Finalization of job descriptions for all functions within the CBA.

#### Strategic focus for 2019

The CBA will focus on the following in 2019:

- Kick-off of phase 2 of the 'FAME' project, the (big) data warehousing and analytics framework.
- Implementation of a feasibility study on a central bank florin digital currency.
- Completion of the preparatory work related to the Financial Action Task Force (FATF) evaluation in 2020.
- Introduction of the 2019 florin banknote series.

- Operationalization of the Instant Payment Clearing & Settlement Mechanism.
- Completion of the project 'National AML/CFT Risk Assessment (NRA)'.
- Submission of a revised draft of the Central Bank Ordinance to the Minister of Finance.
- Implementation of an audit software.
- Implementation of a risk matrix.
- Implementation of a new vault management system.
- Analysis and implementation of data classification and data loss prevention solution.
- Building of additional office- and parking spaces.
- Completion of the evaluation of all job descriptions according to the HAY job evaluation method.
- Further rolling out of the Lean Six Sigma methodology within the CBA.
- Initial implementation of the new procurement policy.



## 2. Monetary policy and economic developments

The Monetary Policy Committee (MPC) of the CBA met seven times during 2018 to assess whether a change in the monetary policy stance was required. The regular assessments of the adequacy of the monetary policy allow the CBA to respond swiftly to developments within the monetary sector and/or economic conditions.

Several indicators were assessed by the MPC during the year, including the level of net foreign assets (and official reserves), (core) inflation, and banking sector credit growth. Since these economic indicators remained adequate throughout 2018, the MPC decided to uphold the CBA's main monetary instruments, the **reserve requirement at 11 percent**, and the **advance rate at 1 percent**.

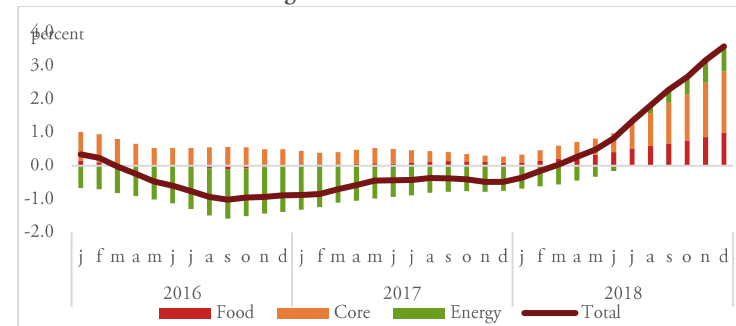
### Economic developments

According to CBA estimates, Aruba's economy grew by 0.9 percent in real terms during 2018. This growth was caused by an upturn in the tourism sector with substantial increases in tourism credits (9.2 percent), US arrivals (6.6 percent), and cruise visitors (2.9 percent). The good performance of the tourism sector was offset in part by a contraction in real consumption and delays in the planned execution of various investments projects. The reduction of consumption was caused mainly by the introduction of the additional turnover tax (BAVP) in July 2018, which increased the

combined rate of turnover tax (BBO), health tax (BAZV), and BAVP from 3.5 percent to 6 percent. This higher combined rate hindered the estimated output growth in 2018 by 0.5 percentage point. Investments showed a decline of 0.8 percent, attributed to the delays in planned project executions.

Inflationary pressures accelerated during the year, partly as a result of the higher tax rate. The annual average inflation reached 3.6 percent. Aruba had experienced a deflation in 2017 due to a reduction in electricity tariffs (see Chart 1.1).

Chart 1.1: 12-month average rate of inflation



Source: CBS

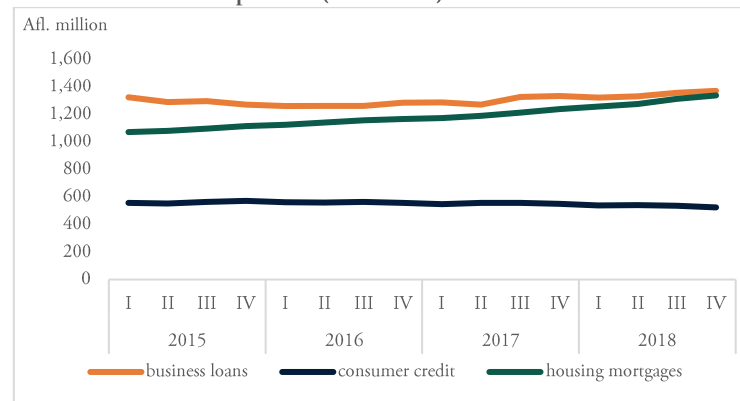
Domestic credit increased by 4.1 percent in 2018, the result of expansions in housing mortgages (8.1 percent), and business loans (2.8 percent). In contrast, consumer credit





fell by 4.8 percent, an indication that consumers were cautious about borrowing, as consumer confidence was also negative throughout 2018. Specifically, personal loans contracted by 11.7 percent (Chart 1.2).

Chart 1.2: Credit components (in millions)



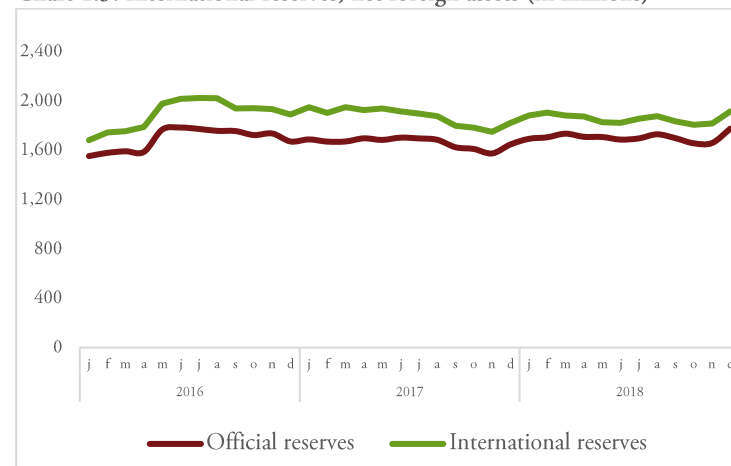
The current account of the balance of payments posted a deficit of Afl. 5.5 million at year-end 2018. More specifically, the current account registered a surplus of Afl. 2,387.0 million in services and a deficit of Afl. 1,853.7 million in goods. Furthermore, primary income (i.e., income from labor, interest, dividend, and rent) produced a deficit of Afl. 376.7 million, while secondary income (i.e., transfers including workers' remittances) showed a deficit of Afl. 162.0 million.

The deficit on the current account was financed by net borrowings of Afl. 11.5 million in 2018, the result of net

increases in intercompany and government debt, which were greatly offset by a net increase in reserve assets and a net decrease in third party loans.

The level of the international reserves remained adequate throughout 2018 (Chart 1.3), when benchmarked against the CBA's traditional critical norms. However, when compared to International Monetary Fund (IMF) requirements, Aruba does not meet the recommended optimal level.

Chart 1.3: International reserves, net foreign assets (in millions)



Reference is made to the publications of "State of the Economy 2018" on the CBA's website for more details on Aruba's economic developments.



### Achievements to promote economic resilience

In 2018, to comply with the related international standards, the CBA started to publish the balance of payments (BOP) statistics in accordance with the sixth edition of the Balance of Payments and International Investment Position Manual of the IMF (BPM6)

As of January 2018, the CBA started to gather the BOP current and financial account information from, inter alia, commercial banks, institutions, and corporations using the web portal of the data warehousing software and produced the BOP statistics based on the BPM6.

In April 2018, the GOA adopted the Innovation Policy Framework of the CBA. The aim of this policy was to advise the GOA on innovative matters in several areas, such as financial innovation, education, and technology, in addition to providing a roadmap for strengthening the innovation capabilities of Aruba. Currently, the established Innovation Lab of the GOA is geared towards implementing several initiatives, including introducing eGovernment, digitizing government services, and designing (legislation) for a national digital ID. Other initiatives involve fostering financial inclusion and education, in collaboration with the CBA through the Global Money Week initiative. Besides economic policy, during the course of 2018, the GOA developed policies and programs for improving economic resilience and implementing the United Nations' Sustainable Development Goals (SDG's). The CBA was

involved actively in several working committees on economic resilience, innovation, productivity, and sustainability, thereby playing a pivotal role in the research and development of the GOA's new economic resilience policy.

### Outlook 2019

Looking forward, a main monetary policy focus of the CBA is the continuous monitoring of the levels of the net foreign assets against international monetary benchmarks and recommendations by the IMF. The adequacy of reserves may be challenged by several factors and undesirable developments, including the structural trade imbalance arising largely from (a) outgoing payments for imported goods and services, (b) transactions on the income account of the balance of payments related to interest payments on the GOA's external debt, (c) outgoing payments on outstanding external debt of the GOA, and (d) the absence of significant sources of foreign exchange inflows besides tourism receipts. In addition, as a small open economy, Aruba remains susceptible to external shocks and systemic risks.



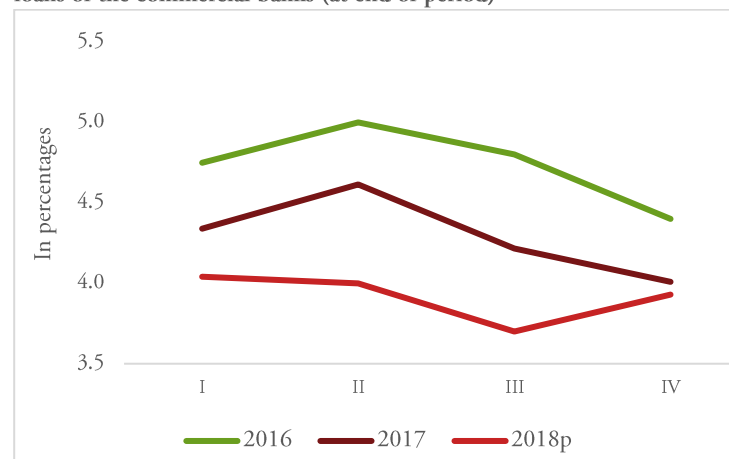


### 3. Financial system

The CBA is the sole supervisory authority of the financial system, both on the prudential and integrity level, in Aruba. In executing its supervisory task, it seeks to safeguard confidence in the financial system by promoting the financial soundness and integrity of the supervised institutions. The CBA, pursuant to various 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. 27).

The financial sector as a whole remained adequately capitalized, liquid, and profitable in 2018. The nonperforming loans ratio of the commercial banking sector continued its declining path in 2018, reaching 3.9 percent at year-end 2018 (see Chart 3.1).

Chart 3.1: Development of nonperforming loans (gross) to total gross loans of the commercial banks (at end of period)



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

Figure 3.1 highlights the most important achievements in 2018 in the areas of prudential supervision, integrity supervision, market entry, and supervisory enforcement, all of which contribute to the accomplishment of the strategic objectives set by the CBA, in particular with respect to the Strategic Objective II “Confidence in the financial system is retained”.



Figure 3.1: Major achievements in key supervisory areas in 2018

Prudential Supervision	Integrity Supervision	Market Entry and Enforcement
<ul style="list-style-type: none"> <li>▪ Implementation of a framework for risk-based supervision for credit institutions, insurance companies, and company pension funds;</li> <li>▪ Increase of the minimum required Prudential Liquidity Ratio (PLR) for the commercial banks from 15 to 16 percent as of January 1, 2018;</li> <li>▪ Strengthening of the guidelines for insurance companies for the calculation of the solvency margin;</li> <li>▪ Issuance of a policy paper on outsourcing arrangements;</li> <li>▪ Issuance of a revised directive on the publication of the effective interest rate;</li> <li>▪ Issuance of a revised directive on the publication of the audited annual financial statements;</li> <li>▪ Issuance of a directive on the appointment of a certifying actuary; and</li> <li>▪ Issuance of a draft directive on the provisioning for general risk.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Coordination of the National AML/CFT Risk Assessment;</li> <li>▪ Execution of 25 AML/CFT onsite examinations;</li> <li>▪ Organizing of 6 information sessions for financial institutions and designated non-financial businesses or professions;</li> <li>▪ Issuance of a revised directive on multipurpose prepaid money cards;</li> <li>▪ Strengthening of the AML/CFT risk-based approach;</li> <li>▪ Issuance of a comprehensive proposal for the amendment of the AML/CFT State Ordinance;</li> <li>▪ Contributing to the international assessment of Aruba by the Organization for Economic Co-operation and Development's Global forum on transparency and exchange of information for tax purposes; and</li> <li>▪ Provision of technical assistance to the Financial Intelligence Unit - Surinam.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implementation of a revised policy rule on the licensing and admission requirements of credit institutions;</li> <li>▪ Strengthening of the policy rule on the licensing and admission requirements of insurance companies; and</li> <li>▪ Intensifying of the enforcement of the supervisory laws and regulations, as evidenced by a sharp increase in the number of administrative fines and other enforcement measures imposed by the CBA.</li> </ul>







The regular onsite examinations at the supervised institutions and the ongoing offsite surveillance, which include 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. These onsite examinations also 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.

The risk-based approach, together with the strict enforcement policy of the CBA and its ongoing commitment to comply with international standards and best practices in the area of financial sector regulation and supervision, have been instrumental in maintaining a solid and reputable financial sector.

For further details on the supervision of the financial sector, please refer to the “Financial Sector Supervision Report 2018” on the CBA’s website.

### Outlook 2019

Looking forward to 2019, a main supervision focus of the CBA is the further strengthening of the AML/CFT State Ordinance, also in preparation for the upcoming evaluation by the Caribbean Financial Action Task Force (CFATF) in the third quarter of 2020, and the issuance of a revised AML/CFT Handbook.



## 4. Payments system

The CBA brings safe and secure banknotes and coins into circulation to meet the public's needs, and it operates a clearing and settlement system between the CBA, commercial banks, and a number of GOA-related institutions to facilitate the transfer of funds between the participants.

### Key achievements

In 2018, the CBA established a new Payments System Department (PSD) with the aim of supporting the CBA with the development and implementation of the policy and strategic initiatives in the area of the payments infrastructure, as well as with the preparations for the task of oversight on the payment infrastructure.

The primary tasks of the PSD are to advise on the policy to pursue in the area of payment systems that contributes to a safe, reliable, and efficient payments environment. This task includes giving advice on the relevant laws and regulations, as well as execution of the oversight function aimed at compliance with the relevant laws and regulations. Furthermore, the department has to keep abreast of relevant (technological) developments in order to advise on innovation in the area of payment systems.

Consistent with its ambition to promote a safe, efficient, and reliable payment system in accordance with international best practices, in 2018 the CBA achieved the following, inter alia:

- Signing of a Memorandum of Understanding between the CBA and the commercial banks as direct participants in the new payment system.
- Establishment of a project working group for implementation of the CBA Instant Payments Clearing and Settlement Mechanism (IP CSM).
- Signing of the agreement with equensWorldline (eW), an European company in the payments and transactional services industry, to provide a new infrastructure for instant payments in Aruba.
- Consensus with the stakeholders on the approach and strategy for the implementation of the IP CSM, and presentation of recommendations for the new tariff structure and brand name for the CBA's IP CSM, being I-Pago.

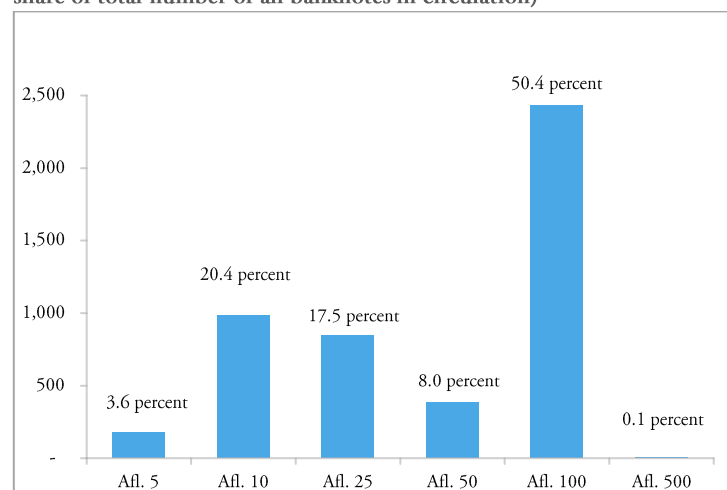
### Currency operations

The CBA has the sole mandate to issue florin banknotes and coins in Aruba. In carrying out this mandate, the CBA determines the quantity, denomination, substrate, and characteristics of the florin banknotes, and advises the GOA with regard to the coins. The coins are accounted for in the



GOA's balance sheet. As illustrated in Chart 4.1, the Afl. 100 banknote again represents the largest share of all banknotes issued, comprising 50.4 percent of the total number of banknotes in circulation at end-2018, while the Afl. 500 banknote remains underused.

Chart 4.1: Banknotes in circulation by denomination in 2018 (percentage share of total number of all banknotes in circulation)

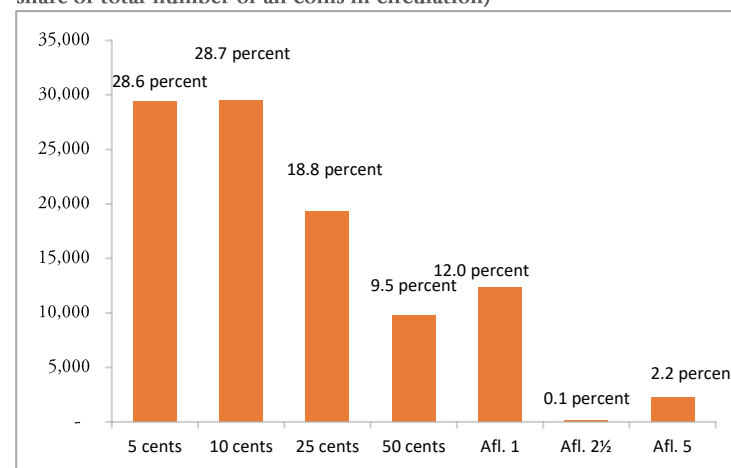


The total number of banknotes brought into circulation increased by 1.5 percent in 2018 compared to 2017. Consequently, the total value of banknotes in circulation experienced a growth of 0.4 percent compared to a year earlier reaching Afl. 297.9 million at the end of 2018. Despite the widespread use of payment cards, including debit and credit cards, and electronic payments through online banking, as well as cash US dollars, the use of the florin banknotes continued to grow in 2018.

In addition, the CBA is entrusted with issuing coins on behalf of the GOA, which are recorded in the GOA's balance sheet. The total number of coins in circulation rose by 4.5 percent in 2018 compared to 2017. Consequently, the total value of coins in circulation in 2018, (excluding commemorative coins) increased by Afl. 1.5 million (4.1 percent) to Afl. 38.2 million compared to Afl. 36.7 million in 2017.

As depicted in Chart 4.2, the two smallest coin denominations, the 5 cent and 10 cent coins, represent the largest share of all coins in circulation, followed by the 25 cent coin.

Chart 4.2: Coins in circulation by denomination in 2018 (percentage share of total number of all coins in circulation)





### Counterfeit florin banknotes

The number of counterfeit florin banknotes has been quite low over the years. The CBA provides extensive information on its website and through brochures via the commercial banks to help the public in verifying the authenticity of the florin banknotes. Nonetheless, a few cases of counterfeit florin banknotes were registered in 2018.

### Commemorative coins

In 2018, on behalf of the GOA, the CBA issued 1 silver commemorative proof quality coin with a nominal face value of Afl. 5, depicting the “Soldachi”.

The hermit crab, in Papiamentu called “Soldachi”, is a ten-legged crustacean land crab that lives both in the sea and on land. The hermit crab is well-known for its habit of living in a shell home to protect itself against predators. It is an omnivore and eats almost everything it finds in the vicinity of the water.



### Clearing system

The CBA currently operates a clearing system called the OnNet Clearing System (ONCS) (previously known as the Goldnet Clearing System), which processes the direct credit files (salaries, pensions, and tax returns) and direct debit files (standing orders from the utility companies) separately from the regular transactions between the commercial banks. Currently, the aforementioned files are processed twice daily for further distribution between the clearing members. The duration of the transfers between the clearing members is not consistent and may vary between 3 to 5 days.

In 2018, the volume and the value of funds transferred through the ONCS continued their upward trend compared to previous years, while the volume as well as the value of checks processed continued to drop. The expansion in electronic transfers and the contraction in checks used are due primarily to a growth in electronic payments via online banking and payments through debit and credit cards.

Furthermore, as of May 1, 2018, and as of November 1, 2018, all domestic commercial banks transitioned into a “Check-Free” system for retail customers and corporate clients, respectively. Checks no longer are accepted as a payment method by the commercial banks. The paperless “Checkout initiative” was introduced by the commercial banks to minimize risks to customers and banks, and specifically discontinued the use of personal and corporate checks. International and local banker checks (or



cashier/official checks) still are available for the customers of commercial banks. Retail customers were provided a 6-month transition period to use their check stock, while the corporate customers were given a 12-month transition period.

### Outlook 2019

In line with its ambitions and strategic objectives, the CBA continues to work on the innovation of its clearing and settlement services by introducing a new instant payments clearing and settlement services (I-Pago). In this regard, the CBA's three high-level goals are as follows:

- **Advance the state of Aruba's payment infrastructure:**

The CBA's goal is to upgrade and innovate the Aruban payment infrastructure and develop it into a Caribbean frontrunner.

- **Be beneficial to all stakeholders:**

The modernized payment system must benefit all stakeholders/users of the Aruban payment infrastructure.

- **Introduce the CBA's oversight role:**

The CBA plans to reduce its current operational responsibilities over time and assume an oversight role with respect to the payment system.

With the implementation of the new IP CSM or I-Pago, Aruba will switch from a limited payment processing system

to a new instant payment infrastructure, implying that all interbank payments in Aruban florin initiated in Aruba will be processed instantly 24/7/365. This infrastructure will also enable the further modernization of the payment system of Aruba.

The CBA is in the process of proposing an amendment to the Central Bank Ordinance (CBO) to introduce a legal mandate for the oversight of the payment system to ensure that all aforementioned objectives can be met.

Furthermore, the CBA is preparing a draft national ordinance on the payment systems to present to the Minister of Finance. This ordinance is crucial for the subsequent issuance of other required laws and regulations for modernizing the payment system.

Despite some delays, the CBA aims for a successful implementation of the CBA IP CSM soon. Subsequently, together with the stakeholders, the CBA will outline the next steps for further modernization of the Aruban payment system based on use cases. Moreover, the CBA aims to set up the oversight function on the new payment system within the PSD in 2019.

One of the CBA's goals also includes the establishment of the 'Foro di Pago Nacional' (FPN). This platform will involve regular meetings between the CBA, the commercial



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banks, and other relevant stakeholders. Topics for discussion will be related to payment innovation and financial inclusion among other things.

In June 2019, the new series of florin banknotes was brought into circulation to replace the 2003 series, of which the last update of its security features dates back to 2003. The new series of florin banknotes contains a completely new design and is equipped with the most modern security features available. This new series came about through close collaboration between the CBA, local artists, local and international experts, and a renowned international banknote producer.

The new series of florin banknotes “Life in Aruba” is inspired by the flora, fauna, cultural, and natural heritage of Aruba. With the introduction of the new series of florin bank notes, the CBA realizes an important milestone in sustaining the progress of Aruba.





## 5. Treasury management

The CBA provides treasury management services for the GOA by executing payment orders and intermediating in the issuance of GOA debt paper on the domestic capital market. The CBA also manages the foreign exchange reserves of Aruba and regulates the flow of international payments. The mentioned reserves are invested in accordance with prudent guidelines aimed at preserving capital and having continuous adequate liquidity for the banking system, thus fostering confidence in the peg of the Aruban florin with the US dollar.

Since 2015, all GOA bond issuances are electronically registered at the CBA. The CBA has also been converting the already issued GOA bearer bonds into electronic registered bonds on a voluntary basis as of 2016. This process is expected to be completed by 2020.

### Management of the foreign exchange reserves

The CBA manages Aruba's net foreign assets as stipulated in article 12, sub 1, of the CBO. In this regard, the CBA applies instruments, such as the B-9 rule for commercial banks and the 40-60 percent investment rule for institutional investors, to regulate the foreign asset holdings of these sectors.

The B-9 rule allows commercial banks to hold a maximum amount of foreign exchange reserves as working balances for the settlement of the foreign transactions of their clients. The 40-60 percent investment rule requires institutional investors to invest a portion of their funds domestically.

The CBA monitors closely the liquidity needs of the banking sector and the GOA, and to be able to adequately meet these needs, it manages its foreign exchange reserve holdings prudently. To this end, the CBA evaluates its foreign exchange investment strategy periodically against the established investment guidelines, taking into account developments on the international financial markets.

The CBA's policy regarding the management of the official foreign exchange reserves remained unchanged in 2018. The CBA pursued a prudent investment policy primarily to preserve its capital, while seeking diversification and optimization of return by investing the foreign exchange reserves within the following strict parameters:

- Fixed income securities denominated solely in US dollars with a short-term duration (1-3 years);
- US government and US agency securities (including mortgage-backed securities) limited to AA credit quality ratings;



- Asset-backed securities with a minimum credit quality rating of AAA;
- Corporate bonds that meet high standards in terms of credit quality (a minimum of single A or equivalent) and are limited to the financial services sector, specifically banks and financial institutions, as well as industrial companies;
- Sovereigns and supranational securities limited to AAA markets/entities only; and
- Money market instruments (short-term funds with maturities ranging from overnight to 1 year, e.g., certificates of deposit, time deposits, as well as treasury bills) with a minimum credit rating of A-1 or P-1 or F1.

The CBA investment portfolios are categorized by a duration position that consists of:

- One (1) liquid portfolio managed internally; and
- Two (2) medium-term portfolios with an average duration of 1 - 3 years managed by two (2) external asset management investment companies.

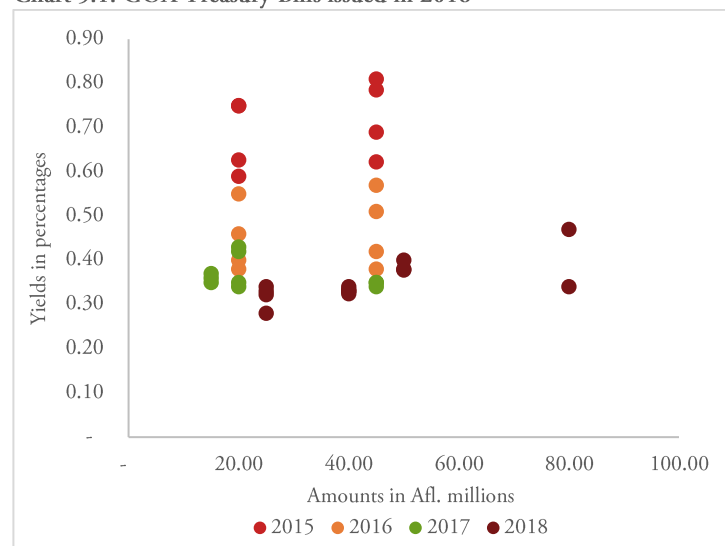
### The banker of the GOA

Pursuant to the CBO, the CBA functions as a banker for the GOA and an advisor to the Minister of Finance on financial and economic matters. The CBA also accepts deposits from the GOA, and carries out a portion of its foreign and local payment instructions as part of its treasury services to the GOA. The CBA does not charge any fee to the GOA on the domestic and foreign payments executed

on its behalf. These domestic and foreign payments are cleared through the accounts of the Department of Finance (DOF) and the Departamento di Impuesto (DIMP), including the earmarked accounts of the DOF held at the CBA. In addition, the CBA provides services involving the issuance and settlement of local government securities on behalf of the GOA.

In 2018, the CBA assisted the GOA with the renewal of fourteen (15) 3-month Treasury Bills issuances for a total amount of Afl. 195 million, as well as one (1) cash loan certificate issue amounting to Afl. 8 million.

Chart 5.1: GOA Treasury Bills issued in 2018





As depicted in Chart 5.1, the yield on the 3-month Treasury Bills fluctuated between 0.28 percent and 0.47 percent during 2018, significantly lower than the fluctuations in 2016 and 2015, reflecting the excess liquidity in the domestic market and the low interest rates on the international money markets.

Besides the issuances of the 3-month Treasury Bills and cash loan certificates in 2018, the CBA assisted the GOA with three (3) electronic bond issuances on the domestic market for a total amount of Afl. 154 million, with yearly coupon rates of 5.75 percent, 4.00 percent, and 4.25 percent, and maturities of 15 years, 5 years, and 6 years, respectively. The proceeds of these issuances were used to cover the GOA's financing needs ensuing from the execution of its 2018 budget.

### Foreign exchange regulations

Payments related to current account transactions can be transferred without administrative restrictions in accordance with the State Ordinance on Foreign Exchange Transactions (SOFET), except for some types of transactions. For the mentioned exempted transactions, reference is made to the Foreign Exchange Regulations section on the CBA's website.

As illustrated in Chart 5.2, the volume as well as the value of the transactions for which licenses were granted by the CBA diminished significantly from Afl. 2,436.5 million in

2017 to Afl. 1,276.8 million in 2018. In 2018, licenses were issued for transactions related to large lending/borrowing abroad that included two infrastructure projects.

### Foreign exchange rates

The CBA's official buying and selling rates for the US dollar from and to the commercial banks remained fixed at Afl. 1.7895 and Afl. 1.7905, respectively. Besides the daily exchange rate of the florin vis-à-vis the US dollar, the CBA also publishes daily quotations on its website for eight other foreign currencies based on data published by the European Central Bank (ECB).

Chart 5.2: Value of foreign exchange licenses issued (amounts in Afl. million)

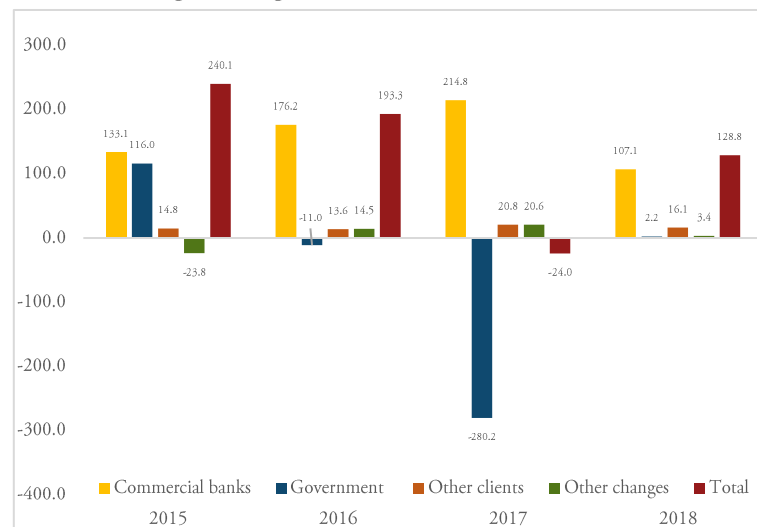




### Foreign exchange transactions

The foreign exchange transactions of the commercial banks and GOA effectuated through the CBA led to a net foreign exchange inflow of Afl. 125.4 million in 2018, compared to a net foreign exchange outflow of Afl. 44.6 million in 2017 (see Chart 5.3). The net foreign exchange inflow in 2018 was caused by an upturn in the tourism sector as mentioned in chapter 2 of this report.

Chart 5.3: Foreign exchange transactions (amounts in Afl. million)



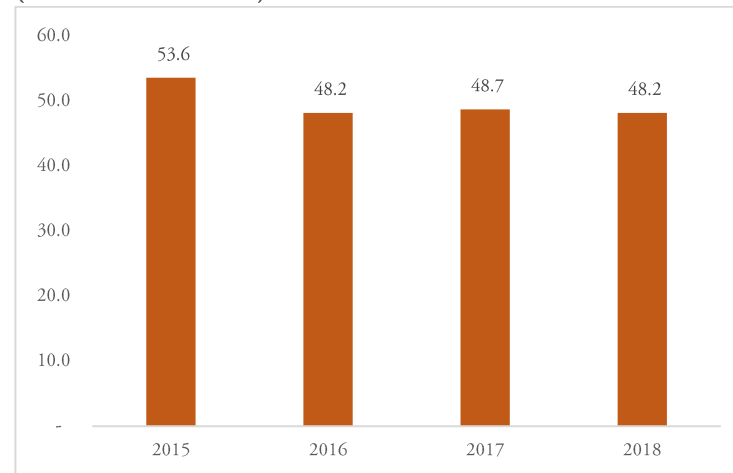
### Foreign exchange commission

In 2018, the CBA collected approximately Afl. 48.2 million in foreign exchange commission (FEC) on behalf of the GOA, pursuant to the State Ordinance on Foreign Exchange Commission (SOFEC). This foreign exchange

commission (1.3 percent) is due by residents on their payments to nonresidents. The total collected foreign exchange commission during 2018 remained more or less the same as the amount collected during 2017 (see Chart 4.4).

As illustrated in Chart 5.4, the collected foreign exchange commission was higher in 2015, which was related to the intensified activities by the CBA during that year to eliminate a partial backlog in the review process of submitted reports.

Chart 5.4: Collected foreign exchange commission on behalf of the GOA (amounts in Afl. million)



### Exchange Rate Margin Compensation

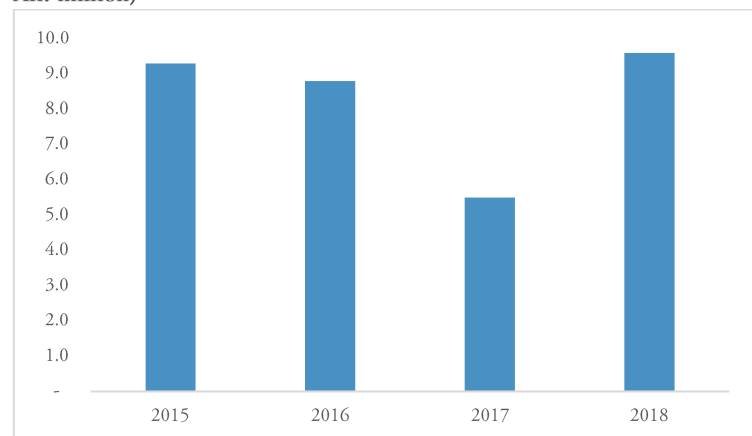
Pursuant to the State Ordinance on Exchange Rate Margin Compensation (SOERMC), the net Exchange Rate Margin



Compensation (ERMC) recorded for the year 2018 an amount of Afl. 9.7 million, as shown in Chart 5.5.

The ERMC is a compensation resulting from the difference between the amount payable by the commercial banks to the CBA stemming from the sale of foreign currency to the public (tariff of 0.375 percent) and the amount paid by the CBA to the commercial banks for the buying of foreign currency from the public (tariff of 0.125 percent).

Chart 5.5: Collected exchange rate margin compensation (amounts in Afl. million)



### Outlook 2019

In line with its ambitions and strategic objectives, the CBA aims for the following in 2019:

- Continuation of the conversion process of the GOA bearer bonds to electronically registered bonds at the CBA.

- Further close monitoring of the liquidity needs denominated in foreign currency of the GOA as well as the commercial banks, with the aim of optimally managing the level of foreign exchange reserves and maximizing the income generation capacity of the CBA investment portfolio, while aiming to mitigate the risks related to its investment portfolio.
- Close monitoring of the foreign exchange transactions in connection with the ERMC.
- Close monitoring of the administration and collection of the FEC on behalf of the GOA.



## 6. Organizational affairs

### Human Resources Management

The CBA is committed to upgrade the skills of its staff and foster knowledge sharing on a continuous basis. The CBA's staff participated in a number of courses, seminars, and conferences held locally and abroad during 2018. The CBA also organized several training sessions for its personnel in the areas of leadership, strategic thinking, risk management, information security, project management, and effective communication.

The key successes accomplished in 2018 regarding Human Resources Management (HRM) included the following.

- A new organization structure and all job descriptions were developed and put in place.
- A personal development plan was developed and put in place for the majority of the CBA workforce.
- An introduction policy, internship policy, recruitment and selection policy, and sponsoring and donation policy were approved and implemented.

### Operational and physical infrastructure and security

In line with the CBA's ambition to perform its operational tasks in an efficient and results-oriented manner, various projects were executed successfully in 2018. These projects included:

- Hosting of the 6<sup>th</sup> Annual Conference of Regional Central Banks Security Chiefs in June 2018.
- Initial rollout of SharePoint within the CBA to facilitate a 'paperless' working environment and to stimulate collaboration.
- Strengthening of the information security posture of the banking sector with the publication and implementation of the TRM Guidelines in July 2018 for all commercial banks.
- Organization of the 28<sup>th</sup> Annual Conference of Regional Central Banks' Information Systems Specialists for Central Banks in the region by the Information Technology Department together with the Information Security Department to promote collaboration and information sharing.
- Upgrade of various hardware components to ensure an up-to-date IT infrastructure.
- Establishment of a risk analysis for physical security.

### Outlook 2019

Looking forward to 2019, the CBA will continue working on:

- Its strategic HR plan, the remuneration policy, a revised set of staff rules and regulations, the digitalization of HR processes, the introduction of a Management







Development Plan, and the finalization of the valuation of functions ('functiewaardering').

- Rollout of Windows 10, including other applications to foster innovation and collaboration in the workplace.
- Further improvement of the CBA's security posture.
- Implementation of changes in applications and architecture needed to facilitate different projects, e.g., IP CSM.
- Further collaboration with the GOA and its related departments in the National Cyber Security Taskforce and other initiatives.
- Intensification of the cloud use for some applications.
- Standardization of processes and procedures between (data-intensive) departments through standard operating procedures and automated (data) systems.
- Further rollout of the lean approach within the organization, also to realize improvements in our processes.



## 7. Governance

The CBA strives to have a sound corporate governance system in place that supports proper and effective decision making through the implementation of appropriate checks and balances procedures to ensure accountability, due process, and transparency.

### Management structure

The CBA is managed by a President and two Executive Directors, who together form the Executive Committee (EC), while the management team of the CBA consists of the EC, Division Managers, and Department Managers.

The members of the EC are appointed and dismissed by the Governor of Aruba. In addition to the CBO, the EC operates according to the general regulations set out in the State Decree giving directives to the President, the Executive Directors, and the Board of Supervisory Directors (BoSD) (A.B. 1992, no. GT 4).

### Committees

The CBA has eight committees in place that are described in Table 7.1.

Table 7.1: Committees within the CBA

<i>Committee</i>	<i>Mandate</i>
Monetary Policy Committee	Formulates and implements measures to, inter alia, maintain the adequacy of the international reserves and the stability of the Aruban florin.
Investment Committee	Advises on matters related to investment strategy, policy, and instruments.
Project Committee	Advises on the feasibility, priority, planning, and implementation of projects.
Budget Committee	Prepares the CBA's draft budget for submission to the BoSD for approval.
Risk Management Committee	Ensures that sound policies, procedures, and practices are in place for the management of material enterprise-wide risks.
Strategic Committee	Provides effective strategic guidance to the CBA when implementing the Bela Yen.
Payments System Committee	Advises on the CBA's mission of contributing to financial stability and economic prosperity for the Aruban community by means of promoting an efficient, reliable, and secure payments system.
Corporate Information Security Committee	Ensures effective monitoring and implementation of the strategic corporate information security objectives.



### Board of Supervisory Directors (BoSD)

At the end of 2018, the BoSD consisted of four appointed members (including the Chairman). The GOA Commissioner is the Chairman of the BoSD and is appointed and dismissed by the Governor of Aruba. The Chairman of the BoSD is appointed for an undefined period. The other members of the BoSD are appointed for a term of 5 years, and their remuneration is determined by the Minister of Finance, after consulting with the members of said Board and the President.

The BoSD supervises the CBA's operations and oversees the management of its property as well as the funds entrusted to it. Upon request of the BoSD, the EC reports on policies implemented as well as administrative and management issues.

The BoSD meets with the EC at least four times a year and exercises its duties according to the rules set forth in the State Decree giving directives to the President, Executive Directors, and the BoSD. Its tasks include, among other things, the approval of the budget and the financial statements. The approved budget and the financial statements are sent to the Minister of Finance and the President of the Aruban Parliament. The approval of the financial statements by the BoSD also serves to discharge the President and the Executive Directors from liability. The BoSD also is responsible for appointing the external auditor of the CBA.

In 2018, the BoSD and the EC held several scheduled meetings to discuss a number of matters, including but not limited to the 2017 annual report, the 2018 mid-year review, and the 2019 budget. In addition, the Chairman of the BoSD held weekly meetings with the President to discuss matters related to the CBA.

### Outlook 2019

- The CBA aims to strengthen its corporate governance in accordance with 'best practices'.
- The CBA plans to start with implementation of a new procurement policy.





## 8. Risk management

The CBA faces a number of risks with respect to the performance of its (main) tasks. Some of these risks are general, while others are unique to central banks.

Risk management is an integral part of the CBA's daily operations, with management's efforts directed towards ensuring that detailed procedure manuals, proper segregation of duties, and clear delineation of roles and responsibilities are in place and integrated in departmental processes and procedures.

The Risk Management Committee (RMC) is responsible for establishing a standardized risk management framework for the CBA. This committee monitors and provides advice on all material risks and recommends the steps needed to mitigate these risks.



The most important risks for the CBA are the following:

- **Financial risk** relates to incurring financial losses when credit, market, and liquidity risks are not sufficiently contained. These risks are monitored strictly by the IC, which is chaired by the Executive Director responsible for the operations of the CBA.
- **Reputational risk** relates to the potential damage to the CBA caused by negative publicity or external reaction, leading to deterioration or loss of confidence in the CBA. More specifically, reputational risk could arise when policy errors occur regarding monetary policy or supervision of the financial system that could negatively impact the economy in general and the CBA's reputation in particular. Among other things, reputational risks entail the risk associated with the dissemination of confidential information and the risk of publishing inaccurate data.
- **Compliance risk** includes the threat posed to the CBA's financial, organizational, or reputational standing from violations of the prevailing laws, regulations, code of conduct, or organizational standards of practice. The CBA has an incident-reporting policy in place to document, assess, and take appropriate actions with respect to, among other things, compliance risk.





- **Operational risk** refers to a negative impact on the CBA's assets, resources, or operational requirements induced by people, processes, systems/infrastructure, or external sources.

The CBA views risk management as an integral part of the day-to-day responsibility of the President, Executive Directors, Division Managers, and Department Managers. The CBA has an Internal Audit Department (IAD) that supports the EC and the BoSD independently in matters related to the evaluation of the effectiveness of internal controls, risk management, and governance processes. The internal audit plan of the year 2018 provided assurance over the control frameworks that manage key financial risks and was undertaken as planned. Additionally, the IAD assisted the external accountants during the bi-annual review and year-end audit.

#### Financial risk

The CBA is exposed to financial risk (i.e., credit, market, and liquidity risk) associated with the management of its financial assets and liabilities. More specifically, management of the official reserves has a direct effect on the size and structure of the CBA's balance sheet as well as its financial performance.

- **Credit risk**, which refers to the risk of incurring a loss if the counterparty fails to meet its financial obligations in accordance with agreed-upon terms, is the most

important source of financial risk for the CBA associated with its holdings of foreign currency assets for investment and liquidity purposes. Credit risks includes four types of risk: default risk, bankruptcy risk, downgrade risk, and settlement risk. The CBA is most exposed to the downgrade risk. Due to the aforementioned, the CBA has set high standards in terms of credit quality in its investment guidelines to partially mitigate this risk.

- **Interest rate risk and commodity price risk** are the largest sources of market risk for the CBA with respect to its financial assets. when compared to foreign exchange risk. In the case of the CBA, this foreign exchange risk relates mainly to other foreign currency exposures besides the US dollars. The accounting policies stated in the CBO require that changes in the valuation of the financial assets of the CBA are recorded on its balance sheet under its revaluations account. According to the CBA's investment guidelines, all its financial assets must be denominated in US dollars only, thereby containing the foreign exchange risks for the CBA with respect to its financial assets, as the Aruban florin is pegged to the US dollar at a rate of Afl. 1.79.

- **Liquidity risk** refers to the risk that the CBA encounters difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or another financial asset. Since the CBA is the ultimate source of liquid funds to the Aruban financial system



and has the authority to provide ample Aruban florin liquidity, liquidity risk is considered very low. The CBA's ability to provide ample Aruban florin liquidity is exercised with due regard to its policy objective of maintaining the trust in the Aruban florin. With respect to the role of the CBA in providing foreign currency to commercial banks and the GOA for transactional purposes, liquidity risk is classified as high since the CBA needs to keep a proper level of liquid foreign assets constantly at hand to be able to comply with the demand.

To minimize the mentioned financial risks, the CBA implements a prudent investment policy strategy, which is fully US dollar fixed-income based. Any deviation from the investment guidelines requires prior written approval of the President. The IC closely monitors that investments are executed according to the stipulated guidelines.

The IC meets weekly to discuss, among other things, matters related to both current domestic and international market trends and economic developments that could impact the CBA's official reserve, as well as investment performance and related financial risks. Periodically, the IC discusses the monthly performance report of each asset manager and advises the President on any strategic or tactical changes in the investment policy and/or guidelines deemed necessary.

### Outlook 2019

As of June 1, 2019, the CBA appointed a Manager for the Risk and Compliance Department. Risk assessments will be conducted within several departments of the CBA, and a risk management software will be acquired in the near future.





## 9. Financial highlights for 2018

In line with CBA's strategic plan "Bela Yen 2016-2020", a multi-year budget for 2016-2020 was finalized in 2016, providing the necessary guidance with regard to anticipated costs and revenues in the upcoming five years, and to manage the associated risks for the CBA. This multi-year budget is monitored on a periodic basis and amended as deemed necessary.

### Financial highlights

The CBA's total assets increased to Afl. 1,806.4 million at year-end 2018, up from Afl. 1,673.7 million at year-end 2017. This increase was mainly attributed to a rise of Afl. 133.6 million (9.6 percent) in the 'foreign currency assets'. The rise in the 'foreign currency assets' was largely the result of expansions of Afl. 113.0 million (9.0 percent) in the 'government and other papers' and Afl. 18.3 million (14.0 percent) in 'due from banks and other financial institutions', compared to December 31, 2017. The surge in the 'foreign currency assets' was offset in part by a drop of Afl. 3.0 million (1.1 percent) in the value of the gold holdings. Reference is made to Table 9.1 'Assets of the condensed balance sheet'.

Table 9.1: Assets of the condensed balance sheet (before allocation of net result) (amounts in Afl.)

	As of December 31, 2018	As of December 31, 2017
<b>1. Gold</b>	<b>255,325,898</b>	<b>258,284,264</b>
<b>2. Foreign currency assets</b>	<b>1,525,228,393</b>	<b>1,391,655,391</b>
2.1 Due from banks and other financial institutions	149,239,605	130,918,592
2.2 Government and other papers	1,369,551,885	1,256,589,678
2.3 Other	6,436,903	4,147,121
<b>3. Other assets</b>	<b>25,818,771</b>	<b>23,771,834</b>
3.1 Receivables	8,384,859	9,635,404
3.2 Stock of coins and printing cost of banknotes	1,859,168	733,424
3.3 Fixed assets	13,436,898	11,091,649
3.4 Projects in progress	2,137,846	2,311,357
<b>Total assets</b>	<b>1,806,373,062</b>	<b>1,673,711,489</b>

### Government and other papers

The surge in the CBA's government and other papers was attributed mainly to net cash transfers in the amount of Afl. 89.5 million from the CBA's current account held at a financial institution in the USA. This transfer was necessary to meet the CBA's liquidity needs in foreign currency to execute payments on behalf of the GOA and to meet foreign exchange demand by the commercial banks during the year 2018. In addition, the CBA's government and other papers were impacted positively by higher interest income received (Afl. 22.3 million), as well as the increase in the market value of the CBA's investment portfolio (revaluation account) (Afl. 5.4 million) during the year 2018. The net change in the market value of the CBA's investment portfolio (revaluation account) was due to lower unrealized net capital losses resulting from the restructuring of the CBA's investment portfolio effectuated during the year 2018. The mentioned positive impacts on the CBA's government and other papers were offset in part by the net capital losses realized (Afl. 4.2 million) during the year 2018.

### Due from banks and other financial institutions

The net rise of Afl. 18.3 million in the CBA's 'due from banks and other financial institutions' was related mainly to a net inflow of foreign currency resulting from the transactions effectuated between the CBA, the commercial banks, and other central banks in 2018. However, these inflows were offset in part by foreign currency outflows to cover the GOA's interest and capital payments of its external

debt and operational expenses denominated in foreign currency.

### Gold holdings of the CBA

As of December 31, 2018 the market price of gold was USD 1,281.65 per fine troy ounce, compared to USD 1,296.50 per fine troy ounce as of December 31, 2017. This drop in the market price of gold caused a decline in the value of the CBA's gold holdings in the amount of Afl. 3.0 million, compared to 2017.

On the other hand, the growth in the liabilities and equity of the CBA at year-end 2018 compared to the previous year-end was attributed mainly to surges in the 'deposits of residents' (Afl. 122.1 million or 10.8 percent), 'payables and accrued expenses' (Afl. 4.1 million or 173.8 percent), as well as the 'revaluation account' (Afl. 2.3 million or 1.7 percent). Reference is made to Table 9.2 'Liabilities and equity of the condensed balance sheet'.

### Deposits of residents

As illustrated in Table 9.2, the increase in the deposits of residents was attributed largely to a rise in the deposit of the commercial banks of Afl. 130.8 million, which was partly offset by a drop of Afl. 10.7 million in the development funds' deposits (item 2.3 'Other'). The rise in the commercial banks' deposits was attributed mainly to transfers from foreign banks to the commercial banks' accounts held at the CBA, which were carried out through the CBCS, as well as payments received on matured



government bonds held by the commercial banks. The drop in the development funds' deposits was mainly the result of local and international payments made by the CBA on behalf of this fund in 2018.

Table 9.2: Liabilities and equity of the condensed balance sheet (before allocation of net result) (amounts in Afl.)

	As of December 31, 2018	As of December 31, 2017
1. Banknotes in circulation	297,914,470	296,268,300
2. Deposits of residents	1,254,895,029	1,132,751,632
2.1 Government	49,199,982	46,939,053
2.2 Commercial banks	1,204,581,445	1,073,767,167
2.3 Other	1,113,602	12,045,412
3. Deposits of nonresidents	2,559,834	741,829
4. Money in custody	1,812,815	1,812,900
5. Payables and accrued expenses	6,392,500	2,334,611
6. Revaluation account	141,694,882	139,365,720
7. Capital and reserves	91,609,840	91,609,840
7.1 Capital	10,000,000	10,000,000
7.2 General reserve	81,609,840	81,609,840
Net result for the year	9,493,692	8,826,657
Total liabilities and equity	1,806,373,062	1,673,711,489

### Payables and accrued expenses

The expansion in the item 'payables and accrued expenses' was attributed primarily to invoices received for several ongoing CBA projects, which were outstanding at the end of December 2018, compared to the prior year.

### Revaluation account

The revaluation account was negatively impacted by the decrease in the market price of gold by USD 14.85 per fine troy ounce (1.1 percent), compared to end-2017. However, this negative impact was more than fully compensated for by the restructuring of the CBA's investment portfolio effectuated during the year 2018. Largely because of this restructuring operation, the CBA was able to lower its unrealized capital losses on its investment portfolio in 2018 by Afl. 5.4 million on a net basis, when compared to December 31, 2017. Overall, the mentioned developments resulted in an increase in the revaluation account amounting to Afl. 2.3 million (1.7 percent) during the year 2018.

The net result for the year 2018 surged by approximately Afl. 0.7 million (7.6 percent) compared to 2017. This rise was caused mainly by an increase in the item 'other revenues' of Afl. 4.5 million (42.0 percent). However, the CBA's personnel expenses increased by Afl. 2.1 million (12.8 percent), and the CBA's operating expenses rose by Afl. 1.7 million (33.1 percent), partly offsetting the mentioned increase in the CBA's 'other revenues'. Reference is made to Table 9.3 'Condensed profit and loss account'.





**Table 9.3: Condensed profit and loss account (amounts in Afl.)**

	2018	2017
1. Net interest revenues	21,589,601	21,309,250
2. Other revenues	15,143,720	10,663,999
<b>Total income</b>	<b>36,733,321</b>	<b>31,973,249</b>
3. Amortization of stock of banknotes	208,107	313,332
4. Personnel expenses	18,585,962	16,481,166
5. Operating expenses	6,803,171	5,109,984
6. Depreciation expenses	1,642,389	1,242,110
<b>Total expenses</b>	<b>27,239,629</b>	<b>23,146,592</b>
<b>Net result</b>	<b>9,493,692</b>	<b>8,826,657</b>

#### Net interest revenues

The CBA's net interest revenues, consisting primarily of earned interest on the CBA's investment portfolio and realized gains & losses, showed a slight increase of approximately Afl. 0.3 million (1.3 percent) in 2018, compared to 2017.

#### Other revenues

The rise in this category in 2018 was attributed mostly to the CBA's exchange rate margin compensation. During 2018, the CBA collected a higher amount of exchange rate margin compensation from the commercial banks than in 2017.

#### Personnel expenses

The rise in this category in 2018 was attributed primarily to severance payments made to former employees, an increase

in the number of employees as of end-December 31, 2018 (98), compared to end-December 2017 (95), as well as salary adjustments for the CBA employees during the year 2018.

#### Operating expenses

The rise in this category in 2018, compared to the previous year, was mainly attributed to increases in the items, 'legal' (Afl. 0.6 million), 'transportation and storage of banknotes' (Afl. 0.3 million), as well as 'license and maintenance computers' (Afl. 0.2 million).







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