FINANCIAL SECTOR SUPERVISION REPORT 2021

CENTRALE BANK VAN ARUBA

Cover design: “Our golden tree, our kibrahacha”. Resilient, firmly rooted and gives a beautiful bloom. It offers us shade and protection if needed. When it breaks out, it displays an overwhelming yellow, illustrating a brighter and bolder future.

The full text of this report is available on the CBA’s website.

PREFACE

The Financial Sector Supervision Report 2021 of the Centrale Bank van Aruba (CBA) is the tenth in an annual series that began in 2012. Its purpose is twofold. First, to formally account for the execution of the different supervisory state ordinances, including the Ordinance in the areas of Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT)[1], complying with the legal requirement to annually inform the Minister of Finance hereof. Second, to inform stakeholders and the general public on three areas: changes in the international and domestic regulatory and supervisory landscape, the activities undertaken in the supervisory and regulatory domains, and the main developments in the Aruban financial sector during 2021.

After an unprecedented decline in economic activities, the year 2021 was characterized by a strong economic recovery. Although the COVID-19 pandemic is not over yet, the expectation is that the economy will continue to recover in 2022 and return to pre-COVID-19 levels in 2023. The banking sector withstood the challenges of the pandemic remarkably well, and remained highly solid and robust. The ample solvency and liquidity buffers, together with the relief measures in the monetary and prudential domains, have helped the banks to weather this unparalleled storm, and to continue their lending activities uninterrupted, which was critical to preventing a deeper economic impact from the COVID-19 pandemic. In all, these factors enabled Aruba to experience a swift economic recovery.

The banks supported the economy by providing (general) moratoria on loans and restructuring individual loans in cases where company fundamentals were considered sound. The banks' resilience to economic shocks following the COVID-19 pandemic has proven to be very high. Also the insurance and pension funds sectors remained solid under stressed conditions.

Despite the ongoing economic recovery, downside risks have increased considerably due to the war in Ukraine and the ensuing sharp rises in the prices of gas and oil, fueling inflation. This also may affect the banking sector as both companies and individuals may be negatively impacted by the steep rise in inflation which, on its turn, may bear upon the quality of banks' loan portfolios, resulting in an increase in non-performing loans and loan loss provisions. The CBA will continue to closely monitor the developments in this area.

Another highlight of the year under review was the mutual evaluation by the Caribbean Financial Action Task Force (CFATF) in Augustus/September 2021. The findings of the mutual evaluation team are quite encouraging. It demonstrates the achievements made over the years in establishing a sound and effective framework to prevent and combat money laundering and terrorist financing. The draft mutual evaluation report (MER) was discussed at the CFATF plenary meeting of June 2, 2022 and will probably be finalized and published in July 2022, once the quality and consistency review by the Financial Action Task Force (FATF) Secretariat in Paris, France, is completed.

As part of the CBA's ongoing efforts to meet the international standards in the supervisory domain, a detailed self-assessment was undertaken in 2020/2021 to assess the degree of Compliance vis-à-vis the revised

[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).

Basel Core Principles (BCPs) for Effective Banking Supervision. The self-assessment indicates a very high level of compliance against these Core Principles. Without prejudice to the aforementioned, some areas for improvement have been identified. A plan of action has been drafted to address the identified shortcomings, which are mainly related to the absence of some policy papers, inter alia, in the area of operational risk management. A detailed self- assessment against the updated Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS) is scheduled to start in 2023. The CBA is also looking into ways to strengthen the solvency framework for insurers. Preliminary work has been undertaken to design a framework that is more aligned to the Solvency II framework.

In consideration of the increased cyber security risks, the CBA will continue to step up its oversight efforts in this area. The existence and effectiveness of proper Information Technology (IT) (security) related policies, procedures and measures at the supervised institutions are critical to ensure safe and sound operations. The policy papers issued by the CBA in the areas of technology risk management, business continuity management, and outsourcing arrangements form the benchmark against which the IT (security) policies, procedures, and measures in place at the supervised financial institutions are assessed by the CBA through its offsite surveillance and onsite examinations.

One of the six strategic pillars of the CBA's strategic plan "Dilanti Biento" (see Figure 1.1, Chapter 1) is "digital transformation". The goal of this pillar is to outline how to transform the CBA's processes and services to be delivered digitally with the focus on increased efficiency, effectiveness, transparency, and (data) analytical capabilities in accordance with best practices. In order to reach the goal to become a data-driven organization, RegTech and SupTech solutions are being evaluated to further digitalize supervisory process where possible.

Another risk area that will receive more supervisory attention in the coming years is climate change. The CBA intends to draft a policy framework against which the management of this risk faced by the supervised financial institutions will be assessed. The international standards and best practices in this area will be used as a point of reference to design this framework.

To conclude, the CBA will continue to take proper actions to foster a sound and reputable financial sector, thereby contributing to maintaining financial stability.

LIST OF ABBREVIATIONS

ABA	Aruban Bankers' Association
ACAMS	Association of Certified Anti-Money Laundering Specialists
ACSS	Association of Certified Sanctions Specialists
Afl.	Aruban florin
AFM	Autoriteit Financiële Markten (the Dutch Authority for the Financial Markets)
ALLP	Allocated loan loss provision
AML/CFT	Anti-Money Laundering and Combating Financing of Terrorism
AML/CFT Handbook	Handbook for the Prevention and Detection of Money Laundering and Financing of Terrorism
AML/CFT State Ordinance	State Ordinance on the Prevention and Combating of Money Laundering and Terrorist Financing
APFA	Stichting Algemeen Pensioenfonds Aruba (the Civil Servants Pension Fund of Aruba)
ASBA	Association of Supervisors of Banks of the Americas
ASD	Annual Statistical Digest
BCBS	Basel Committee on Banking Supervision
BCPs	Basel Core Principles
BIS	Bank for International Settlements
CAR	Capital Adequacy Ratio
CBA	Centrale Bank van Aruba (the Central Bank of Aruba)
CBCS	Centrale Bank van Curaçao en Sint Maarten (the Central Bank of Curaçao and Sint Maarten)
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CGBS	Caribbean Group of Banking Supervisors
DIS	Deposit Insurance Scheme
DNB	De Nederlandsche Bank N.V. (The Dutch Central Bank)
DNFBPs	Designated Non-Financial Businesses and Professions
EMDE	Emerging Markets and Developing Economies
EML	Enforcement, Market Entry & Legal Advisory Department
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
GOA	Government of Aruba
IAA	Insurance Association of Aruba
IAIS	International Association of Insurance Supervisors
ICPs	Insurance Core Principles
IT	Information Technology
IMF	International Monetary Fund
ISD	Integrity Supervision Department
Ltd	Loan-to-deposit ratio
MER	Mutual Evaluation Report
MLCO	Money Laundering Compliance Officer
MLRO	Money Laundering Reporting Officer
ML/TF/PF	Money Laundering, Terrorist Financing, and Proliferation Financing
MoU	Memorandum of Understanding
(M)MoU	Multilateral MoU
MTCs	Money Transfer Companies
NRA	National ML/TF Risk Assessment
PEP	Politically Exposed Person
PF	Proliferation Financing
PLR	Prudential Liquidity Ratio
PSD	Prudential Supervision Department
PSDB	Prudential Supervision Department Banks

PSIPI	Prudential Supervision Department Insurance Companies, Pension Funds & Investment Institutions
REGTECH	The use of technology for regulatory purposes
SDCIC	State Decree on Captive Insurance Companies
SDSIB	State Decree on the Supervision of Insurance Brokers
SOCPF	State Ordinance on Company Pension Funds
SOSCS	State Ordinance on the Supervision of the Credit System
SOSIB	State Ordinance on the Supervision of the Insurance Business
SOSMTC	State Ordinance on the Supervision of Money Transfer Companies
SOSSB	State Ordinance on the Supervision of the Securities Business
SOSTSP	State Ordinance on the Supervision of Trust Service Providers
SUPTECH	The use of technology for supervisory and oversight purposes
TSPs	Trust Service Providers
VA	Virtual Assets
VASPs	Virtual Assets Service Providers
WBG	World Bank Group

CONTENT

Chapter 1

Supervisory mandate and achievements in 2021 at a glance

The CBA is the sole supervisory authority for the financial sector in Aruba. In executing its supervisory task, the CBA seeks to safeguard confidence in the financial system by promoting (financial) soundness and integrity of the supervised sectors and institutions. Pursuant to the sectoral supervisory state ordinances, the CBA is responsible for the regulation and supervision of the credit institutions, insurance companies, insurance brokers, company pension funds, money transfer companies, trust service providers (TSPs), and 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., TSPs, lawyers, civil notaries, tax advisors, accountants, jewelers, car dealers, real estate brokers, and casinos.

Following the 5-year completion of its strategic plan called "Bela Yen"[2] in 2021, the CBA issued a new strategic plan called "Dilanti Biento"[3]. The new strategic plan sets out the strategic priorities for 2021 – 2025, thereby also giving direction to the supervisory agenda.

DILANTI BIENTO

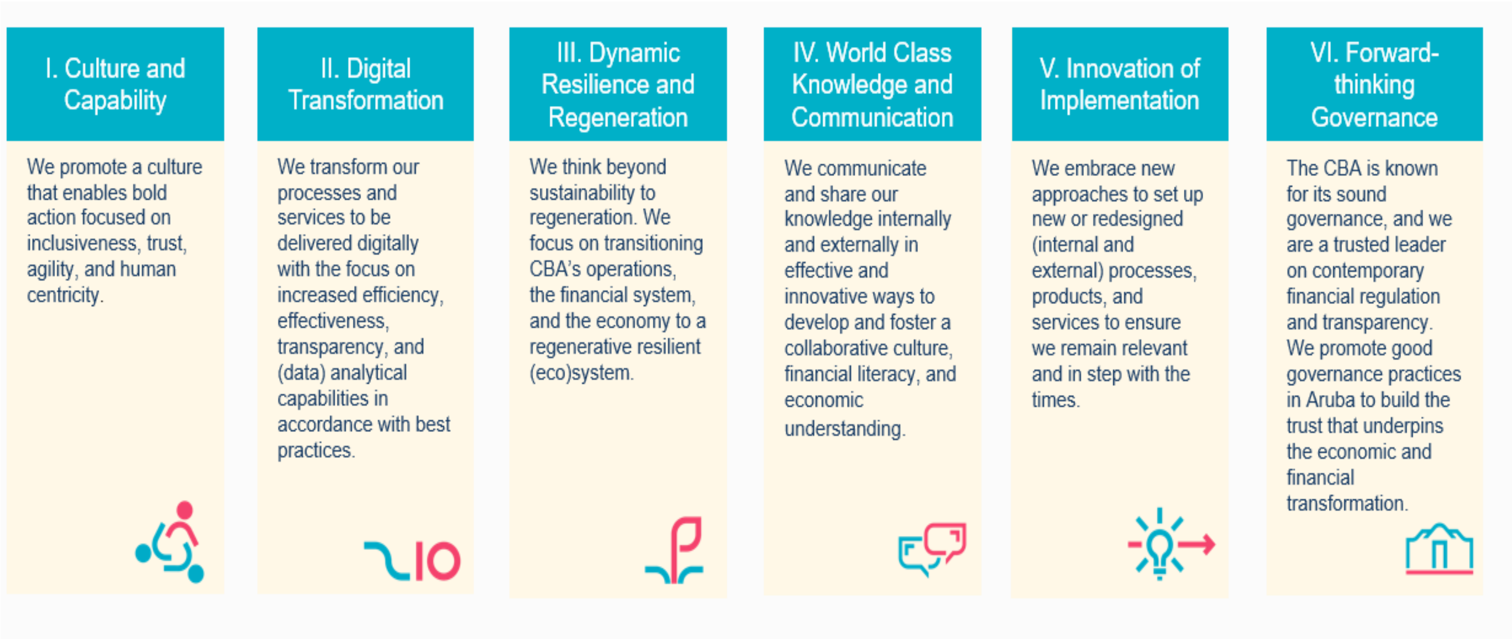
In "Dilanti Biento", the following six strategic pillars have been identified (Figure 1.1).

[2] "Bela Yen" is a saying in Papiamento meaning "full steam ahead".

[3] "Dilanti Biento" is a saying in Papiamento, which means "hopi lihe" and if literally translated to English means "in front of the wind", indicating anticipation, taking actions, and moving forward fast with the wind.

Figure 1.1 Dilanti Biento: six strategic pillars

"The six strategic pillars outline what we see as essential elements in our focus on deeply transforming our organization with the intent of supporting change in our community. We deliver on this strategic intent with a clear focus on human and planet centricity, digital transformation, and enabling resilience inside and outside our organization. We establish a culture through capability building that will carry us through this work and ensure we deliver strongly on every element."



To reach the outcomes set in our strategic pillars and to contribute to our purpose, a total of 14 programs have been identified. For each program, a description is provided, along with its goals for 2025. These programs relate to one or more strategic pillars. Furthermore, strategic actions have been defined for each program. These actions contribute to the realization of outcomes as set out in our strategic plan Dilanti Biento.

Figure 1.2 elaborates on the program “Regulation and Supervision” in particular, in view of its relevance in the area of financial sector supervision.

Figure 1.3 highlights the most important achievements of 2021 in the areas of prudential supervision[4], integrity supervision, and enforcement, market entry and legal advisory.

Figure 1.2 Program Regulation and Supervision

Description	Goal	Related to strategic pillars
A comprehensive set of actions related to the regulation and supervision of (financial) institutions designed to promote a financially sound and reputable financial system.	By 2025, the resilience of the financial system is further strengthened, inter alia, via introduction of a deposit guarantee system, modernization of the resolution regime for banks and insurers, strengthening of the solvency (and liquidity) framework of banks and insurers by incorporating (parts of) Basel II and Solvency II frameworks, and deepening of the IT- oversight, as well as furthering compliance with the FATF standards.	II. Digital transformation III. Dynamic resilience and regeneration V. Innovation of implementation VI. Forward-thinking governance

[4] To deepen the supervision of the banking sector and the insurance and pension sector, the CBA decided to split up the Prudential Supervision Department (PSD) into two separate departments, namely the Prudential Supervision Department Banks (PSDB) and the Prudential Supervision Department Insurance Companies, Pension Funds & Investment Institutions (PSIPI), as of January 1, 2021.

Figure 1.3 Overview of the major achievements in key supervisory areas in 2021

Prudential Supervision Banks	Prudential Supervision Insurance Companies, Pension Funds & Investment Institutions	Integrity Supervision	Enforcement, Market Entry, and Legal Advisory
• Conducted 6 (remote) onsite examinations in the areas of corporate governance, risk management, loans, solvency, and liquidity; • Executed stress test on the commercial banking sector; • Carried out 13 integrity and suitability assessments (see Annex 7); • Completed a self-assessment vis-à-vis the BCPs (completed in Q1 2022); • Held panel discussions to determine the internal risk rating per credit institution.	• Performed 4 (remote) onsite examinations in the area of corporate governance and regulatory reporting; • Prepared and discussed proposals to strengthen the solvency framework for insurance companies; • Conducted 33 integrity and suitability assessments (see Annex 7); • Held panel discussions to determine the internal risk rating per insurer and pension fund.	• Executed 22 AML/CFT examinations of which 5 were remote and 17 onsite; • Organized 3 information sessions: 1 for commercial banks and two for DNFBPs; • Conducted 4 integrity and suitability assessments (see Annex 7); • Coordinated the drafting of the National ML/TF Strategy document; • Preparatory work in connection with the mutual evaluation of Aruba's AML/CFT framework by the CFATF; • Effectuated surveys to feed the sectoral and individual risk-assessments in the area of AML/CFT.	• Granted 16 dispensations to insurance brokers to conduct brokerage services on behalf of clients with insurance companies not established in Aruba; • Granted 3 dispensations to act as sales agents for an insurance company established in Aruba; • Imposed 11 formal measures (see Annex 9); • Drafted Guiding Principles for the determination of the amount of administrative fines (in effect as of February 1, 2022).

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Chapter 2

Supervisory approach

Over the years, the CBA shifted from a compliance-oriented approach to a risk-based supervisory approach, allocating its supervisory resources to institutions and areas with the highest risks. As part of its risk-based supervisory framework, the CBA strives to address the "root cause" of problems rather than treat the symptoms.

In 2017, the CBA introduced a risk-based supervision framework for the credit institutions, insurance companies, and company pension funds (see Figure 2.1). Since 2019, panel sessions are held internally, to discuss the results of the risk assessments performed and to approve the internal risk ratings allocated to key risk areas (inter alia, financial position, governance, risk management, internal controls, and compliance) of the institutions concerned. The implementation of a risk-based supervision framework has contributed to a more effective allocation of the scarce supervisory resources to the supervised institutions and areas with the highest risks as identified by these risk assessments.

In 2021, regular examinations at the supervised financial institutions were performed remotely (see Figure 2.2 for the key components of the examination procedures). The PSDB conducted six targeted remote examinations in 2021: four commercial banks, one financial institution, and one credit union. The PSIPI also carried out targeted remote examinations at four insurance companies. Additionally, the ongoing offsite surveillance was continued, including the desk review of the financial and regulatory reports that the supervised entities have to file on a periodic basis. The regular examinations and ongoing offsite surveillance form the main pillars through which the CBA executes its oversight, and serve as the primary source of information to feed the risk-based supervisory framework. The remote examinations and offsite activities performed were key to maintaining a close watch on the financial and nonfinancial developments at the supervised institutions, their ongoing compliance with the relevant laws and regulations, the quality of their governance, risk management and internal controls, and, where this was considered necessary for, taking formal measures to enforce compliance or implementing swiftly needed improvements in the assessed areas.

Figure 2.1 Key components of the risk-based supervision framework

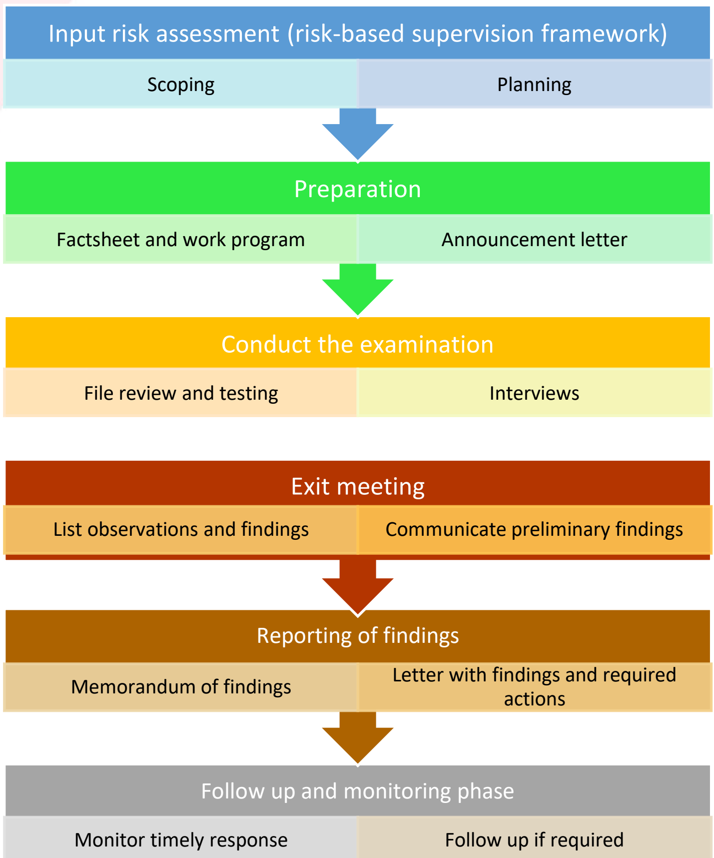
- Regular onsite examinations/remote examinations
- Ongoing offsite surveillance
- Incidents reported by the supervised institutions
- Market signals
- Intelligence

- Financial position (solvency, liquidity, and profitability)
- Governance
- Risk management
- Compliance

- Risk rating assigned per key risk area
- Allocation of resources to institutions and areas with the perceived highest risks

As part of its AML/CFT supervision, the CBA carried out 22 (virtual) examinations in 2021: 15 at financial institutions and 7 at DNFBPs. The selection of institutions for examinations was driven mainly by the results of risk assessments performed on a sectoral or individual level, as well as the results of the National Risk Assessment (NRA).

Figure 2.2 Key components of the examination procedures



Three AML/CFT information sessions were held by the CBA during 2021: one with the management teams and compliance officers of the commercial banks on the topic of correspondent banking relationships, one with an audit and tax consultants firm, and one with the representative organization of the car dealers. The information sessions focused on, respectively, the outsourcing of the compliance function and Customer Due Diligence (CDD).

To further enhance the risk-based approach with respect to AML/CFT oversight, the CBA sent questionnaires to supervised financial institutions and DNFBPs in the second half of 2021. The objectives were to (i) obtain a general view of the level of compliance at the different sectors and institutions; and to (ii) obtain up-to-date detailed information on the AML/CFT framework in place at the supervised institutions. Additionally, the CBA used the information collected to feed its AML/CFT risk-based approach.

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 by also investing in ongoing training in all relevant areas. Such trainings are key to maintaining high-quality oversight of supervised institutions and keeping abreast of relevant developments. Due to the ongoing COVID-19 pandemic, most trainings and courses were attended virtually in 2021.

Over the past few years, more attention has been given to IT supervision. The CBA considers cybercrime one of the main risks to which financial institutions are exposed. While managing cyber security risks is first and foremost each financial institution's own responsibility, the IT Supervision unit within the CBA oversees compliance with the legal provisions and regulations in the areas of technology risk management, business continuity management, and outsourcing arrangements. Also, it promotes awareness among the financial institutions on IT risks (including cyber risks) and on the importance of having a sound risk management framework in place to manage these risks.

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Chapter 3

Major changes in the legislative and regulatory framework

The CBA underscores the importance of keeping abreast of ongoing changes in the international regulatory and supervisory landscape to ensure continued compliance with standards set by the international standard-setting bodies (see Figure 5.1, Chapter 5) in the areas of regulation and supervision. Following is an overview of the major changes made or proposed to the legislative and regulatory framework in Aruba, with a view toward enhancing and strengthening this framework.

3.1 LEGISLATIVE FRAMEWORK

3.1.1 STATE ORDINANCE ON CONSUMER CREDIT

In June 2016, a final draft proposal to regulate consumer credit was submitted to the Minister of Finance. The main objectives are to (i) ensure that consumers receive sufficient information before entering into a consumer loan agreement, to (ii) place a cap on the interest rates that lenders are allowed to charge to consumers, and to (iii) prevent over-crediting. The Government of Aruba (GoA) submitted a revised draft to the Parliament of Aruba for approval on December 7, 2021. This draft state ordinance was discussed in Parliament on March 23, 2022, but was postponed as the GoA wanted to amend sections of the draft. On June 3, 2022, the revised draft was approved by Parliament.

3.1.2 DEPOSIT INSURANCE SCHEME

In May 2017, a (revised) legislative proposal for the introduction of a deposit insurance scheme (DIS) for the domestic commercial banking sector was submitted by the CBA to the Minister of Finance. The implementation of a DIS will help protect small depositors as well as help preserve trust in the banking system, thereby contributing to financial stability. The legal basis to introduce a DIS was, through an amendment of the SOSCS, adopted by the Parliament of Aruba in December 2021. Currently, the draft state decree regulating the DIS is in the legislative process.

A foundation that will be tasked with the management of the guarantee fund will need to be incorporated by the CBA. The required preparatory work is being undertaken.

3.1.3 AML/CFT STATE ORDINANCE

Following the gap analysis conducted vis-à-vis the 2012 FATF Standards, the CBA drafted a legislative proposal to address the identified, mostly technical, deficiencies in the AML/CFT State Ordinance. This proposal was submitted to the Minister of Finance in August 2018. Based in part on this proposal, a draft amended AML/CFT State Ordinance was sent to the Advisory Council in 2020. Subsequently, with due regard to the comments made by the Advisory Council, a revised draft was presented to the Parliament of Aruba for its review and approval. On August 19, 2021, the Parliament of Aruba approved the amended AML/CFT State Ordinance, which entered into force on September 8, 2021.

Besides the changes addressing mainly technical, deficiencies vis-à-vis the FATF standards, the revised AML/CFT State Ordinance also includes:

a. Exchange platforms for virtual currency and providers of custodian wallets for virtual currency under the scope of the AML/CFT State Ordinance.
b. A requirement for service providers to establish adequate and written policies, procedures, and measures aimed at preventing and combating proliferation financing (PF).
c. A requirement for service providers to have adequate policies, procedures, and measures in place to mitigate and effectively manage risks identified in the NRA.
d. A requirement for service providers to have a money laundering compliance officer (MLCO) based in Aruba.
e. Providing the CBA with the legal authority to consult the registers and to request all information from the Chamber of Commerce and Industry, the Land

Registry and Cadastral Department (Dienst Landmeetkunde en Vastgoedregistratie), and the Civil Registry Office (Dienst Burgerlijke Stand en Bevolkingsregister).

f. Providing the CBA with the legal authority to publish an irrevocable decision to impose an administrative fine or penalty charge order. The CBA may publish a penalty charge order as soon as it has been forfeited.
g. Further providing the CBA with the legal authority to pass on, in full or in part, the costs incurred with the execution of the AML/CFT State Ordinance.

3.1.4 DRAFT STATE DECREE ON THE PASSING ON OF SUPERVISORY COSTS TO THE DNFBPs

In 2019, the CBA submitted a draft state decree to the Minister of Finance that would allow supervisory costs to be passed on to DNFBPs for the execution of the AML/CFT State Ordinance. This state decree was reviewed by the Advisory Council on September 16, 2020. On September 25, 2020, the CBA sent the draft state decree to the DNFBPs for consultation. By letter of November 29, 2021, the CBA responded to the comments received. It is expected that this draft will be finalized in the second part of 2022.

3.2 REGULATORY FRAMEWORK

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

In response to the adverse economic and financial developments stemming from the COVID-19 pandemic, the CBA temporarily eased the capital and liquidity requirements applicable to credit institutions to ensure that supervised commercial banks could continue their lending activities under stress conditions. These prudential relief measures went into effect on March 17, 2020. As of September 1, 2021, these capital and liquidity relief measures had been lifted. Table 3.1 offers an overview of the solvency and liquidity requirements.

Table 3.1: Changes to the prudential requirements in connection with COVID-19

Prudential requirements as of	March 17, 2020	September 1, 2021
CAR[5]	minimum 14 percent	minimum 16 percent
PLR[6]	minimum 15 percent	minimum 18 percent
Ltd[7]	maximum 85 percent	maximum 80 percent

Also, the CBA conducted a stress test to assess the impact of the COVID-19 pandemic on the commercial banking sector under different ultra-high stress scenarios in 2021. The results indicated that, while the effect of the COVID-19 pandemic has been very significant, the capital and liquidity buffers of commercial banks continue to provide ample room to weather the impact of this pandemic. The pandemic has demonstrated clearly the importance of

[5] Capital Adequacy Ratio
[6] Prudential Liquidity Ratio
[7] Loan-to-deposit Ratio

having high capital and liquidity buffers in place for “black swan” events[8], taking into account the one-sided economy of Aruba, which is highly dependent on tourism.

3.2.2 LIMIT ON DEPOSITS HELD AT PARENT OR AFFILIATED ENTITIES

In December 2019, the CBA informed the Aruban Bankers’ Association (ABA) of its intention to impose a limit on intragroup deposits to cap the amount that the banks are allowed to maintain at their parent bank or affiliated entities. After consulting with the ABA in 2020, a limit was set of 10 percent of the sum of Tier 1 + Tier 2 capital[9]. Any amount above this limit must be deducted from a bank’s Tier 1 capital and its available liquidity as of January 1, 2021.

3.2.3 REVISION OF BUSINESS CONTINUITY MANAGEMENT POLICY PAPER

The revision of the Business Continuity Management policy paper mainly relates to the broadening of the scope to insurance companies, captives, insurance brokers, company pension funds, money transfer companies, trust companies, finance companies, pawnshops, and the securities business. After having consulted these financial institutions, the CBA decided that this policy paper enters into force on July 1, 2022 with a transition period of six months, during which no enforcement measures will be taken in case of remaining gaps.

[8] In the economic literature, a “black swan” event refers to an unexpected event with a major financial and/or economic impact not foreseen or predicted to actually materialize. It is also widely referred to as the “tail-risk”.

[9] Tier 1 capital, also known as core capital, consists of shareholders’ equity and undistributed profits, while Tier 2 capital, also known as supplementary capital, consists of the net result of the period, revaluation reserves, unallocated loan loss provision, and subordinated debt with a remaining maturity of 5 years or more.

Chapter 4

CFATF mutual evaluation of Aruba’s AML/CFT framework

4.1 NATIONAL RISK ASSESSMENT

To obtain a better understanding of the ML/TF/PF risks faced at the national level, an NRA was undertaken in October 2018, which is also a requirement of the FATF Standards. The NRA was based on a methodology and tool developed by the World Bank Group (WBG). The model enables countries to identify the main drivers of these risks. It provides a methodological process based on the understanding of causal relationships among money laundering risk factors, and variables relating to the regulatory, institutional, and economic environment.

The CBA not only acted as the project leader and coordinator for conducting the NRA on ML, but also chaired two of the five working groups: (i) banking and (ii) other financial institutions. Additionally, the CBA participated in the three other working groups. The final ML NRA report was approved on February 19, 2021 by the GoA. A summary of the NRA was published by the GoA on March 23, 2021, and can be downloaded from the CBA's website.

The TF/PF NRA was conducted by public sector officials. Due to the sensitive nature of the information on TF and PF, there was no direct participation from the private sector. The GoA shared the general conclusions of the TF/PF NRA via a press release on July 7, 2021. The findings included in the NRA report on TF/PF take into account Aruba's economic and geographical environment, its legal, judicial and institutional framework, and its crime trends.

Pursuant to article 46a, paragraph 1, of the revised AML/CFT State Ordinance, which entered into force on September 8, 2021, service providers are required to have adequate policies, procedures, and measures in place to mitigate and effectively manage the risks identified in the NRA. The CBA informed the financial institutions and DNFBPs of the key findings of the NRA about their specific sector. The financial institutions and DNFBPs were urged to take note of the content of the ML NRA summary report and general conclusions of the TF/PF NRA, and, as required by article 46a of the AML/CFT State Ordinance, to take appropriate risk-based actions to mitigate and effectively control the ML/TF/PF risks to which they may be exposed.

Aruba will use the results of the 2021 NRA to strengthen its AML/CFT framework (see also paragraph 4.2).

4.2 AML/CFT STRATEGY

A National Anti-Money Laundering and Countering the Financing of Terrorism and Proliferation Strategy (Strategy Document), designed to mitigate the ML/TF/PF risks identified in the 2021-NRA on ML and TF/PF, was finalized in August 2021, and is awaiting final approval from the AML/CFT Steering Group.

The approval and subsequent implementation of the Strategy Document are of utmost importance in providing a cohesive action plan geared toward strategically addressing key findings identified in the 2021-NRA on ML and TF/PF. The document highlights Aruba's strategic priorities over the coming 3-4 years, tasks the relevant competent authorities to implement the outlined actions, and provides corresponding deadlines for the completion of the coordinated actions to safeguard the integrity of the financial system of Aruba.

At the core of the Strategy Document are three strategic objectives linked to combatting ML/TF/PF, which provide a clear path towards:

a. Enhancing Aruba's AML/CFT framework in order to maintain a high level of compliance with the international standards.
b. Proactively investigating and prosecuting money laundering, terrorist financing, and proliferation financing in a coordinated way.
c. Improving the information position on companies (i.e., legal persons and legal arrangements).

In response to the evolving threats and risks in the area of ML/TF/PF, the Strategy Document needs to be treated as a living document and updated from time to time, in order to ensure that it captures any new developments that may arise in the AML/CFT area.

4.3 AML/CFT ASSESSMENT BY THE CFATF

During August 31, 2021 to September 10, 2021, the CFATF visited Aruba to assess the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Aruba's AML/CFT framework. From March 1, 2022 until March 8, 2022, virtual face-to-face meetings[10] were held to discuss the second draft of the MER, which took into consideration Aruba's comments, as well as the comments from the selected external reviewers (including the FATF Secretariat).

During the face-to-face meetings, the CBA presented its comments vis-à-vis Immediate Outcome 3 (Preventive measures), Immediate Outcome 4 (Supervision), supporting recommendations 9-23 and 26-28, and parts of the Executive Summary from the second draft MER. Subsequent to the virtual face-to-face meetings, the revised draft MER was provided to reviewers for further comment. On April 4, 2022, the CBA received the final draft MER, which was discussed on June 2, 2022 during the virtual CFATF Plenary. After the quality and consistency review by the FATF Secretariat in Paris, France has been completed, the report will be published. It is expected that this will be done in the month of July 2022.

[10] The face-to-face meetings were not interview sessions or an on-site inspection. They focused on discussing possible changes and resolving outstanding issues relating to technical compliance and effectiveness, including identifying key issues for Plenary discussion.

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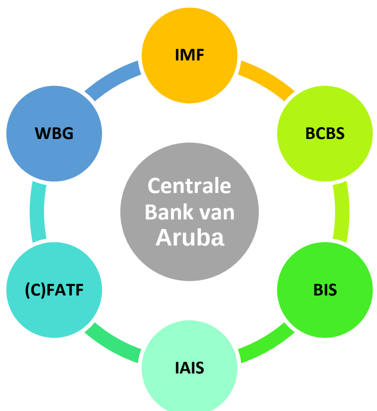
Chapter 5

International developments

This chapter focuses on several significant international developments in 2021 considered relevant to Aruba's legislative and regulatory framework.

Figure 5.1 provides an overview of the international bodies and organizations that provide guidance in the area of supervisory regulations and best practices.

Figure 5.1 International institutions, groups, and associations producing guidance



5.1 INTERNATIONAL MONETARY FUND (IMF): CLIMATE CHANGE, FINTECH AND FINANCIAL INCLUSION, AND DIGITAL PAYMENTS

In December 2021, the IMF published a working paper on *Financial Regulation, Climate Change, and the Transition to a Low-Carbon Economy*, which focuses on the demands on central banks and financial regulators to support the transition to a low-carbon economy.

In August 2021, the IMF spread a working paper on *Fintech and Financial Inclusion in Latin America and the Caribbean (LAC).* This paper outlines whether fintech can help minimize financial inclusion gaps in LAC and how governments can leverage fintech development to foster financial inclusion.

5.2 BASEL COMMITTEE ON BANKING SUPERVISION (BCBS): PRINCIPLES FOR THE EFFECTIVE MANAGEMENT AND SUPERVISION OF CLIMATE-RELATED FINANCIAL RISKS

In November 2021, the BCBS circulated a public consultation document *Principles for the effective management and supervision of climate-related financial risks*. This document forms part of the Committee's holistic approach to addressing climate-related financial risks in the global banking system. Its aim is to promote a principles-based approach to improving both banks' risk management and supervisors' practices in this area. On June 15, 2022, the final document was released by the BCBS. The CBA will put more focus on this area in the coming years.

5.3 BANK FOR INTERNATIONAL SETTLEMENTS (BIS): FINTECH AND DIGITAL TRANSFORMATION OF FINANCIAL SERVICES

In July 2021, the BIS put out a paper on *Fintech and the digital transformation of financial services*. This paper points to the implications of digital innovations for market structure and attendant policies, including financial and competition regulation. Albeit at a lesser degree than in highly developed countries, digital innovations will continue to play an important role in the financial services industry. Banks need to cater to the demands of younger generations, especially in the area of real-time payments. The COVID-19 pandemic also has increased the acceptance and usage of digital banking. This trend will continue in the coming years, probably even at an accelerated pace.

5.4 INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS (IAIS): APPLICATION PAPER ON THE SUPERVISION OF CLIMATE-RELATED RISKS IN THE INSURANCE SECTOR

In May 2021, the IAIS published an application paper *Supervision of climate-related risks in the insurance sector*. This paper provides recommendations and examples of good practices for insurance supervisors to integrate climate risk considerations into their supervisory framework. It covers the role of insurance supervisors in managing climate-related risks, and discusses these risks in relation to corporate governance, risk management and internal controls, investment policy, and disclosure requirements. There is growing recognition of the impact of climate change and climate-related risks on the resilience of individual financial institutions (including insurers) and financial stability. The CBA also acknowledges that a failure to recognize the need to adequately manage the impact of climate change across the insurance industry could impact the policyholder and the stability of the Aruban financial sector. The CBA will therefore increase its focus on climate change and climate-related risks, and in this regard consider the recommendations and best practices included in this application paper.

5.5 IAIS: APPLICATION PAPER ON RESOLUTION POWERS AND PLANNING

In June 2021, the IAIS published an application paper *Resolution powers and planning*. The IAIS defines resolution as "actions taken by a resolution authority toward an insurer that is no longer viable, or is likely to be no longer viable, and has no reasonable prospect of returning to viability". Resolution can be seen as a final step taken by the supervisor and/or resolution authority, where all other preventive or corrective measures will most likely be inadequate to preserve or restore an insurer's viability. In addition, this application paper provides further guidance on, among other things, the implementation of a resolution framework, and the cooperation and coordination between authorities when planning for, and exercising resolution powers. An orderly process for an insurer's withdrawal from the market protects policyholders and contributes to the stability of the insurance market and the financial system. The CBA is in the process of preparing a legislative proposal to update the existing resolution framework. This is part of the project currently being undertaken to draft a legislative proposal to harmonize and update the existing supervisory laws.

5.6 IAIS: APPLICATION PAPER ON SUPERVISION OF CONTROL FUNCTIONS

In June 2021, the IAIS released an application paper *Supervision of control functions for insurers*. Control functions, defined by the IAIS as insurer responsibility to provide objective assessment, reporting, and/or assurance (i.e., risk management, compliance and internal audit), are considered a crucial element of the corporate governance framework. This paper offers insights into good supervisory practices aimed at addressing issues related to the supervision of control functions, such as, the role, independence and stature of control functions, combination and outsourcing of control functions, and group-wide control functions. A separate section discusses the internal audit function in particular, given certain specific challenges related to the supervision of this control function. The CBA will consider the IAIS application paper on the supervision of control functions when updating its existing policy paper on corporate governance for insurance companies.

5.7 FINANCIAL ACTION TASK FORCE (FATF): "UPDATED GUIDANCE FOR A RISK-BASED APPROACH TO VIRTUAL ASSETS AND VIRTUAL ASSETS SERVICE PROVIDERS"

In October 2021, the FATF updated its 2019 *Guidance for a Risk-Based Approach to Virtual Assets (VA) and Virtual Asset Service Providers (VASPs)*. This updated Guidance forms part of the FATF's ongoing monitoring of the virtual assets and VASP sector.

The FATF standards require countries to assess and mitigate their risks associated with VA financial activities and providers; license or register providers, and subject them to supervision or monitoring by competent national authorities. VASPs are subject to the same relevant FATF requirements that apply to financial institutions. This Guidance will help countries and VASPs understand their anti-money laundering and counter-terrorist financing obligations, and effectively implement the FATF's requirements as they apply to this sector. The Guidance provides relevant examples and potential solutions to implementation obstacles.

The 2021 Guidance includes updates focusing on the following six key areas:

a. Clarification of the definitions of VA and VASPs.
b. Guidance on how the FATF Standards apply to stable coins.
c. Additional guidance on the risks and tools available to countries to address money laundering and terrorist financing risks for peer-to-peer transactions.
d. Updated guidance on the licensing and registration of VASPs.
e. Additional guidance for the public and private sectors on the implementation of the "travel rule".
f. Principles of information-sharing and co-operation among VASP Supervisors.

The CBA underscores the importance of having a supervisory framework in place to mitigate the risks associated with VA activities and VASPs. The implementation of the amended AML/CFT Ordinance establishes a solid framework to supervise VA and VASP activities for AML/CFT purposes.

With the amendment of the AML/CFT State Ordinance, some changes were also made to the State Ordinance on the Supervision of the Securities Business (SOSSB) to include VASPs. By state decree, further rules containing general measures for the registration of VASPs will be effectuated.

Chapter 6

National and international cooperation

6.1 NATIONAL COOPERATION

In 2021, the CBA continued its periodic meetings with the Financial Intelligence Unit ("Meldpunt Ongebruikelijke Transacties") (FIU) and the Public Prosecutor's Office ("Openbaar Ministerie") (some virtually, some in-person) to discuss topics of mutual interest with respect to integrity matters. In 2021, five bilateral meetings were held between the CBA and the FIU, and three between the CBA and the Public Prosecutor's Office. The CBA also attended one of the compliance officers meeting, the so-called CO Meeting, organized by the FIU together with representatives of the trust sector. The objective of this meeting was to discuss compliance challenges faced by the trust sector. The basis for these periodic meetings is the Memoranda of Understanding (MoU) with the FIU (signed in 2011) and the Public Prosecutor's Office (signed in 2012). In addition to setting procedures for information exchange, the MoU with the Public Prosecutor's Office contains guidelines in the event of a concurrence of administrative and criminal offenses. Based on the universal "ne bis in idem-principle", a person cannot be punished twice for the same offense. In these cases, a decision must be taken as to which enforcement route to follow.

In 2021, the Aruban AML/CFT Steering Group met twice to discuss AML/CFT-related matters. This group 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 and the execution of the laws and regulations in this area.

In 2021, the CBA continued its 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. In these meetings, relevant supervisory topics, including the NRA on ML/TF/PF, the CFATF Mutual evaluation, the introduction of a deposit insurance scheme, and the proposal to strengthen the solvency framework for insurance companies, were discussed.

Furthermore, the CBA met separately with the management of each commercial bank during the periodic bilateral meetings held in June and December 2021 to discuss, inter alia, economic and financial market developments, credit growth, financial projections, as well as the results of the stress test conducted by the CBA.

6.2 INTERNATIONAL COOPERATION

The CBA meets regularly with its counterparts within the Kingdom of the Netherlands, namely De Nederlandsche Bank N.V. (DNB), the Centrale Bank van Curaçao en Sint Maarten (CBCS), and the Financial Markets Authority (AFM). The Technical Committee of the financial supervisors normally meets three times each year. However, due to the COVID-19 pandemic, only one meeting took place in October 2021. The CBA's participation in these meetings is based upon the MoU signed among the parties involved. Annex 4 provides a complete list of the (M)MoUs signed with foreign supervisory authorities.

In September 2020, the CBA submitted an application to become a signatory to the IAIS MMoU (i.e., a framework that establishes a formal basis for global cooperation and information exchange among insurance supervisors). On May 3, 2022, the CBA received notification that the final approval to the CBA's application was given by the High-Level Committee of the IAIS. In this notification, the CBA's accession to the IAIS MMoU was confirmed as well. The signing of the MMoU took place in May 2022.

In 2021, the CBA received five information requests from foreign supervisory authorities, all of which were responded to within a period of three weeks, and submitted three information requests to foreign supervisory authorities.

6.3 INTERNATIONAL SUPERVISORY GROUPS

The CBA is a member of various international supervisory groups and participated in meetings held virtually by these groups throughout 2021:

a. Plenary meetings of the Group of International Finance Centre Supervisors (GIFCS).
b. Members' Assembly and XXXVIII Annual Conference of the Caribbean Group of Banking Supervisors (CGBS).
c. Plenary meetings of the FATF and the CFATF.
d. Several meetings organized by the Group of International Insurance Centre Supervisors (GIICS).
e. XXIV Annual Assembly and XVI High-level Meeting of the Association of Supervisors of Banks of the Americas (ASBA).
f. Emerging Markets and Developing Economies (EMDE) Members Meeting of the International Association of Insurance Supervisors (IAIS).

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

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Chapter 7

Prudential supervision Banks

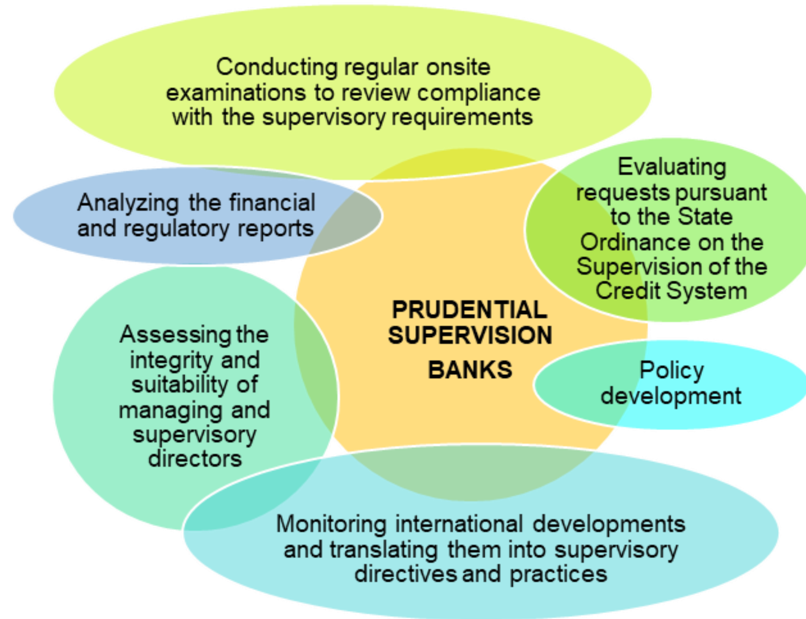
The Prudential Supervision Department Banks (PSDB) is responsible for the regulation and supervision of credit institutions. At year-end 2021, the PSDB consisted of five full-time staff members.

The department assesses ongoing compliance with the State Ordinance on the Supervision of the Credit System (AB 1998 no.16) (SOSCS) through offsite surveillance (including the analysis of the financial and regulatory reports) and regular (remote) examinations. In general, the supervised credit institutions remained in compliance with the CBA's prudential requirements during 2021. Based upon assessments made, additional supervisory attention will be given to the credit union sector.

The PSDB closely follows international developments in the area of prudential supervision and, insofar as relevant for Aruba, translated these developments into supervisory directives or policy papers. To this end, in 2021, the PSDB staff members attended several trainings, among other things, on the BCPs, risk-based supervision, stress testing, climate and environmental risks, Basel II and III, governance, and risk management.

The primary tasks and responsibilities of the PSDB are summarized in Figure 7.1.

Figure 7.1 Tasks and responsibilities of the PSDB



7.1 OFFSITE SURVEILLANCE

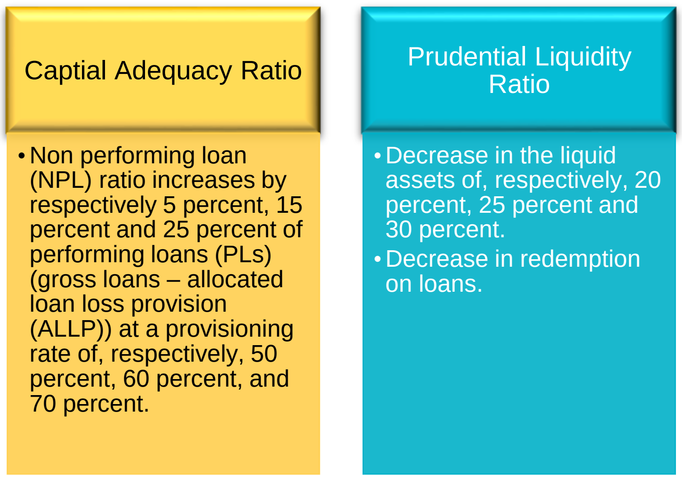
In 2021, as part of its offsite surveillance, the PSDB undertook several activities including, inter alia, the analysis of the financial and regulatory reports submitted by the supervised credit institutions and the evaluation of requests received for approval pursuant to the SOSCS. The latter requests relate mainly to the appointment of key persons, changes of external auditors, and dividend distribution.

In 2021, the PSDB received nine new petitions associated with the appointment of a key person from credit institutions. As per year-end 2021, three are still pending (see also Annex 7).

In 2020, the CBA decided to adjust its yearly stress-testing exercise on the domestic commercial banking sector in view of the potential risks arising from the COVID-19 pandemic. The banks' resilience was tested against extreme shocks as a result of an assumed sharp increase in nonperforming loans. Figure 7.2 provides an overview of the assumptions applied in the stress test conducted in 2021.

The results show that, despite the extreme increases in the NPL ratio, ample capital and liquidity buffers provide banks with sufficient room to weather this unprecedented economic storm.

Figure 7.2 Stress test scenarios 2021



7.2 REMOTE EXAMINATIONS

The PSDB conducted six targeted remote examinations during 2021, at four commercial banks, one other financial institution, and one credit union. At two commercial banks, the CBA carried out a thematic review on the quality of the loan portfolio and the adequacy of the loan loss provisioning in connection with the COVID-19 pandemic. At one commercial bank, the CBA centered on the bank's ongoing losses incurred and adequacy of the loan loss provisioning. One other thematic review was carried out at another commercial bank concerning related party exposures and outsourcing arrangements. At one other financial institution, the CBA focused on the financial institution's risk management process and internal controls. At one of the credit unions, the CBA reviewed the adequacy of the corporate governance framework and the loan portfolio. Table 7.3 provides an overview of the (remote) examinations conducted by the PSDB in 2021.

Table 7.3 Remote examinations conducted by the PSDB in 2021

Sector	2021
Commercial banks	4
Mortgage banks	-
Credit unions	1
Other financial institutions	1
Total	6

7.3 SELF-ASSESSMENT VIS-À-VIS THE BASEL CORE PRINCIPLES

In 2021, PSDB conducted a self-assessment vis-à-vis the BCPs. The BCPs, issued by the BCBS in 1997, were revised in 2012, and are the minimum standards for sound prudential regulation and supervision of banks and banking systems, and are applied by countries as a benchmark for assessing the quality of their supervisory regimes.

The self-assessment of the BCPs was finalized in early 2022, and led to the identification of some shortcomings for which a road map is being worked on to close the identified gaps. Overall, the self-assessment indicated a very high level of compliance with the BCPs.

Table 7.4 Summary compliance grading with BCPs

Compliance grading	**Number of gradings**	**Percentage**
Compliant	14	48.3%
Largely compliant	12	41.4%
Materially non-compliant	2	6.9%
Non-compliant	1	3.4%
Total	**29**	**100.0%**

7.4 PASSING ON OF THE SUPERVISORY COSTS

Pursuant to the various sectoral state ordinances and state decrees, the CBA may pass on the incurred supervisory costs, in full or in part, to the supervised entities. Annex 10 contains a breakdown of the supervisory costs passed on to the different sectors supervised by the CBA in 2021, including the banking sector.

Chapter 8

Prudential supervision Insurance companies, Pension funds & Investment institutions

The Prudential Supervision Department Insurance companies, Pension funds & Investment Institutions (PSIPI) is responsible for monitoring the financial soundness of the insurance companies, company pension funds and investment institutions. The PSIPI had three full-time staff members at the end of 2021.

The PSIPI assesses compliance with supervisory laws and regulations through ongoing offsite surveillance (including the conduct of integrity and suitability assessments of proposed managing directors and supervisory board members), and regular (remote) examinations. In general, the supervised institutions remained in compliance with the CBA's prudential requirements during 2021.

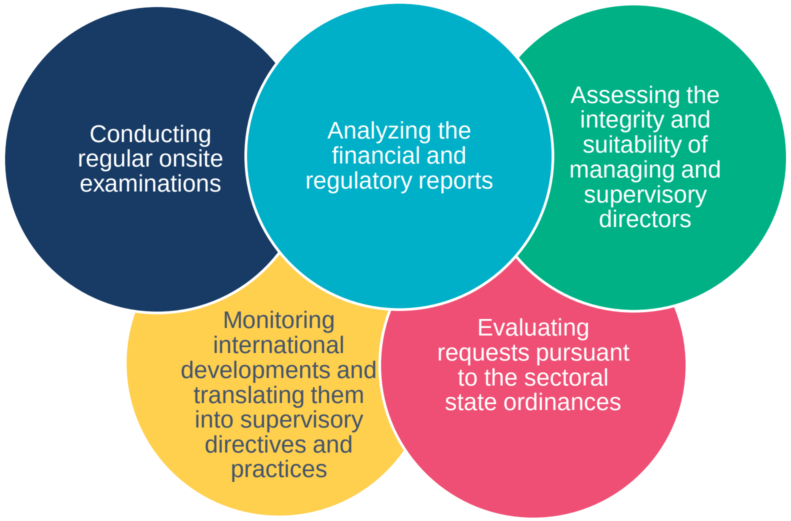
The PSIPI also closely follows international developments in the area of prudential supervision and, insofar as relevant for Aruba, translated these developments into supervisory directives or policy papers. To this end, in 2021, the PSIPI staff members attended several trainings in the area of insurance and pension supervision, including climate risk, cyber risk, and pandemic risk management in the financial sector.

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

8.1 OFFSITE SURVEILLANCE

In 2021, as part of its offsite surveillance, the PSIPI undertook several activities including, inter alia, the analysis of the financial and regulatory reports submitted by the insurance companies and company pension funds. The PSIPI also evaluated requests submitted for approval pursuant to the sectoral supervisory laws. The latter requests relate mainly to the appointment of key persons and changes in external auditors and actuaries.

Figure 8.1 Tasks and responsibilities of the PSIPI



In 2021, the PSIPI received sixteen new petitions associated with the appointment of a key person from insurance companies, and eight new requests from company pension funds (see also Annex 7).

Also, four new petitions were submitted for a change in external auditor: two from insurance companies and two from an insurance broker (see also Table 8.1).

Table 8.1 Petitions to approve a change in external auditor in 2021

Sector	Insurance companies	Company pension funds	Insurance brokers	Total
Pending as of January 1, 2021	2	-	-	2
New requests	2	-	2	4
Withdrawn requests	-	-	1	1
Rejected requests	-	-	-	-
Approved	4	-	-	4
Pending as of December 31, 2021	-	-	1	1

In addition, the CBA received four new petitions to approve a change in certifying actuary: three from insurance companies and one from a company pension fund (see Table 8.2).

Table 8.2 Petitions to approve a change in certifying actuary in 2021

Sector	Life insurance companies	Company pension funds	Total
Pending as of January 1, 2021	-	-	-
New requests	3	1	4
Withdrawn requests	-	-	-
Rejected requests	-	-	-
Approved	1	1	2
Pending as of December 31, 2021	2	-	2

8.2 REMOTE EXAMINATIONS

In 2021, PSIPI conducted targeted remote examinations at four insurance companies. During these examinations, the adequacy of the corporate governance framework was reviewed. Table 8.3 provides an overview of the (remote) examinations carried out at insurance companies and pension funds in 2021.

Table 8.3 Remote examinations conducted at insurance companies and pension funds in 2021

Sector	2021
Life insurance companies	2
Nonlife insurance companies	2
Company pension funds	-
Total	4

8.3 PASSING ON OF THE SUPERVISORY COSTS

Pursuant to the various sectoral state ordinances and state decrees, the CBA may pass on the incurred supervisory costs, in full or in part, to the supervised entities. Annex 10 contains a breakdown of the supervisory costs passed on to the different sectors supervised by the CBA in 2021, including the insurance and pension funds sector.

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Chapter 9

Integrity supervision

Integrity supervision is a key pillar of the CBA's supervisory mandate 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 that involve fines, civil liability claims, and reputational damage. At year-end 2021, the Integrity Supervision Department (ISD) consisted of eight full-time staff members. Primary tasks and responsibilities are depicted in Figure 9.1.

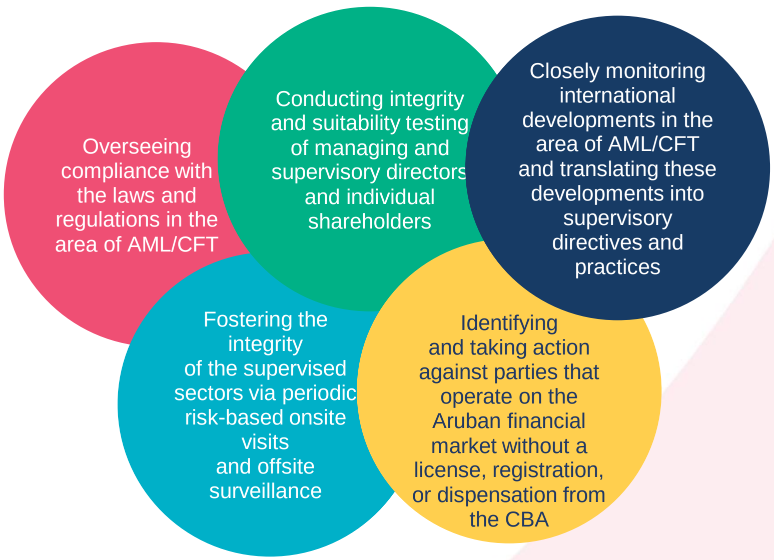
In 2021, the ISD continued its efforts to foster compliance via (remote) examinations and offsite surveillance despite the challenges caused by the COVID-19 pandemic. To keep abreast of international developments, its staff attended virtual trainings in the areas of AML/CFT, e.g., FATF training on Proliferation Financing Risk Assessment and Mitigation. Furthermore, staff members participated in virtual AML/CFT trainings and conferences organized by the Association of Certified Anti-Money Laundering Specialists (ACAMS), Association of Certified Sanctions Specialists (ACSS) and the FEC Academy in the areas of environmental crimes, sanctions regimes, cryptocurrency, VASPs, and Trade Based Money Laundering.

9.1 OFFSITE SURVEILLANCE

In 2021, the ISD undertook several activities as part of its offsite surveillance. In the latter part of 2021, the ISD again surveyed all supervised financial institutions and DNFBPs on the key requirements of the AML/CFT legislation. These requirements include conducting an ML/TF risk assessment, having AML/CFT policies and procedures in place, appointing an MLCO and a Money Laundering Reporting Officer (MLRO), organizing AML/CFT training programs for staff members, and CDD. The survey was organized as part of the ongoing process to assess the AML/CFT framework in place at the supervised institutions, and to evaluate any improvement in the sectors' AML/CFT frameworks compared to the results of the 2019 and 2020 surveys. Key survey results are communicated to the respective sectors as a whole, and in cases where severe deficiencies were observed, the ISD approached individual institutions to bring to their attention those areas in which improvement is needed in their AML/CFT framework. The data gathered through the surveys provided the CBA with valuable information that, inter alia, also feeds the CBA's AML/CFT risk-based approach.

Furthermore, in 2021, the CBA continued its projects on the topics of Terrorist Financing and Politically Exposed Persons (PEP). For the Terrorist Financing project, (remote) examinations were conducted following the survey responses received from the commercial banks and money transfer companies in the latter part of 2020. For the PEP project, only the commercial banks were examined subsequent to the 2020 survey issued on this topic. Aforementioned projects will be finalized in 2022.

Figure 9.1 Primary tasks and responsibilities of the ISD



9.2 REMOTE EXAMINATIONS

The ISD conducted twenty-two (remote) examinations in 2021: fifteen examinations at financial institutions, of which eleven at commercial banks, one at a life insurance company, one at a pawnshop, and two at money transfer companies. Seven examinations were carried out at DNFBPs: six jewelers, and one real estate company (see also Table 9.1).

Table 9.1 Remote examinations conducted by ISD in 2019-2021

Sector	2019	2020	2021
Credit institutions	6	3	11
Life insurance companies	-	1	1
Insurance brokers	-	1	-
Company pension funds	-	-	-
Pawnshops	-	1	1
Money transfer companies	-	1	2
Trust service providers	3	-	-
DNFBPs	13	12	7
Total	22	19	22

Based on the ISD's AML/CFT risk-based approach and the areas of concern identified, the (remote) examinations in 2021 focused, inter alia, on ongoing monitoring, unusual transaction reporting, CDD, and PEPs.

The (remote) examinations revealed multiple breaches of the AML/CFT State Ordinance with respect to, among other things, CDD (including transaction monitoring) and the (timely) reporting of unusual transactions to the FIU. A comprehensive overview of the breaches identified is provided in Annex 8. The findings of the onsite examinations are communicated in writing to the institutions. Institutions are given a reasonable timeframe to take remedial actions. In case of more severe findings, formal measures are taken (see Chapter 10).

9.3 INFORMATION SESSIONS HELD FOR SUPERVISED INSTITUTIONS

Three (virtual) AML/CFT information sessions were held by the CBA during 2021: one meeting with the commercial banks on the topic of correspondent banking relationships, one for the representative organization of car dealers, and one for an accountant and tax consultants' firm. The information sessions with the DNFBPs were organized in response to requests for guidance on specific topics.

Table 9.2 provides an overview of the topics discussed during the information sessions held in 2021.

Table 9.2 Information sessions 2021

Month	Topics discussed	Sector
January	Customer Due Diligence	Car Dealers
June	Outsourcing of compliance function	Accountants and Tax Consultants
August	Correspondent Banking	Commercial Banks

9.4 NATIONAL ML/TF RISK ASSESSMENT AND STRATEGY

In February 2021, the GoA approved the NRA on ML. A summary of the NRA report was published by the GoA on March 23, 2021, which can also be found on the CBA's website. In June 2021, the TF/PF NRA was approved by the GoA. Furthermore, based on the results of the NRAs, the CBA coordinated the drafting of the National ML/TF Strategy document (see also Chapter 4).

9.5 PASSING ON OF THE SUPERVISORY COSTS

38 To date, no supervisory costs are passed on to the sectors supervised in relation to the AML/CFT State Ordinance. A draft state decree to pass on part of the supervisory costs related to the execution of this Ordinance to the entities and persons that fall under the scope of this Ordinance is in the legislative process. The consultation round was finalized in November 2021. It is expected that this state decree will be finalized in the second half of 2022.

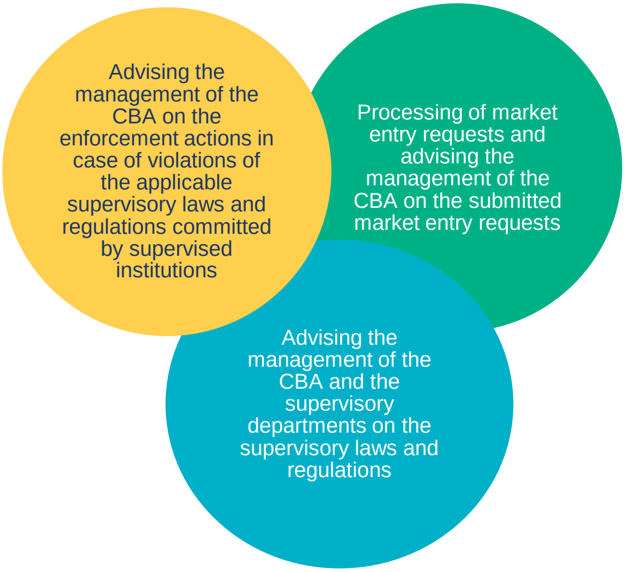
Chapter 10

Enforcement, Market Entry, and Legal Advisory

The Enforcement, Market Entry, & Legal Advisory Department (EML) has two staff members at year-end 2021. The EML works closely with the PSDB, the PSIPI, and the ISD on enforcement and market entry related matters. It monitors international standards and best practices in the area of enforcement and market entry and, insofar as these are relevant for Aruba, translated these developments into legislative, regulatory, and policy proposals. In addition, the EML also fulfills the role of internal legal adviser to the CBA on supervisory and enforcement related topics.

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

Figure 10.1 Primary tasks and responsibilities of the EML



10.1 ENFORCEMENT

In 2021, the CBA continued its strict oversight of the supervised institutions to ensure their compliance with the applicable supervisory laws and regulations. In cases where the CBA identifies a situation of noncompliance with the applicable supervisory laws and regulations, informal (a normative conversation or a written warning) or formal measures are considered. The decision whether to apply informal or formal measures depends, among other things, on the seriousness of the breach. The CBA's enforcement policy can be found on its website: www.cbaruba.org.

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

a. Issuing a formal direction.
b. Imposing a penalty charge order and/or an administrative fine.
c. Declaring that an auditor or actuary is no longer authorized to certify the annual filings of a credit institution, an insurance company, a money transfer company, or a company pension fund.
d. Appointing a silent receiver in the case of a credit institution, an insurance company, or a company pension fund.
e. Filing a request to the Court of First Instance to apply the emergency regulations and to appoint one or more administrators in the case of a credit institution or insurance company.
f. Requesting the Court of First Instance to appoint an administrator in the case of a company pension fund.
g. Revoking the license, dispensation, or cancelling the registration.

In addition, the CBA also can report a punishable breach to the Public Prosecutor's Office ("Openbaar Ministerie") if sufficient grounds exist to warrant such action.

Annex 9 provides an overview of the number of formal measures taken per (sub)sector during the period 2019-2021 for noncompliance with the sectoral supervisory State Ordinances and/or the AML/CFT State Ordinance.

10.2 MARKET ENTRY

Companies wishing to enter Aruba's financial market require permission to do so via a license, dispensation or registration. A request hereto can be submitted to the EML, that will assess, on the basis of the application and documents, whether all entry requirements have been met and whether the license or dispensation can be granted or the registration can take place. In 2021, the EML processed the following requests in the area of market entry:

a. 16 requests from insurance brokers for a dispensation to act as intermediaries for insurance contracts with foreign insurance companies not in the possession of a license from the CBA; and
b. 3 requests for a dispensation to act as an insurance sales agent.

Furthermore, the EML received in 2021 three petitions from financial institutions were submitted to receive a license or dispensation pursuant to article 48 SOSCS: one insurance broker, one credit union, and one financial institution. The EML also obtained three requests concerning a change in the qualifying holding of two insurance companies and one commercial bank. Additionally, a commercial bank submitted a request for permission to acquire assets and liabilities from another commercial bank. On December 31, 2021, these were still in process.

Moreover, the licenses of one insurance company (Treston Insurance Company [Aruba] N.V.) and one trust service provider (Curado Trust [Aruba] N.V.) were withdrawn upon their request, while the dispensations of five sales agents were withdrawn upon petition of the insurance companies. This information is summarized in Table 10.1.

Table 10.1 Revoked licenses and withdrawn dispensations in 2021

	Register	License revoked	Dispensation Withdrawn in 2021
Treston Insurance Company (Aruba) N.V.	Insurance Company	September 3	-
Curado Trust (Aruba) N.V.	Trust Service Provider	September 10	-
Ms. A.R. Koolman	Sales Agent	-	September 20
Ms. M. de la Cruz Mateo-Abreu Knight	Sales Agent	-	November 19
Ms. M. N. R. Tromp	Sales Agent	-	November 19
Mr. J.J.E. Vermeulen	Sales Agent	-	November 19
Mr. R.A.L. Maduro	Sales Agent	-	December 27

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Chapter 11

Key financial developments

This chapter describes the key developments in the financial sector, which comprises commercial banks, bank-like institutions, money transfer companies, life and non-life insurance companies, and pension funds. Detailed financial data on these institutions can also be found in the *Annual Statistical Digest (ASD)* published by the CBA.

Table 11.1 Number of supervised institutions (at end of period)

Number of supervised institutions within the banking sector

	2019	2020	2021
Total	11	10	10
Commercial banks	5	5	5
International banks	1	0	0
Bank-like institutions	3	3	3
Credit unions	2	2	2

Number of supervised institutions within the insurance sector

	2019	2020	2021
Total	22	21	20
Nonlife insurance companies	12	11	10
Life insurance companies	6	6	6
Captive insurance companies	4	4	4

Number of supervised institutions within the pension fund sector

	2019	2020	2021
Company pension funds[11]	8	8	8

Source: CBA.

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

11.1 BANKING SECTOR

As depicted in Table 11.1, the number of credit institutions supervised by the CBA remained unchanged in 2021 compared to 2020. Note though that, on January 4, 2022, the CBA granted approval to Aruba Bank N.V. to acquire the assets and liabilities of First Caribbean International Bank (Cayman) Ltd., Aruba Branch. Consequently, the number of commercial banks decreased to four.

11.1.1 COMMERCIAL BANKS

11.1.1.1 AGGREGATED BALANCE SHEET, TOTAL OUTSTANDING LOANS, AND TOTAL DEPOSITS

In 2021, the commercial banks' deposits grew substantially by 12.2 percent, while the loan portfolio slightly diminished by 1.2 percent.

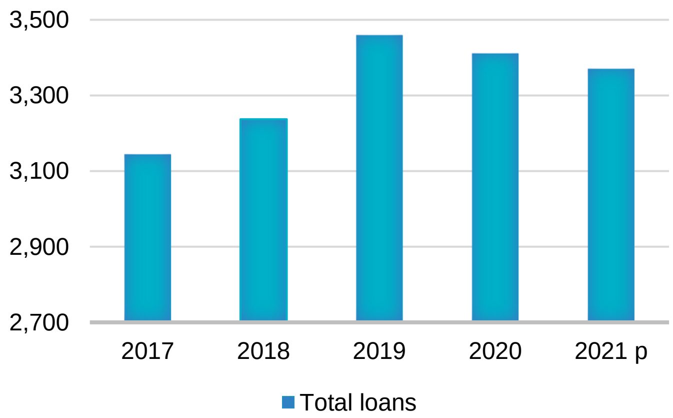
AGGREGATED BALANCE SHEET TOTAL

The commercial banking sector is a key player in the Aruban economy, with a combined total balance sheet amounting to 121.3 percent of Aruba's 2021 Gross Domestic Product (GDP), as estimated by the CBA. The commercial banks' aggregated balance sheet total expanded considerably by Afl. 691.5 million or 11.3 percent to Afl. 6,786.8 million at the end of 2021, when compared to end-2020. This expansion is the steepest increase recorded in the past five years and can be mainly attributed to a hike in "cash and due from banks" of Afl. 870.3 million or 47.1 percent. Simultaneously, total deposits (liability side) grew by Afl. 595.1 million or 12.2 percent, while equity surged by Afl. 107.3 million or 10.0 percent.

AGGREGATED OUTSTANDING LOANS

Aggregated oustanding loans stood at Afl. 3,370.3 million at year-end 2021 (see Chart 11.1). After peaking at Afl. 3,459.2 million in 2019, the number of aggregated outstanding loans continued their contractionary path in 2020 and 2021, evidenced by a decline in lending of, respectively, Afl. 48.4 million or 1.4 percent in 2020 compared to 2019, and Afl. 40.5 million or 1.2 percent in 2021 compared to 2020. Both loans to corporations and individuals recorded decreases of, respectively, Afl. 19.8 million and Afl. 20.7 million in 2021 compared to 2020, which point to an overall lower demand for credit in 2021.

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



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

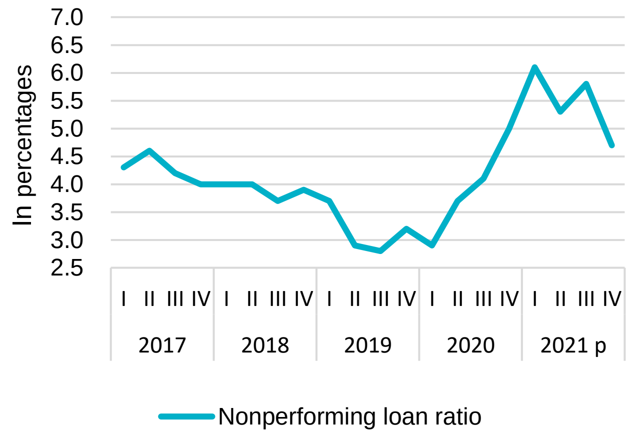
AGGREGATED TOTAL DEPOSITS

Deposits increased over the past five years by Afl. 1,070.6 million or 24.3 percent to Afl. 5,479.7 million at end-2021. More than half of this growth was recorded in 2021, as the combined deposits of the commercial banks surged by Afl. 595.1 million or 12.2 percent compared to 2020. This surge is largely attributable to customer demand deposits, that expanded by Afl. 531.4 million or 20.1 percent.

QUALITY OF LOAN PORTFOLIO

As illustrated in Chart 11.2 and Table 11.2, the nonperforming loan ratio of the commercial banks was trending downwards until 2019, but spiked to 5.0 percent at end-2020. At end-2021, a slight decrease of 0.3 percentage point to 4.7 percent was noted. The hike in 2020 was due to the impairment of loans as businesses were locked down for a prolonged period, to mitigate the risk of further COVID-19 contagion. This impacted non-performing loans for both businesses and individuals.

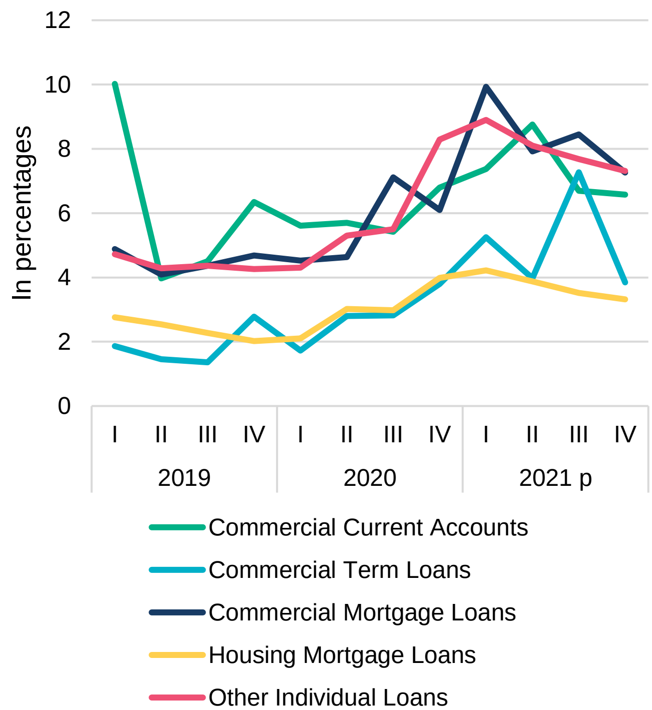
Chart 11.2 Development of the nonperforming loans (gross) to total gross loans of the commercial banks (at end of period)



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

Chart 11.3 shows that during 2021, all nonperforming loan categories improved. The sharp drop in the nonperforming commercial current accounts' segment during the second quarter of 2019 related mainly to one large current account being classified as performing again. The steep contraction in commercial term loans, during the fourth quarter of 2021, was primarily ascribed to a single large commercial client that began servicing its commercial term loan again.

Chart 11.3 Development of nonperforming loans by loan category for commercial banks (at end of period)



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

11.1.1.2 KEY RATIOS

CAPITAL ADEQUACY

The commercial banks' aggregated risk-weighted capital adequacy ratio grew by 3.7 percentage points to 37.0 percent at end-2021 — more than twice as high as the required minimum of 16.0 percent.

According to Table 11.2 and Chart 11.4, the commercial banks' aggregated risk-weighted capital adequacy ratio reached a record high in the past five years, rising by 6.7 percentage points to 37.0 percent at the end of 2021. The surge of 3.7 percentage points in 2021 was mainly due to substantial growth in equity of Afl. 107.3 million or 10.0 percent, largely attributed to the marked performance (net result) of the commercial banks in 2021. A large part (Afl. 86.3 million) of the positive net result recorded in 2021 related to the reversal of loan loss provisions that were formed against nonperforming loans in 2020. The commercial banks demonstrated their resilience during the economic storm brought about by the COVID-19 pandemic. This resilience can be attributed to the significant capital buffers the commercial banks have accumulated over the years. In 2021, the capital buffers increased even further owing to the ongoing economic recovery.

Table 11.2 Financial soundness indicators for commercial banks on an aggregated basis (at end of period and in percentages)

	2017	2018	2019	2020	2021p
Capital adequacy					
Regulatory capital (Tier I capital) to risk-weighted assets	22.4	24.4	24.6	27.5	28.6
Regulatory capital (Tier I + Tier II capital) to risk-weighted assets	30.3	32.1	31.0	33.3	37.0
Asset quality					
Nonperforming loans to gross loans	4.0	3.9	3.2	5.0	4.7
Nonperforming loans (net of ALLP[1]) to gross loans	1.5	1.5	0.9	1.1	1.3
Nonperforming loans (net of ALLP) to regulatory capital	5.4	4.9	3.0	3.8	4.0
Profitability					
Return on assets (before taxes)	2.3	2.1	1.7	0.4	2.0
Return on equity (before taxes)	15.7	13.1	10.6	2.7	13.0
Interest margin to gross income	57.2	55.5	56.0	63.3	55.5
Noninterest expenses to gross income	76.5	77.2	81.9	93.5	73.2
Interest rate margin[2)]	5.1	5.2	4.4	4.7	4.7
Liquidity					
Loan-to-deposit ratio	68.2	68.1	68.4	66.8	58.7
Liquid assets to total assets[3)]	28.6	29.8	29.3	33.7	38.0

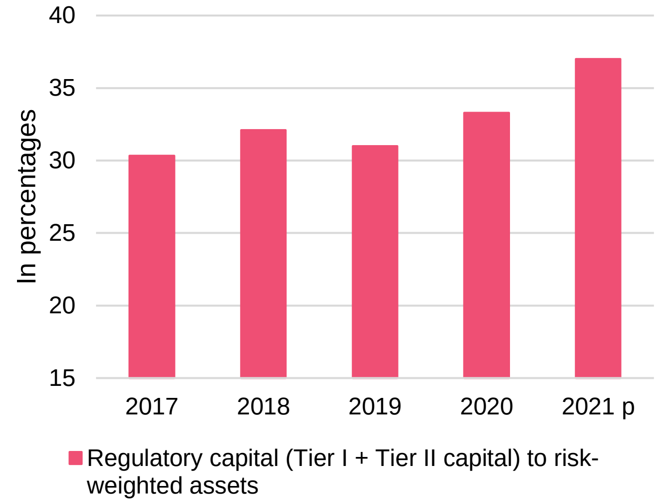
Source: CBA: commercial banks; p= preliminary figures.

1) ALLP= Allocated Loan Loss Provision.

2) Weighted averages related to new loans granted and new deposits during the indicated period.

3) This ratio is the PLR.

Chart 11.4 Development of the aggregated risk-weighted capital asset ratio (at end of period)



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

PROFITABILITY

At year-end 2020, the aggregated net result stood at Afl. 24.6 million, mainly due to the sharp increase in loan loss provisions due to the COVID-19 pandemic. However, in 2021, the financial performance of the banking sector bounced back, as witnessed by a net income (before taxes) of Afl. 127.7 million, far above pre-pandemic levels (2019: Afl. 96.3 million). The record-high net result in 2021 compared to 2019 largely stems from lower personnel expenses of Afl. 10.1 million or 9.1 percent and other expenses of Afl. 36.9 million or 18.8 percent. Return on assets (before taxes) grew by 1.6 percentage points to 2.0 percent in 2021 compared to 2020. This was caused by a release of loan loss provisions due to Aruba's economic recovery and its positive impact on the quality of the loan portfolio of the commercial banks.

Another noteworthy development is the marked decline in the interest margin-to-gross income ratio in 2021. This ratio stood at 55.5 percent at year-end 2021, a 7.8 percentage point drop compared to 2020, due to an increase of Afl. 39.1 million (31.6 percent) in operating income, partly offset by an Afl. 11.1 million decline in interest income. The decline in this ratio was driven largely by growth in fees, commissions, and foreign exchange revenues. The noninterest expenses to gross income ratio experienced a sharp descent of 20.3 percentage points in 2021 compared to 2020, and stood at 73.2 percent at end-2021. This plunge was largely attributed to significant releases of loan loss provisions formed in 2020 in connection with the COVID-19 pandemic.

LIQUIDITY

Per year-end 2021, the PLR (liquid assets to total assets) reached 38.0 percent, remaining far above the required minimum of 18.0 percent.

Table 11.2 shows that the PLR of the commercial banks remained strong during 2017-2019 and even increased further in 2020 and 2021 by, respectively, 4.4 and 4.3 percentage points to 33.7 percent in 2020 and 38.0 percent in 2021. The latter was mainly the result of the temporary relief of the monetary[12] and prudential measures that provided the commercial banks with additional free liquidity to continue their lending activities. Temporary relief measures (see Table 3.1, Chapter 3) ended in September 2021. As of that month, the reserve requirement was increased gradually[13], and by the end of December 2021, it reached the pre-pandemic level of 12.0 percent again.

Commercial banks' aggregated loan-to-deposit ratio hovered around 68.0 percent until 2019, subsequently declined in 2020 to 66.8 percent, and dove deeper in 2021 to 58.7 percent. The plunge in 2021 is the result of a surge in deposits of Afl. 595.1 million or 12.2 percent and an Afl. 40.5 million or 1.2 percent shrinkage in total loans.

11.1.2 BANK-LIKE INSTITUTIONS

11.1.2.1 AGGREGATED BALANCE SHEET TOTAL

The bank-like institutions' aggregated balance sheet total was Afl. 805.4 million at year-end 2021, equivalent to 14.4 percent of Aruba's 2021 GDP, as estimated by the CBA.

End-2021, the bank-like institutions' aggregated balance sheet total contracted by Afl. 24.9 million or 3.0 percent to Afl. 805.4 million when compared to end-2020.

11.1.2.2 KEY RATIOS

ASSET QUALITY

Table 11.3 and Chart 11.5 show that the nonperforming loans-to-gross loans ratio began to deteriorate in 2020 as evidenced by the accelerated increase of 2.2 percentage points to 7.3 percent at year-end 2020, caused by the lock down of businesses, as part of the GoA measurements to mitigate the effects of the COVID-19. In 2021, this ratio continued its upward trajectory, rising by 1.5 percentage points to 8.8 percent at the end of 2021. The increase in

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[12] The reserve requirement was lowered to 11.0 percent as of March 2020 and subsequently to 7.0 percent as per April 2020.

[13] The reserve requirement was increased in 2021, to 9.0 percent in September, 10 percent in October, 11 percent in November and 12 percent in December.

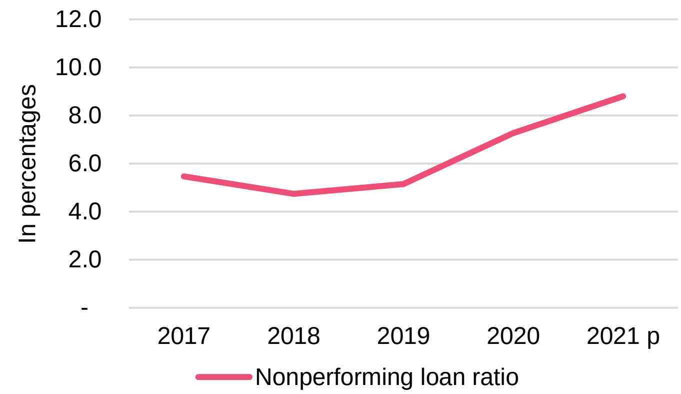
2021 was due to some large corporate loans becoming nonperforming in 2021.

Table 11.3 Financial soundness indicators for bank-like institutions on an aggregated basis (at end of period and in percentages)

	2017	2018	2019	2020	2021p
Capital adequacy					
Regulatory capital (Tier I capital) to risk-weighted assets	59.2	56.6	51.4	54.6	55.7
Regulatory capital (Tier I + Tier II capital) to risk-weighted assets	66.6	63.4	58.1	59.6	61.6
Asset quality					
Nonperforming loans to gross loans	5.5	4.7	5.1	7.3	8.8
Nonperforming loans (net of ALLP) to gross loans	4.6	3.7	4.0	5.4	7.3
Nonperforming loans (net of ALLP) to regulatory capital	5.5	4.2	4.7	6.2	7.9
Profitability					
Return on assets (before taxes)	4.2	3.6	4.0	1.2	2.5
Return on equity (before taxes)	7.3	6.6	7.2	2.2	4.5
Interest margin to gross income	62.5	62.6	61.5	66.1	58.6
Noninterest expenses to gross income	68.5	67.4	65.7	86.1	73.6

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

Chart 11.5 Development of nonperforming loans (gross) to total gross loans for bank-like institutions (at end of period)



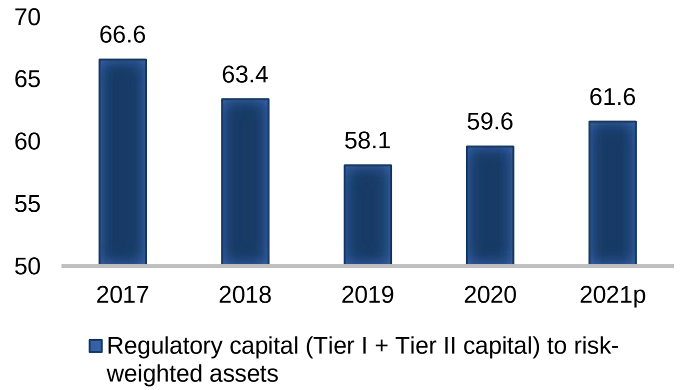
Source: CBA: bank-like institutions; p= preliminary figures.

CAPITAL ADEQUACY

The aggregated regulatory capital-to-risk-weighted assets ratio of the bank-like institutions remained highly solid at 61.6 percent at year-end 2021.

Table 11.3 and Chart 11.6 indicate that the decreasing trend observed during 2017-2019 in aggregated regulatory capital (Tier I + Tier II capital) to risk-weighted assets ratio for bank-like institutions stopped in 2020. In 2020, the ratio increased to 59.6 percent and continued to climb by 2.0 percentage points, reaching 61.6 percent in 2021. The main driver of the 2021 increase was the growth in capital and reserves (numerator of this ratio) of Afl. 13.1 million or 3.1 percent, which is mainly the result of the allocation of the 2021 net result to retained earnings.

Chart 11.6 Regulatory capital (Tier I + Tier II capital) to risk-weighted assets in percentages (at end of period)



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

PROFITABILITY

As depicted in Table 11.3, return on assets (before taxes) did not experience much movement during 2017-2019, hovering around 4.0 percent. However, at year-end 2020, this ratio fell by 2.8 percentage points to 1.2 percent, owing largely to sizable additions to the loan loss provisions. In 2021, the performance of the bank-like institutions improved notably as the return on assets (before taxes) increased by 1.3 percentage points to 2.5 percent. This recovery is mainly ascribed to i) lower additions to the loan loss provisions, and ii) other operating income, such as fees and commissions, which returned to pre-pandemic levels. The interest margin to gross income dropped by 7.5 percentage points, i.e., from 66.1 percent in 2020 to 58.6 percent in 2021, mainly associated with the plunge in net interest margin of 14.4 percent. This indicates that the income from lending activities had not yet fully reached pre-pandemic levels. The increase in the nonperforming loan ratio is an additional explaining factor for the reduction in net interest margin. On the other hand, the noninterest expenses-to-gross income ratio plummeted by 12.5 percentage points to 73.6 percent in 2021 compared to 2020, due predominantly to a decrease of 17.4 percent in noninterest expenses, mostly associated with lower additions to the loan loss provisions in 2021, when compared to 2020.

In sum, the key figures of the bank-like institutions mirror the ongoing improvement of the Aruban economy. However, further economic betterment is needed to reach the pre-pandemic levels.

11.2 MONEY TRANSFER COMPANIES

At the end of 2021, three money transfer companies were registered in Aruba.

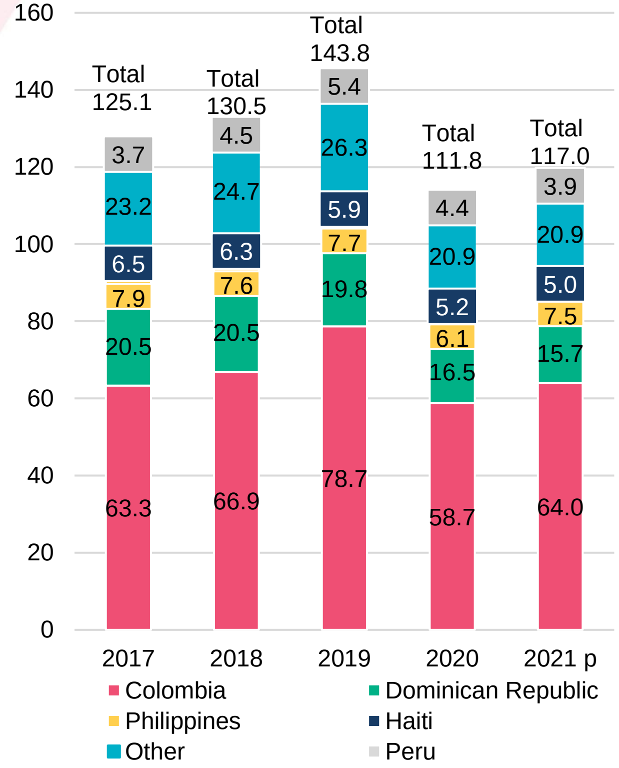
11.2.1 OUTGOING MONEY TRANSFERS

The total amount of outgoing money transfers increased by Afl. 5.2 million from Afl. 111.8 million in 2020 to Afl. 117.0 million in 2021.

A substantial part of Aruba's labor force consists of foreign workers, predominantly from South America. Many foreign workers sent a part of the income they generate in Aruba to relatives in their countries of origin. The amount of outgoing money transfers rose steadily from 2016 to 2019. However, in 2020, a decline in outgoing transfers of Afl. 32.0 million or 22.3 percent was noted, mainly owing to decreased economic activities with a direct impact on employment and salaries as a result of the pandemic's huge impact on the Aruban economy. In 2021, there was a slight increase, as the economy rebounded after some of the COVID-19 related measures were lifted. In 2021, Colombia remained the main destination for outgoing money transfers with a share of approximately 54.6

percent (equal to Afl. 64 million) of the total transfers in 2021 (Chart 11.7).

Chart 11.7 Outgoing money transfers by countries of destination in Afl. million



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

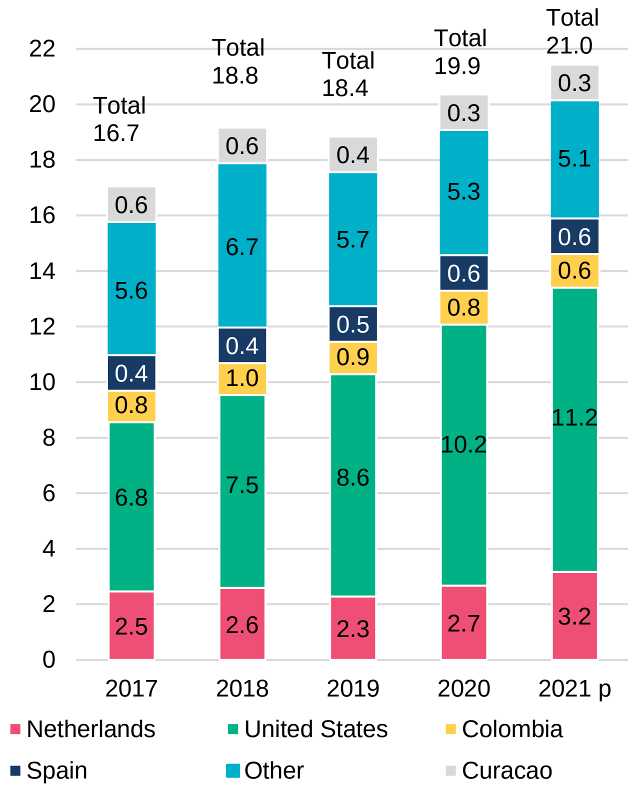
From June 2020 through September 2021, the CBA temporarily reduced the daily transaction limit per individual outgoing money transfer, as set out in article 9.1b of the Guidelines on the conduct of business and the administrative organization of money transfer companies, from Afl. 5,000 to Afl. 2,000. Despite the imposed restriction, the total amount of outgoing transactions increased by 4.9% in 2021 compared to 2020.

11.2.2 INCOMING MONEY TRANSFERS

The total amount of incoming money transfers increased to Afl. 21.0 million in 2021, up from Afl. 19.9 million in 2020.

The incoming transfers originated mainly from the United States (Chart 11.8).

Chart 11.8 Incoming money transfers by countries of origin in Afl. million



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

11.3 INSURANCE COMPANIES

The number of insurance companies (including nonlife and life (captive) insurance companies) supervised by the CBA declined by one to twenty by year-end 2021. On July 22, 2021, Treston Insurance Company (Aruba) N.V.'s license was revoked upon its own request.

11.3.1 NONLIFE INSURANCE COMPANIES

11.3.1.1 AGGREGATED BALANCE SHEET TOTAL AND NET PREMIUM PER INDEMNITY LINE

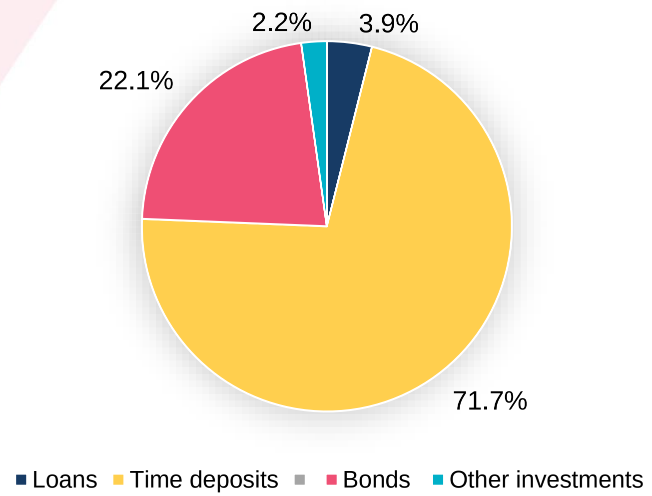
The combined assets for the nonlife insurance sector at the end of 2021 was 6.3 percent of Aruba's 2021 GDP, as estimated by the CBA.

AGGREGATED BALANCE SHEET TOTAL

After experiencing stalled growth in 2019 and 2020, the nonlife insurance companies' aggregated balance sheet grew by Afl. 37.7 million or 12.1 percent to Afl. 349.7 million at the end of 2021. This expansion was due primarily to an increase of Afl. 30.2 million or 25.2 percent in current assets, related mostly to cash (increase of Afl. 9.1 million or 105.3 percent) and deposits held at the commercial banks (increase of Afl. 10.7 million or 21.2 percent).

Total investments by nonlife insurance companies grew steadily from 2018 on, standing at Afl. 175.7 million at year-end 2021. The majority of this investment portfolio is held locally, as only Afl. 1.4 million or 0.8 percent of the investments were kept abroad at end-2021. Chart 11.9 displays the composition of the investments at year-end 2021.

Chart 11.9 Investments by nonlife insurance companies at year-end 2021

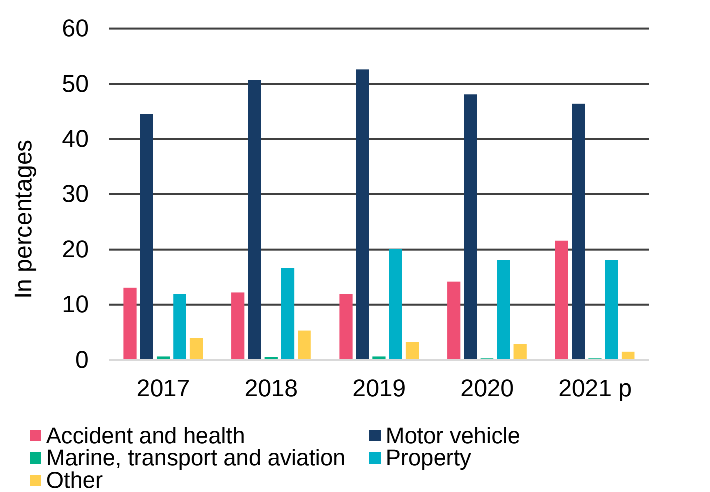


Source: CBA: nonlife insurance companies (preliminary figures).

NET PREMIUM PER INDEMNITY LINE

Overall, in 2021, net premiums totaling Afl. 88.0 million stood at pre-covid levels (Afl. 88.5 million in 2019). Net premiums received from motor vehicle insurance, followed by accident and health insurance, and property insurance remained the main sources of income for nonlife insurance companies in 2021 (Chart 11.10). However, premiums from motor vehicle insurance notably declined since 2020, while premiums related to accident and health insurance almost doubled since 2019. The growth in net premiums from property insurance stagnated during 2020-2021, and remained unchanged at Afl. 18.1 million at end-2021 compared to end-2020. Meanwhile, net premiums from accident and health insurance rose by Afl. 7.4 million or 52.1 percent, reaching the highest level in the last five years. The latter is related to the developments surrounding the mandatory COVID-19 pandemic insurance tourists had to enter into in order to be able to travel to Aruba. This insurance product was developed by a consortium of local insurers in close cooperation with the GoA.

Chart 11.10 Net earned premium by indemnity line



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

11.3.1.2 KEY RATIOS

Table 11.4 Financial soundness indicators for nonlife insurance companies on an aggregated basis (at end of period and in percentages)

Ratios	2017	2018	2019	2020	2021p
Coverage ratio[1]	336.1	303.3	320.6	323.8	344.7
Return on investment ratio[2]	4.4	3.4	3.6	3.2	3.6
Liquidity ratio[3]	33.4	50.5	47.3	38.4	42.9

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

COVERAGE RATIO

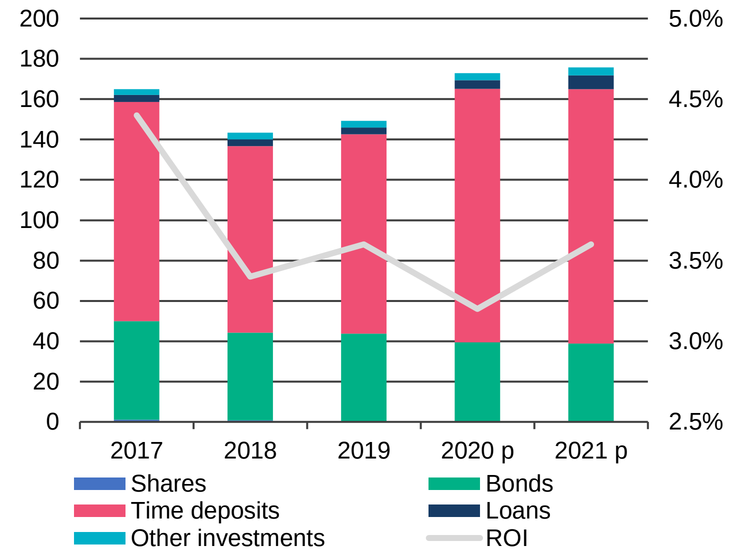
The coverage ratio of the nonlife insurance sector surged by 20.9 percentage points to 344.7 percent at end-2021, remaining far above the regulatory minimum of 100.0 percent.

Table 11.4 shows that the coverage ratio of the nonlife insurance sector shrank significantly in 2018, i.e., from 336.1 percent in 2017 to 303.3 percent in 2018. This decline resulted from a more stringent calculation method for the coverage ratio as of 2018[14]. The improvements noted in the coverage ratio in 2019 and 2020 of, respectively, 17.3 percentage points and 3.2 percentage points were brought about primarily by a contraction in technical provisions (denominator of this ratio). In 2021, the coverage ratio surged by 20.9 percentage points to 344.7 percent, caused by growth of Afl. 9.7 million or 3.8 percent in the admissible assets to cover technical provisions, while the technical provisions contracted by Afl. 2.0 million or 2.5 percent.

RETURN ON INVESTMENT RATIO

The return on investment ratio was relatively stable over the last five years, hovering around approximately 3 to 4 percent. The return on investment for the nonlife insurance sector is lower compared to other institutional investors, as a large portion of their investment portfolio consists of time deposits, which yield relatively lower returns compared to other investment products. Chart 11.11 illustrates the development of this ratio over the period 2017-2021.

Chart 11.11 Return on investment ratio (at end of period)



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

LIQUIDITY RATIO

Table 11.4 shows that the liquidity ratio for nonlife insurance companies amounted to 50.5 percent at the end of 2018, a substantial increase of 17.1 percentage points compared to end-2017. This was mainly due to significantly higher outstanding receivables from reinsurers. Subsequently, in 2019 and 2020, the liquidity ratio declined, respectively, by 3.2 percentage points and 8.9 percentage points. The marked drop in 2020 was mostly related to the decrease in receivables from reinsurers. In 2021, the ratio went up again by 4.5 percentage points to 42.9 percent, mostly due to a 25.2 percent rise in current assets.

[14] Receivables from affiliated companies may no longer be included in the coverage test calculation (not applicable to branches).

11.3.2 LIFE INSURANCE COMPANIES

The combined assets of the life insurance sector at end-2021 equaled 28.9 percent of Aruba's 2021 GDP, as estimated by the CBA.

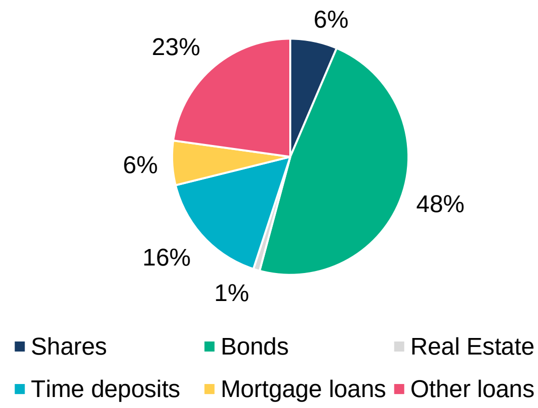
11.3.2.1 AGGREGATED BALANCE SHEET TOTAL

Over the past five years, the aggregated balance sheet total for life insurance companies expanded steadily from Afl. 1,277.8 million at end-2017 to Afl. 1,619.5 million at end-2021, equivalent to an Afl. 341.7 million or 26.7 percent expansion. The growth in investments of Afl. 371.0 million or 36.5 percent, i.e., from Afl. 1,016.7 million at end-2017 to Afl. 1,387.7 million at end-2021, was mainly responsible for the increase in total assets over the past five years. Chart 11.12 reflects the composition of the investments at year-end 2021, and shows that almost half of the investment portfolio consisted of bonds. The technical provisions are a substantial portion of the life insurance sector's balance sheet as these provisions represent future liabilities toward policyholders. Technical provisions exhibited a consistent upward trend over the past five years, rising by Afl. 273.9 million or 25.5 percent to Afl. 1,347.8 million at end-2021, up from Afl. 1,073.9 million at end-2017.

With the exception of 2018[15], capital and reserves grew at an increasing rate during 2017-2021, i.e., from Afl. 145.9 million in 2017 to Afl. 224.5 million in 2021. This Afl. 78.6 million or 53.9 percent growth was largely recorded in 2021. The latter was due largely to the marked positive net result of Afl. 52.4 million added to capital and reserves in 2021. Improvements in net result in 2021 compared to 2020 (Afl. 22.3 million) were due mainly to a decrease in net claims and lower additions to the technical provisions.

The share of foreign investments in the investment portfolio of the life insurance companies was Afl. 284.6 million or 20.5 percent at year-end 2021.

Chart 11.12 Investments by life insurance companies at year-end 2021



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

[15] The decline in 2018 was chiefly attributed to sizable dividend distributions.

11.3.2.2 KEY RATIOS

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

Ratios	2017	2018	2019	2020	2021p
Coverage ratio[1]	109.5	109.0	108.9	111.0	113.1
Return on investment ratio[2]	5.1	4.5	5.2	4.9	5.2
Liquidity ratio[3]	18.0	17.2	8.8	11.7	13.0

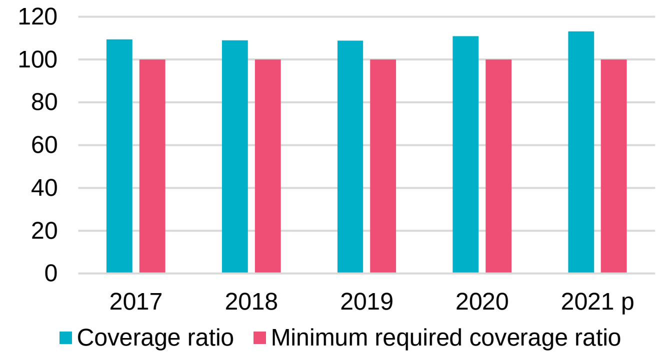
Source: CBA: life insurance companies; p= preliminary figures.
1) Weighted assets less current liabilities (excluding affiliated companies) to technical provisions.
2) Investment income to average invested assets.
3) Current assets to total assets.

COVERAGE RATIO

The coverage ratio of the life insurance sector stood at 113.1 percent at end-2021, remaining far above the regulatory minimum of 100.0 percent.

As illustrated in Table 11.5 and Chart 11.13, the coverage ratio experienced little movement during 2017-2019, ranging between 108.9 percent and 109.5 percent. Subsequently, this ratio increased by 2.1 percentage points both in 2020 and 2021 to 113.1 percent at end-2021. Life Insurance companies are required to maintain, at a minimum, a coverage ratio of 100.0 percent at all times. The 2.1 percentage points growth in the coverage ratio reported in 2021 compared to 2020 was due to the larger expansion in assets designated to cover technical provisions of Afl. 82.3 million or 5.7 percent compared to the increase of Afl. 48.4 million or 3.7 percent in technical provisions. In other words, the eligible assets of the life insurance companies to cover the liabilities toward policyholders grew at a faster pace than the technical provisions (liabilities toward policyholders).

Chart 11.13 Combined coverage ratio for life insurance companies (at end of period and in percentages)

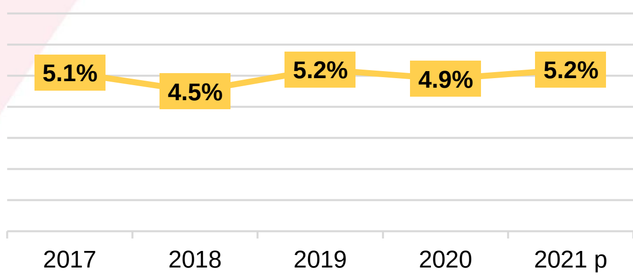


Source: CBA: life insurance companies; p= preliminary figures.

RETURN ON INVESTMENT RATIO

The return on investment ratio was quite stable over the past five years. In 2021, the return on investment ratio reached 5.2 percent. As listed earlier and as illustrated in Chart 11.12, the majority of the investment portfolio for life insurance companies is consisting of government bonds.

Chart 11.14 Return on investment ratio (at end of period)



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

LIQUIDITY RATIO

Table 11.5 shows that the liquidity ratio dropped significantly by 8.4 percentage points from 17.2 percent in 2018 to 8.8 percent in 2019, reflecting an Afl. 108.2 million or 46.2 percent contraction in current assets. This contraction stems from a marked expansion in the investment portfolio of life insurance companies. Subsequently, the liquidity ratio picked up again in 2020 to 11.7 percent and to 13.0 percent in 2021. Both increases in 2020 and 2021 are mainly attributed to growth in the current assets of, respectively, Afl. 54.3 million or 43.1 percent and Afl. 30.6 million or 17.0 percent. The 2021 rise in current assets was mostly reflected in the deposits held at commercial banks.

PROFITABILITY

The net income before taxes of life insurance companies moved between the lower bound of Afl. 8.1 million in 2018 and the higher bound of Afl. 52.4 million in 2021. The lowest level in net income before taxes in 2018 was largely related to the rise in total expenses — net claims in particular. Thereafter, the life insurance companies' performance improved significantly. During 2019-2021, it recorded net income before taxes of, respectively, Afl. 17.9 million in 2019, Afl. 22.3 million in 2020, and Afl. 52.4 million in 2021. The profits earned in 2019 were associated mostly with an increase of Afl. 14.7 million in investment income. Despite a decline in income from net premiums of Afl. 16.1 million, the steep contraction, in addition to technical provisions of Afl. 26.2 million, was responsible for the positive net result of 2020. Finally, the substantial net result recorded in 2021 also was driven mostly by the decline in net claims of Afl. 12.7 million. The decrease in expenses related to changes in technical provisions of Afl. 7.4 million, combined with an increase of Afl. 7.2 million in investment income also pushed the net result upwards.

11.4 COMPANY PENSION FUNDS[16]

The number of company pension funds (including APFA) supervised by the CBA remained at 8 at year-end 2021.

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

The combined assets of the company pension funds equaled 11.7 percent of Aruba's 2021 GDP, as estimated by the CBA.

AGGREGATED BALANCE SHEET TOTAL

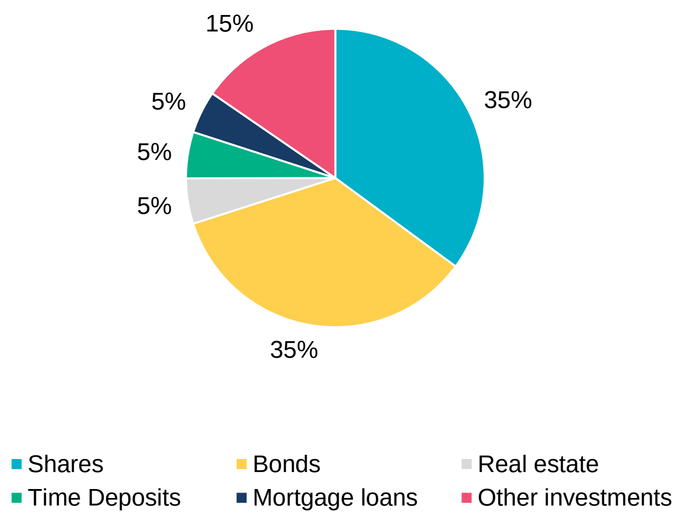
The aggregated balance sheet total of the six company pension funds (excluding APFA and the Lago Annuity Foundation which pension obligations are covered by a guarantee) grew by Afl. 181.9 million or 38.4 percent from Afl. 474.2 million in 2017 to Afl. 656.1 million in 2021. This increase stems largely from an expansion in the investments, which rose by Afl. 159.1 million or 35.1

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

percent, i.e., from Afl. 453.6 million at end-2017 to Afl. 612.7 million at end-2021.

The investments of the six company pension funds are mainly held in bonds (35 percent) and shares (35 percent). Afl. 245.8 million or 40.1 percent of the investments of the six company pension funds were held in foreign assets in 2021. Chart 11.15 displays the composition of the investments at year-end 2021.

Chart 11.15 Investments of the company pension funds at year-end 2021



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

TECHNICAL PROVISIONS

Over the past five years, technical provisions for pension funds increased gradually by Afl. 137.5 million or 34.2 percent from Afl. 402.3 million at year-end 2017 to Afl. 539.8 million at end-2021. This increase reflects in part the use of more up-to-date mortality tables. Table 11.6 shows the number of participants in these six funds.

Table 11.6 Number of participants in the six company pension funds (at end of period)

	2017	2018	2019	2020	2021p
Participants	7,378	7,566	7,548	7,529	7,519
Inactive participants	5,687	6,480	7,264	7,951	8,446
Pensioners	663	900	969	1,010	1,126
Total	13,728	14,946	15,781	16,490	17,091

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

CAPITAL AND RESERVES

With the exception of 2018, capital and reserves for company pension funds showed robust growth during 2017-2021, rising from Afl. 69.5 million in 2017 to Afl. 112.3 million in 2021. The drop of Afl. 16.8 million or 24.2 percent in 2018, when compared to 2017, was caused by a significant decline of Afl. 32.9 million or 89.9 percent in investment income. Despite the COVID-19 pandemic, capital and reserves rose by Afl. 17.5 million or 23.8 percent in 2020 compared to 2019, due to the allocation of the aggregated positive net result of 2020. In 2021, capital and reserves widened even further by Afl. 21.2 million or 23.3 percent to Afl. 112.3 million at end-2021. This development is also largely ascribed to the strong financial performance of company pension funds during 2021.

Table 11.7 Financial soundness indicators for company pension funds on an aggregated basis (at end of period and in percentages)

Ratios	2017	2018	2019	2020	2021p
Coverage ratio[1]	104.9	102.3	105.3	107.1	109.6
Return on investment ratio[2]	8.7	0.8	9.7	7.1	7.2

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

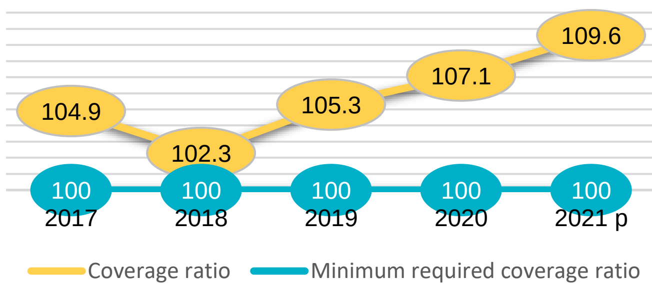
11.4.2 KEY RATIOS

COVERAGE RATIO

The aggregated coverage ratio for the company pension funds' sector rose by 2.5 percentage points to 109.6 percent in 2021, remaining above the minimum requirement of 100.0 percent.

After experiencing a dip in 2018, the coverage ratio for company pensions funds trended steadily upward from 105.3 percent in 2019 to 107.1 percent in 2020, and 109.6 percent in 2021, and stayed above the required minimum of 100.0 percent (see Table 11.7 and Chart 11.16). The decline in 2018 was mainly due to slower growth in admissible assets to cover technical provisions. The 2.5 percentage points increase in the coverage ratio in 2021 compared to 2020 was largely driven by the expansion in the assets to cover technical provisions.

Chart 11.16 Aggregated coverage ratio for company pension funds (at end of period and in percentages)



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

RETURN ON INVESTMENT RATIO

Investment income for company pensions funds was impacted by the COVID-19 pandemic, declining by Afl. 7.9 million or 17.0 percent at year-end 2020 compared to year-end 2019. This decline caused the return on investment ratio to contract by 2.6 percentage points to 7.1 percent at the end of 2020. In 2021, the return on investment ratio increased, albeit slightly, by 0.1 percentage point.

11.5 CIVIL SERVANTS PENSION FUND (APFA)

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

The total assets of APFA amounted to Afl. 3,369.5 million at year-end 2021, equivalent to 60.2 percent of Aruba's 2021 GDP, as estimated by the CBA.

AGGREGATED BALANCE SHEET TOTAL

APFA's balance sheet grew without interruption during the period 2017-2021, rising from Afl. 2,805.1 million at end-2017 to Afl. 3,369.5 million at end-2021, i.e., an Afl. 564.4 million or 20.1 percent expansion. APFA's investment portfolio, which grew by Afl. 536.0 million or 20.1 percent over the same period, is primarily responsible for the growth in the balance sheet total. At the end of 2021, Afl. 1,494.7 million or 46.6 percent of APFA's investments were held in foreign assets.

TECHNICAL PROVISIONS

The technical provisions climbed steadily during the period 2017-2021 by Afl. 145.8 million or 5.6 percent from Afl. 2,581.2 million at end-2017 to Afl. 2,727.0 million at the end of 2021. Table 11.8 shows the development in the number of participants at APFA (see Table 11.8).

As shown in table 11.8, the total number of participants contributing to APFA's fund steadily shrank since 2019. At the other hand, the number of retirees (who have reached pension age) has been rising at an accelerated pace over the past five years, i.e., by 286 pensioners over this five year period.

Table 11.8 Number of APFA participants (at end of period)

	2017	2018	2019	2020	2021p
Participants	6,827	7,045	7,014	6,999	6,953
Former participants	823	928	1,080	1,219	1,314
Pensioners	4,052	4,100	4,166	4,239	4,338
Total	11,702	12,073	12,260	12,457	12,605

Source: CBA: APFA; p= preliminary figures.

CAPITAL AND RESERVES

After shrinking in 2018 to Afl. 191.9 million, the fund's capital and reserves experienced an Afl. 428.3 million or 223.2 percent rise during 2019-2021, reaching Afl. 620.2 million at the end of 2021. Almost one-third of the growth recorded in the last three years occurred in 2021, as APFA's capital and reserves rose by Afl. 155.1 million in 2021 compared to 2020, as a result of the notable financial performance of the foreign investment portfolio in 2021, driven by the buoyant securities market in the USA.

11.5.2 KEY RATIOS

COVERAGE RATIO

The coverage ratio of APFA stood at 110.1 percent at end-2021, remaining far above the regulatory minimum of 100.0 percent.

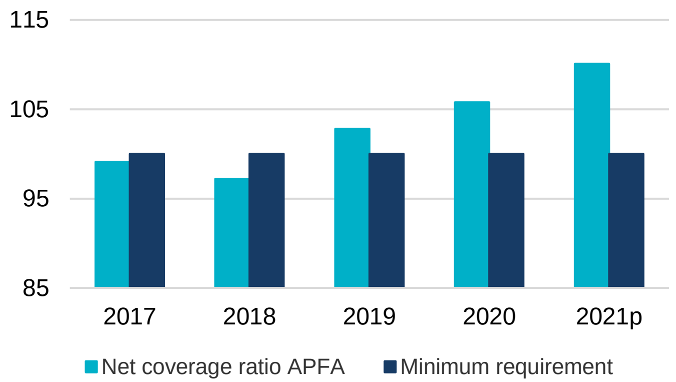
Table 11.9 and Chart 11.17 depict the overall recovery path of APFA's coverage ratio over the last five years. Since 2019, APFA has been complying with the required 100.0 percent minimum coverage ratio, as it stood at 102.8 percent at the end of 2019. This ratio continued its upward climb, to 105.8 percent in 2020 and 110.1 percent at end-2021. The gain in 2021 was attributed to stronger growth in assets eligible to cover technical provisions (4.7 percent) compared to the rise of 1.1 percent in technical provisions.

Table 11.9 Financial soundness indicators of APFA (at end of period and in percentages)

Ratios	2017	2018	2019	2020	2021p
Coverage ratio[1]	99.1	97.2	102.8	105.8	110.1
Return on investment ratio[2]	7.5	2.5	9.7	6.9	7.3

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

Chart 11.17 Net coverage ratio of APFA (at end of period and in percentages)



Source: CBA: APFA; p= preliminary figures.

RETURN ON INVESTMENT RATIO

Table 11.9 shows that the return on investment ratio in 2019 stood at a record high of 9.7 percent, i.e., 7.2 percentage points higher than in 2018, largely due to the unprecedented yield on the foreign shares portfolio which jumped to 27.0 percent in 2019. Thereafter, the return on investment ratio declined to 6.9 percent in 2020, and rose slightly to 7.2 percent in 2021. The latter was due to the increase in investment income of Afl. 23.7 million or 11.5 percent. The international investment portfolio, and the shares portfolio in particular, provided positive returns of 23.9 percent in 2021.

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Annexes

Annex 1
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 Terrorist Financing (AML/CFT State Ordinance)	AB 2011 no. 28
State Decree on the Supervision of Insurance Brokers (SDSIB)	AB 2014 no. 6
State Ordinance on the Supervision of the Securities Business (SOSSB)	AB 2016 no. 53

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

Annex 2
Financial institutions supervised by the CBA (as at December 31, 2021)

In alphabetical order

1. BANKING SECTOR[17]
1.1 COMMERCIAL BANKS

1. Aruba Bank N.V. (AB)
2. Banco di Caribe (Aruba) N.V. (BDC)
3. Caribbean Mercantile Bank N.V. (CMB)
4. FirstCaribbean International Bank (Cayman) Limited, Aruba Branch (FCIB)[18]
5. RBC Royal Bank (Aruba) N.V. (RBC)

1.2 MORTGAGE BANKS

1. Fundacion Cas pa Comunidad Arubano (FCCA)

1.3 CREDIT UNIONS

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

1.5 OTHER FINANCIAL INSTITUTIONS

1. AIB Bank N.V. (AIB)
2. Island Finance Aruba N.V. (IFA)

2. MONEY TRANSFER SECTOR[19]
2.1 MONEY TRANSFER COMPANIES

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

[17] Supervision by virtue of the SOSCS.
[18] FCIB has decided to cease its activities in Aruba.
[19] Supervision by virtue of the SOSMTC.

4. Union Caribe N.V.

3. TRUST SECTOR[20]

3.1 TRUST SERVICE PROVIDERS

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

4. INSTITUTIONAL INVESTORS' SECTOR

4.1 COMPANY PENSION FUNDS[21]

1. Lago Annuity Foundation (LAGO)
2. Stichting Algemeen Pensioenfonds Aruba (APFA)
3. Stichting Bedrijfspensioenfonds Aruba (SBA)[22]
4. Stichting Fondo di Pensioen di Trahadornan di Empresanan y Fundacionnan Publico (FPEF)
5. Stichting Pensioenfonds Caribbean Mercantile Bank
6. Stichting Pensioenfonds Havenwerkers Aruba (SPHA)
7. Stichting Pensioenfonds META Bedrijven Aruba
8. Stichting Pensioenfonds Tourist Sector Aruba (PFTSA)

5. INSURANCE COMPANIES[23]

5.1 LIFE INSURANCE COMPANIES

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

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[20] Supervision by virtue of the SOSTSP.
[21] Supervision by virtue of the SOCPF.
[22] Rights and obligations have been transferred to APFA in 2022.
[23] Supervision by virtue of the SOSIB.

5.2 NONLIFE (GENERAL) INSURANCE COMPANIES

	Accident & health	Motor vehicle	Maritime, transport, & aviation	Fire & other property	Other indemnity
1. Best Doctors Insurance V.B.A.[24]	•				
2. Bupa Insurance Company, Aruba Agency	•				
3. Elvira Verzekeringen N.V.	•				•
4. Ennia Caribe Schade (Aruba) N.V.	•	•	•	•	•
5. Fatum General Insurance Aruba N.V.	•	•	•	•	•
6. Massy United Insurance Company N.V.	•	•	•	•	•
7. NAGICO Aruba N.V.	•	•	•	•	•
8. Netherlands Antilles & Aruba Assurance Company (NA&A) N.V.	•	•	•	•	•
9. Stichting Fondo Nacional di Garantia pa Vivienda					•
10. The New India Assurance Co. Ltd., Aruba Branch	•	•	•	•	•

Source: CBA.

5.3 CAPTIVE INSURANCE COMPANIES[25]

1. Bancarib Real Insurance Aruba N.V.
2. Fides Rae Insurance Company N.V.[26]
3. MCB Risk Insurance N.V.
4. Mondis Manufacturers Insurance Company N.V.

5.4 INSURANCE BROKERS[27]

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.

[24] In liquidation.
[25] Supervision by virtue of the SOSIB and SDCIC.
[26] In liquidation.
[27] Supervision by virtue of the SDSIB.

7. Framo Insurances N.V.
8. Jai Mahalaxmi Enterprises N.V.
9. Lyder Insurance Consultants N.V.
10. Pentagon Investment & Consultancy N.V.
11. Seguros Geerman N.V.
12. Turtle Island Insurance Broker N.V. Dba Aruba Insurance Brokers
13. Verdant Insurance and Management Company Group N.V.
14. Worldwide Insurance Agency N.V.

Annex 3
Financial institutions or persons in possession of a dispensation (as at December 31, 2021)

FINANCIAL INSTITUTIONS OR PERSONS IN POSSESSION OF A DISPENSATION

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

FINANCE COMPANIES
1. Mack's Total Finance V.B.A.
2. Qredits Microfinanciering Nederland
3. Volkskredietbank van Aruba

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

MONEY TRANSFER COMPANIES
1. MoneyGram International Inc.[28]
2. Western Union Financial Services International Inc.[29]

SECURITIES BROKERS IN POSSESSION OF A DISPENSATION AS MEANT IN ARTICLE 4, PARAGRAPH 2 OF THE SOSSB
1. Aruba Bank N.V. [30]
2. Banco di Caribe (Aruba) N.V.
3. Caribbean Mercantile Bank N.V.

[28] For conducting money transfer activities through Union Caribe N.V.
[29] For conducting money transfer activities through Post Aruba N.V. and Mack's Exchange Services V.B.A.
[30] Change in ownership took place at year end 2021. The company subsequently changed its name into Navigator Insurance Consultants Aruba N.V.

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

1. Aruba Bank N.V.
2. Banco di Caribe (Aruba) N.V.
3. Caribbean Mercantile Bank N.V. (CMB)
4. FirstCaribbean International Bank (Cayman) Limited – Aruba Branch (FCIB)
5. Fundacion Cas pa Comunidad Arubano (FCCA)
6. Island Finance Aruba N.V.
7. RBC Royal Bank (Aruba) N.V.

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

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

1. Mr. G.M. Daal
2. Mrs. B. Franke-Trumpie
3. Mrs. M.D.D. Geerman
4. Mr. J.W. Isenia
5. Mr. J.W.P.J. Kaan
6. Mrs. T.D. Kelly-Hernandez
7. Mr. J.A.M. Lomans
8. Mr. R.W. van der Meulen
9. Mr. E.G. Schwengle
10. Mr. R. Seraus

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

1. Mrs. S.S. Alli-Martijn
2. Mrs. L. Kelly
3. Mr. J.R. Martina
4. Mrs. J.M. Pesqueira
5. Mr. E.E. Werleman

SAGICOR LIFE ARUBA N.V.:

1. Mrs. F. Bernier Corbacho
2. Mrs. D.A. Dormoy
3. Mr. J. Erasmus
4. Mrs. L.R. Faustin
5. Mrs. O.A. Inocencia
6. Mrs. B.S. van Loon-Kadir
7. Mrs. N.C. Marques Hidalgo

8. Mr. F.C. Martina
9. Mrs. M.V. Peters
10. Mr. J. Theysen
11. Mrs. S.J.G. Velthuizen
12. Mrs. B.I. Wolff-Croes

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

1. Aruba Living Today N.V.

Annex 4
(M)MoUs entered into by the CBA

Supervisory authority	Scope	Year signed
CBCS	Exchange of information regarding banks	1998
CBCS	Exchange of information regarding insurance companies	2003
Multilateral between Regional Regulatory Authorities in the Caribbean	Exchange of information and cooperation and consultation for adequate supervision of financial institutions	2011
FIU of Aruba	Cooperation and information exchange	2011
Public Prosecutor's Office of Aruba	Cooperation and information exchange	2012
Supervisors of the Kingdom of the Netherlands	Sharing of information in support of the objective to facilitate and meet requirements for effective supervision of the financial sectors and financial markets in the Dutch Kingdom	2011/2012
DNB	Cooperation and exchange of information in the area of supervision of banks, insurance companies, trust service providers, and money transfer companies	2014
AFM	Cooperation and exchange of information in the area of supervision of banks, insurance companies, insurance brokers, trust service providers, and money transfer companies	2015
GIFCS	Cooperation and information exchange	2019[31]
IAIS	Cooperation and information exchange	2022[32]

[31] Agreed upon in 2016.

[32] The accession to and signing of the MMoU took place in May 2022 (see section 6.2 of chapter 6 on national and international cooperation).

Annex 5
Virtual meetings of international supervisory bodies attended in 2021

This annex provides an overview of the virtual meetings attended in 2021 by the CBA's supervisory staff in the areas of financial sector supervision and AML/CFT oversight.

Supervisory group/institution	Main topics discussed
GIFCS Plenary meeting (November)	▪ Operational resilience and third-party risk ▪ Enhancing banks' operational resilience in the new normal ▪ Outsourcing to third-party service providers ▪ Cloud services at banks – risk management and supervisory approaches
CGBS Members' Assembly (July)	▪ Regional Financial Crisis Management Plan ▪ Climate Risk and Green Financing ▪ Basel II / III ▪ Cyber Risk ▪ Correspondent Bank Relationships ▪ Consolidated Risk Based Supervision ▪ Cost Sharing
FATF Plenary meetings (February and October)	▪ Response to the Covid-19 pandemic and mutual evaluations during the Covid-19 pandemic ▪ Strengthening the global response to terrorist financing ▪ International co-operation against ML and TF ▪ Digital transformation of AML / CFT ▪ ML/TF risks, trends, methods, and operational issues
GIICS (April and June)	▪ CAT risk supervision ▪ InsurTech and FinTech
ASBA XXIV Annual Assembly and XVI High-level Meeting (September) - "Regional Public and Private Policy Dialogue Banking Sector"	▪ Assessing, measuring and mitigating climate related financial risks ▪ Prudential treatment of crypto assets ▪ Supervisory priorities in the post-Covid 19 era
CFATF Plenary meeting (May)	▪ Adoption of amendments to the CFATF procedures for the 4th round of the AML/CFT Mutual evaluations
IAIS Emerging Markets and Developing Economies Members Meeting (August)	▪ Climate-related risks ▪ Pandemic risks ▪ Draft Issues Paper on Insurer Culture ▪ IAIS 2022-2023 Roadmap ▪ Updates from Access to Insurance Initiative, Financial Stability Institute, and Toronto Centre

Annex 6
Changes in the shareholding of supervised institutions in 2021

INSURANCE BROKERS

- On December 13, 2021, pursuant to article 4, paragraph 4, of the State Decree on the Supervision of Insurance Brokers (SDSIB), in conjunction with article 14a, paragraph 1, of the State Ordinance on the Supervision of the Insurance Business (SOSIB), the CBA granted permission to B&B Caribbean N.V. to acquire 100% of the shares in AON Aruba N.V.

NONLIFE (GENERAL) INSURANCE COMPANIES

- On February 26, 2021, pursuant to article 14a, paragraph 1, of the State Ordinance on the Supervision of the Insurance Business (SOSIB), the CBA granted permission to IPMI Holdings Ltd. and Primary Held and Digital Holdings Limited to acquire a qualifying holding in Best Doctors Insurance V.B.A.

Annex 7
Integrity and suitability assessments conducted in 2021

This annex provides an overview of the integrity and suitability assessments conducted in 2021.

Sector	Credit institutions	Insurance companies	Company pension funds	Money transfer companies	Trust service providers	Insurance brokers	Total
Pending as of January 1, 2021	4	4	5	-	1[33]	-	14
New requests	9	16	8	2	1	-	36
Reassessments	-	-	-	-	-	-	-
Withdrawn requests	-	5	-	-	-	-	5
Rejected requests	-	-	-	-	-	-	-
Approved	6	5	-	-	1	-	12
Conditionally approved	3	6	9	2	1	-	21
Assessments ceased	1			-	-	-	1
Pending as of December 31, 2021	3	4	4	-	-	-	11

[33] Correction 2020

Annex 8
Type of breaches identified in 2021 during the AML/CFT onsite examinations

SECTOR	BREACHES OF THE AML/CFT STATE ORDINANCE	AREAS
Financial institutions		
Commercial banks	Chapter 2, articles 26, 46, and 47, of the AML/CFT State Ordinance and § 3 of the Directive on Sound Business Operations	* Customer due diligence * Reporting of unusual transactions * Transaction monitoring * Procedures and measures * Appointment of a local MLCO and MLRO * Ethical business conduct
Money Transfer Companies	Chapter 2, articles 26, and 46, of the AML/CFT State Ordinance	* Customer due diligence * Reporting of unusual transactions * Procedures and measures
Life Insurance Companies	Chapter 2, articles 26, and 46, of the AML/CFT State Ordinance	* Customer due diligence * Reporting of unusual transactions * Procedures and measures
Pawnshops	Chapter 2, articles 26, 46, and 47, of the AML/CFT State Ordinance	* Customer due diligence * Reporting of unusual transactions * Procedures and measures * Appointment of an MLCO and MLRO
DNFBPs		
Jewelers	Chapter 2, articles 26, 46, and 47, of the AML/CFT State Ordinance	* Customer due diligence * Reporting of unusual transactions * Appointment of an MLCO/MLRO
Real Estate	Chapter 2, articles 26, and 46, of the AML/CFT State Ordinance	* Customer due diligence * Reporting of unusual transactions * Procedures and measures

Annex 9 Number of formal measures imposed per sector for noncompliance with the sectoral supervisory state ordinances or the AML/CFT state ordinance

	2019			2020			2021		
Sector	Formal directions	Penalty charge orders	Administrative fines	Formal directions	Penalty charge orders	Administrative fines	Formal directions	Penalty charge orders	Administrative fines
Credit institutions	2	-	1	2	-	2	-	1	1
Pawnshops	-	-	-	-	-	-	-	-	-
Life insurers	-	-	-	1	-	-	-	-	-
Nonlife insurers	-	-	-	-	-	-	-	-	-
Captive insurers	-	-	-	-	-	-	-	-	-
Insurance brokers	-	-	-	-	-	-	-	1	-
MTCs	-	-	-	-	-	-	-	-	-
Pension funds	-	-	-	-	-	-	-	-	-
TSPs	-	1	1	-	-	-	-	-	1
DNFBPs:									
▪ Casinos	-	-	2	-	-	2	-	-	2
▪ Lawyers	-	-	2	-	-	-	-	-	-
▪ Real estate	-	-	3	-	1	1	-	1	1
▪ Notaries	-	-	-	-	-	1	-	-	1
▪ Tax consultants	-	-	-	-	-	1	-	-	-
▪ Accountants	-	-	-	-	-	1	-	-	1
▪ Others	-	-	-	-	-	-	-	1	-
Total	**2**	**1**	**9**	**3**	**1**	**8**	**0**	**4**	**7**

Annex 10
Supervisory costs passed on in 2021

Pursuant to the respective state decrees,[34] the CBA charges the supervised sectors for part of the supervisory costs incurred. The supervisory costs passed on to the different sectors in 2021 are as follows:

Sector	Supervisory costs passed on in 2021	
Credit institutions	Afl.	800,000
Insurers	Afl.	300,000
Captives	Afl.	30,000
Insurance brokers	Afl.	55,000
Company pension funds	Afl.	155,000
Money transfer companies	Afl.	150,000
Trust service providers	Afl.	100,000
Total	Afl.	1,590,000

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

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