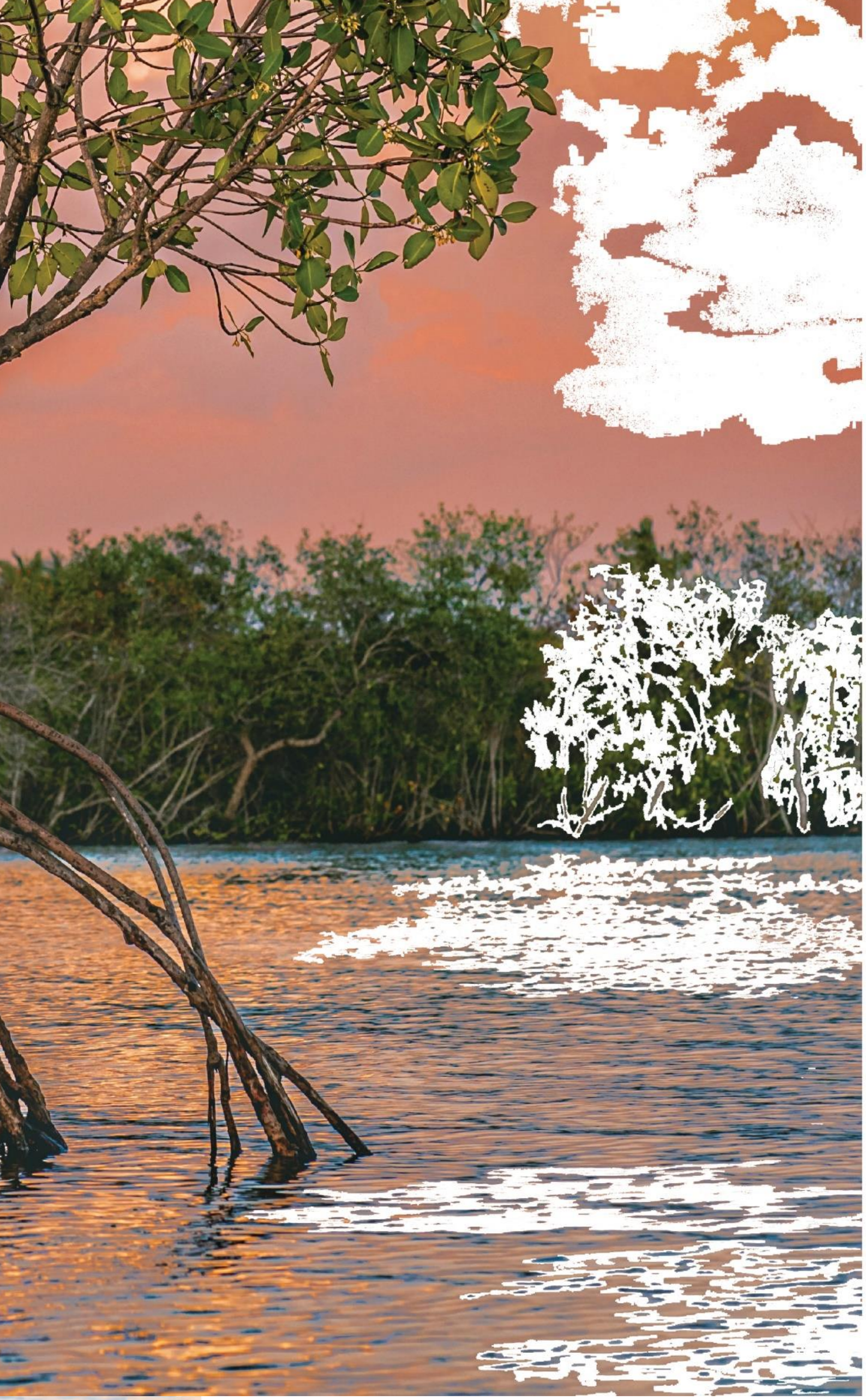

FINANCIAL SECTOR SUPERVISION REPORT 2022

CENTRALE BANK VAN ARUBA

Cover design: Mangroves are hotspots of biodiversity, connecting life on land with life below the water. These ‘forests of the sea’ are essential to the health and vibrancy of our coastal ecosystems, including our community livelihoods. They provide a vital habitat for marine life, help to protect against coastal erosion and storm surges, as well as filter pollutants from the sea. Mangroves are one of nature’s most effective tools in the fight against climate change and are integral to nature.

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

PRESIDENT'S STATEMENT

We hereby present our *Financial Sector Supervision Report 2022,* the eleventh edition. By publishing this annual report, we formally account for the execution of the different supervisory state ordinances by the Centrale Bank van Aruba (CBA), including those in the areas of Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT)[1], thereby also complying with the legal requirement to annually inform the Minister of Finance on the execution of the CBA's supervisory mandate. In addition, key information is provided to stakeholders, including the general public, on the most important changes in the international and domestic regulatory and supervisory landscape, the main activities carried out in the supervisory and regulatory domains, and on the prevailing developments in the Aruban financial sector during 2022.

After an unprecedented decline in economic activities caused by the COVID-19 pandemic during the previous two years, Aruba's economy saw a strong economic recovery during 2022, even overshooting pre-COVID levels in terms of tourism generated income. Pushed up by strong leisure travel demand, particularly from the U.S., the rebound in the Aruban tourism sector was one of the highest within the Caribbean region. Central to the CBA's supervisory function is that the Aruban banking sector remained solid and robust, withstanding the challenges of the pandemic remarkably well. The ample solvency and liquidity buffers have helped the domestic banks to weather this unparalleled storm and to continue their lending activities uninterrupted, which was critical to preventing a deeper economic impact from the pandemic.

Despite the relatively strong economic recovery, downside risks have increased considerably recently, due to persistent high inflation pressures, now also pushed up by domestic factors, as well as rising interest rates in the U.S. and Europe to slow down demand. Rising prices may also affect the banking sector, as both companies and individuals are negatively impacted by the steep rise in inflation. This, in turn, can influence the quality of banks' loan portfolios, which may then require additional loan loss provisions, thereby affecting the profitability of the banks.

The recent turmoil in the U.S. and Swiss banking sectors, attributed to some bank failures, clearly underscores the need for ample capital and liquidity buffers, as well as having strong governance and risk management frameworks in place. Although it is still too early to draw final conclusions, it appears that the decisive actions taken by the monetary, regulatory, and supervisory authorities in the U.S. and Switzerland have calmed the financial markets, at least to a large extent, subsequently preventing a spillover of aforementioned events to the global financial system and economy.

Credit should also be given to the fact that the global financial system is nowadays much stronger than at the start of the financial and economic crisis in 2008. As a response to that crisis, the international capital and liquidity standards were significantly strengthened. The implementation of the so-called Basel III standard has considerably fortified the robustness and resiliency of the global financial sector, contributing to maintaining global financial stability.

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[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).

For Aruba, an important highlight of the year under review was the highly positive outcome of the mutual evaluation by the Caribbean Financial Action Task Force (CFATF). The mutual evaluation report of Aruba was published on July 14, 2022. This outcome demonstrates the significant progress made over the years in establishing a sound and effective framework for preventing and combating money laundering and terrorist financing. Aruba now belongs to one of the three countries worldwide that has received a “Substantially Effective” rating for both Immediate Outcome 3 (Supervision) and Immediate Outcome 4 (Preventive Measures), clearly showing the ongoing commitment of the CBA to prevent financial crime via the institutions it supervises.

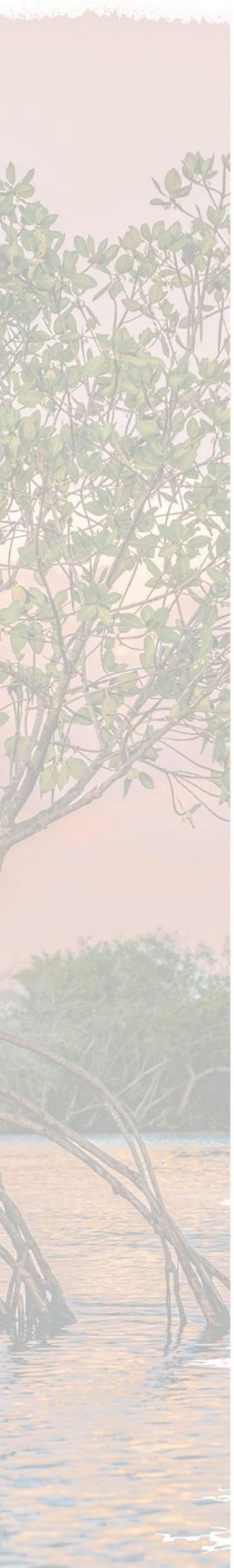
As part of the CBA’s continuing efforts to meet international standards in the supervisory domain, a detailed self-assessment was undertaken in 2020/2021 to determine the degree of Compliance vis-à-vis the revised Basel Core Principles (BCPs) for Effective Banking Supervision. The results hereof indicate a high level of compliance against these Core Principles. However, some areas of improvement have been identified. Therefore, a plan of action is being prepared to adequately address the identified shortcomings. The CBA is also planning to start a self-assessment vis-à-vis the Core Principles for Effective Insurance Supervision in the last quarter of this year. Also, attention will be given on the risks of climate change for the financial sector. The related guidance papers issued by the Basel Committee and International Association of Insurance Supervisors (IAIS) are used as a basis for drafting the envisioned guidance papers for banks and insurers.

In consideration of the increased cyber-security risks to which the financial sector is exposed, the CBA is stepping up its oversight efforts in this area. The implementation of sound Information Technology (IT) (security)-related policies, procedures, and measures at the supervised institutions is 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.

In concluding, the CBA remains vigilant and fully committed, as legally mandated, to fostering a sound and reputable financial sector, and to contribute to maintaining financial stability in Aruba.

Jeanette R. Semeleer
President

Aruba, June 2023



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)
AI	Artificial Intelligence
API	Application Programming Interface
ASBA	Association of Supervisors of Banks of the Americas
ASD	Annual Statistical Digest
BCBS	Basel Committee on Banking Supervision
BCM	Business Continuity Management
BCPs	Basel Core Principles
CAR	Capital Adequacy Ratio
CARTAC	Caribbean Regional Technical Assistance Centre
CBA	Centrale Bank van Aruba (the Central Bank of Aruba)
CBCS	Centrale Bank van Curaçao en Sint Maarten (the Central Bank of Curaçao and Sint Maarten)
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CGBS	Caribbean Group of Banking Supervisors
CMMA	Coördinatiecentrum Mensenhandel Mensensmokkel Aruba
CPF	Combating of Proliferation Financing
DIS	Deposit Insurance Scheme
DLT	Digital Ledger Technology
DNB	De Nederlandsche Bank N.V. (The Dutch Central Bank)
DNFBPs	Designated Non-Financial Businesses and Professions
DPP	Data Protection and Privacy
EDD	Enhanced Due Diligence
EML	Enforcement, Market Entry & Legal Advisory Department
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit (*Meldpunt Ongebruikelijke Transacties*)
FSI	Financial Stability Institute
GDP	Gross Domestic Product
GIFCS	Group of International Finance Centre Supervisors
GIICS	Group of International Insurance Centre Supervisors
GOA	Government of Aruba
IAA	Insurance Association of Aruba
IAIS	International Association of Insurance Supervisors
ICPs	Insurance Core Principles
IO	Immediate Outcome
ISD	Integrity Supervision Department
IT	Information Technology
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 Transaction Companies
NRA	National ML/TF Risk Assessment
PEP	Politically Exposed Person
PF	Proliferation Financing
PLR	Prudential Liquidity Ratio
PSDB	Prudential Supervision Department Banks
PSIPI	Prudential Supervision Department Insurance Companies, Pension Funds & Investment Institutions
REGTECH	The use of 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 Transaction Companies
SOSSB	State Ordinance on the Supervision of the Securities Business
SOSTSP	State Ordinance on the Supervision of Trust Service Providers
SUPTECH	The use of technology for supervisory and oversight purposes
TF	Terrorist Financing
TSPs	Trust Service Providers
UBO	Ultimate Beneficial Owner
UTR	Unusual transaction report
VA	Virtual Assets
VASPs	Virtual Assets Service Providers
WGFI	Working Group on FATF Issues

CONTENT

Chapter 1

Supervisory mandate and achievements in 2022 at a glance

The CBA is the sole supervisory authority of the financial sector in Aruba. In executing its supervisory tasks, the CBA seeks to safeguard confidence in the financial system by promoting (financial) soundness and the integrity of the supervised sectors and the institutions operating within these sectors. 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 transaction companies (MTCs), 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 and vessel dealers, real estate brokers, virtual assets service providers (VASPs), 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.

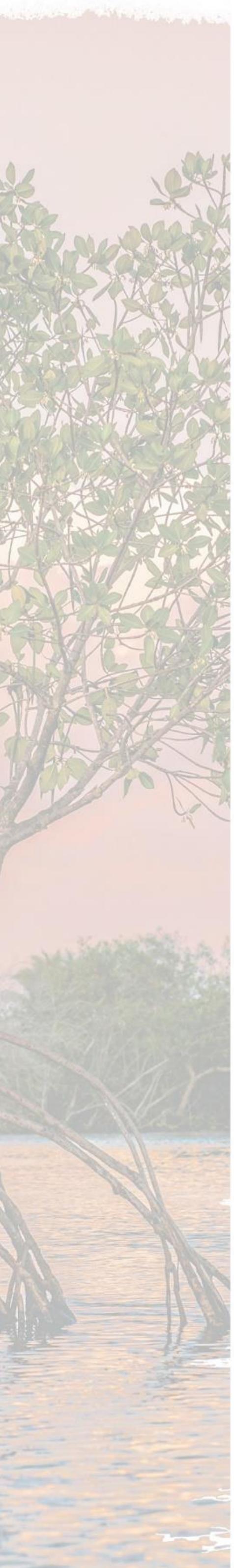
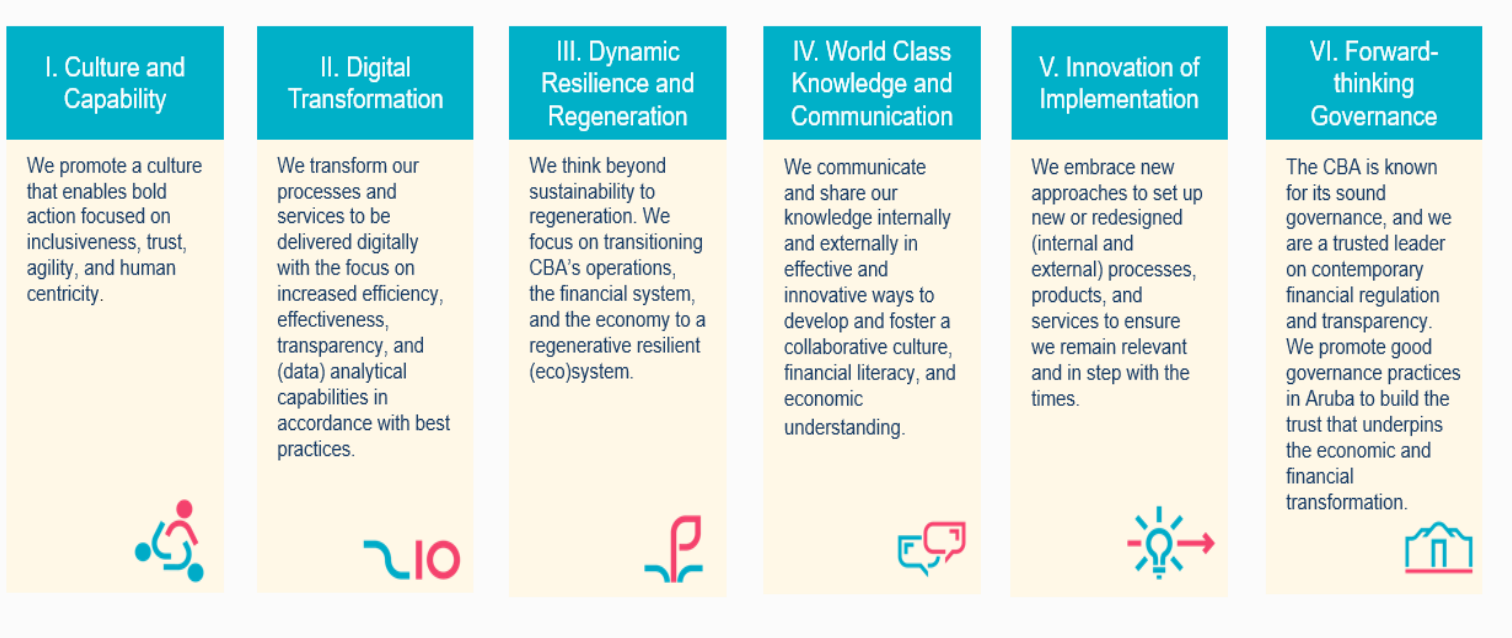


Figure 1.1 Dilanti Biento: six strategic pillars

“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 attain the outcomes set in our strategic pillars and 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 to the area of financial sector supervision.

Figure 1.3 highlights the most important achievements of 2022 in the areas of prudential supervision, 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

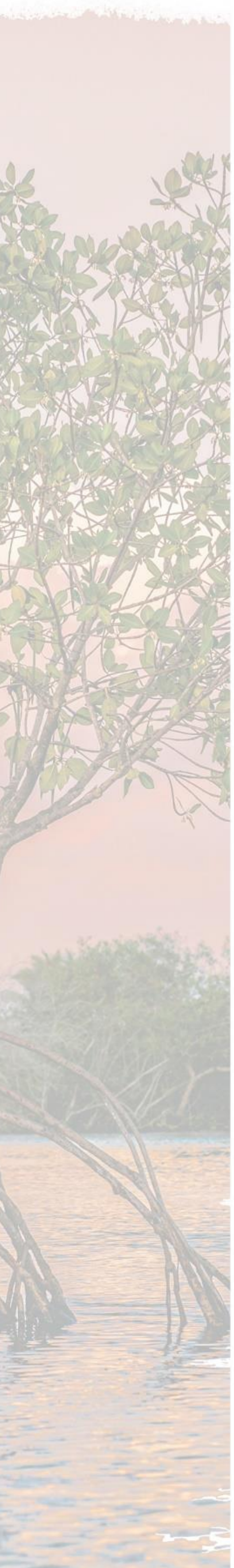


Figure 1.3 Overview of the major achievements in key supervisory areas in 2022

Prudential Supervision Banks

- Executed 6 (remote) onsite examinations in the areas of corporate governance, risk management, internal audit, loans, and IT oversight;
- Performed a stress test on the commercial banking sector;
- Carried out integrity and suitability assessments (Annex 7);
- Completed a self-assessment vis-à-vis the BCPs;
- Intensified and further deepened IT supervision through onsite examinations and off-site surveillance;
- Held panel discussions to determine the internal risk rating of each credit institution.

Prudential Supervision Insurance Companies, Pension Funds & Investment Institutions

- Carried out 4 onsite examinations in the areas of corporate governance, asset quality, and investments;
- Prepared a revision of the prudential requirements for insurance brokers;
- Intensified the offsite surveillance of insurance brokers;
- Conducted integrity and suitability assessments (Annex 7);
- Approved 9 petitions for a change in the external auditor;
- Held panel discussions to determine the internal risk rating of each insurer and pension fund.

Integrity Supervision

- Executed 11 AML/CFT onsite examinations;
- Organized 12 information sessions — 5 for financial institutions and 7 for DNFBPs;
- Participated in the Caribbean Financial Action Task Force (CFATF)’s virtual face-to-face meetings and the plenary meeting regarding Immediate Outcome 3 (Supervision) and Immediate Outcome 4 (Preventive measures);
- Conducted surveys to feed the sectoral and individual risk-assessments in the areas of AML/CFT and Sound Business Operations, and held panel discussions to determine the internal risk rating of companies falling under the AML/CFT framework.

Enforcement, Market Entry, and Legal Advisory

- Granted 8 permissions for changes in the qualifying holding of supervised entities;
- Issued one permission to a commercial bank to acquire the assets and liabilities of another commercial bank;
- Provided 30 dispensations to insurance brokers to conduct brokerage services with insurance companies not established in Aruba on behalf of their clients;
- Granted 6 dispensations to act as sales agents for insurance companies established in Aruba;
- Imposed 13 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. The CBA also applies a risk-based approach in its AML/CFT supervision of financial institutions as well as for the DNFBPs. Each sector's AML/CFT risk profile is determined based on inherent risks identified and the mitigating controls in place to manage the identified risks of the sectors concerned (see Figure 2.2).

In 2022, regular examinations at the supervised financial institutions were performed, partly remotely (see Figure 2.3 for the key components of the examination procedures). The PSDB conducted six targeted onsite examinations in 2022: three commercial banks, one bank-like institution, and two credit unions. The PSIPI carried out targeted examinations at four insurance companies. Additionally, the ongoing offsite surveillance was performed in the year under review, including but not limited to the desk review of the financial and regulatory reports that the supervised entities have to file on a periodic basis, as well as the regular bilateral meetings with the supervised (financial) institutions and, insofar applicable, their representative organizations. The regular examinations and ongoing offsite surveillance form the main pillars through which the CBA carries out its supervisory tasks, and serve as the primary source of information for the risk-based supervisory framework. The 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 necessary, taking formal measures, including the imposing of administrative fines.

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

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

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

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

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

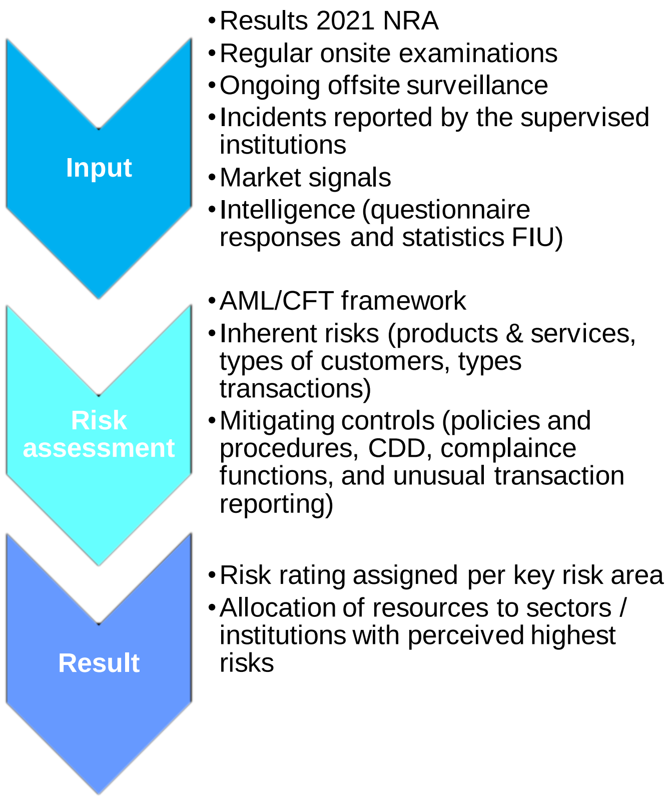
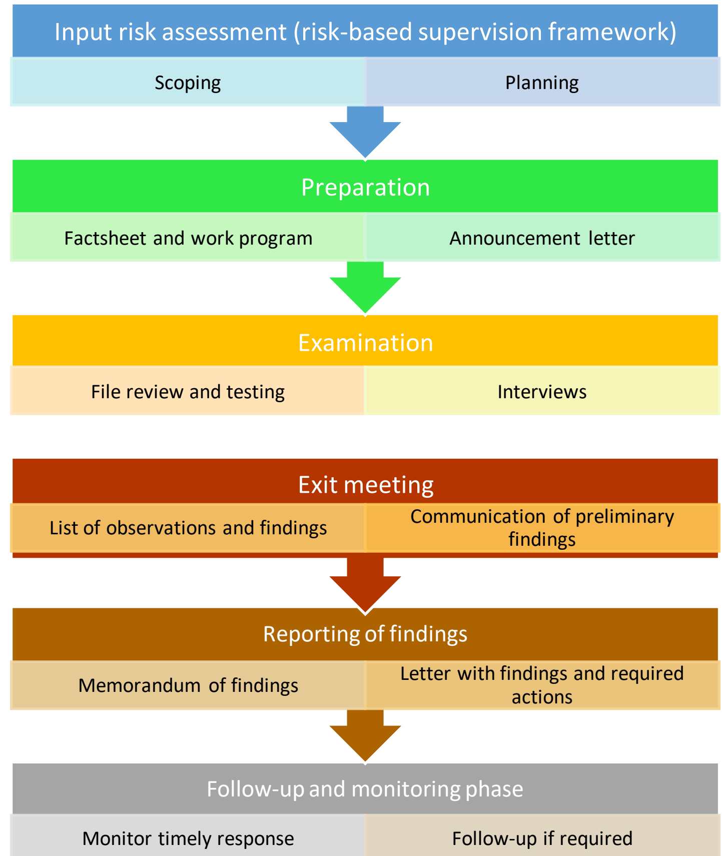


Figure 2.3 Key components of the examination procedures



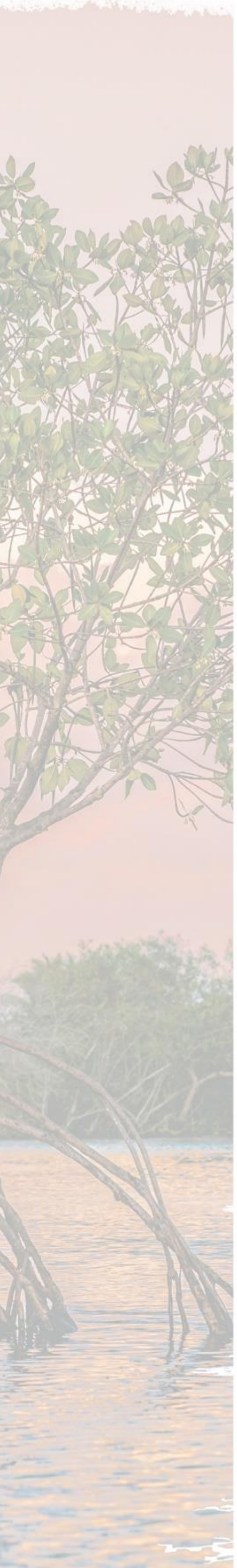
As part of its AML/CFT supervision, the CBA carried out eleven onsite examinations in 2022: 2 at financial institutions and 9 at the DNFBPs. The selection of institutions for examinations was driven mainly by the results of the National Risk Assessment (NRA), as well as market signals and intel, and the results of the risk assessments performed by the CBA on a sectoral or individual level of the institutions supervised by the CBA for AML/CFT/CPF purposes.

In 2022, the CBA also held twelve information sessions in the form of both general sessions and meetings, aimed at reaching out to the different sectors falling under the CBA's AML/CFT supervision. Topics discussed with the different sectors included, amongst other things, the AML/CFT framework, the results of the CFATF Mutual Evaluation, unusual transaction reporting, key findings of (thematic) onsite examinations conducted, terrorist financing, and proliferation financing. Table 9.2 in Chapter 9 provides an overview of the information sessions held and the main topics discussed.

To further enhance the risk-based approach with respect to AML/CFT oversight, the CBA sent questionnaires to the supervised financial institutions and DNFBPs in 2022. The objective was to obtain up-to-date detailed information on the AML/CFT/CPF framework (policies, procedures, and measures in place) at the supervised institutions. Questionnaires on the topic of sound business operations were also sent to the commercial banks and MTCs to obtain a general view of their level of compliance with the directive on Sound Business Operations. The information gathered is used in determining the CBA's supervisory approach.

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, the CBA 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.

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. Most trainings and courses were attended virtually in 2022.



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 in the areas of regulation and supervision. The following overview provides insights into 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 draft proposal to regulate consumer credit was submitted to the Minister of Finance. The main objectives of the legislative proposal 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 State Ordinance on Consumer Credit to the Parliament of Aruba on December 7, 2021. This draft ordinance was discussed in Parliament on March 23, 2022, but its approval was postponed as the GoA decided to amend certain sections of the proposed draft. On June 3, 2022, the draft State Ordinance was approved by the Parliament of Aruba. This ordinance will enter into force once all the required supporting secondary legislation is ready.

3.1.2 DEPOSIT INSURANCE SCHEME

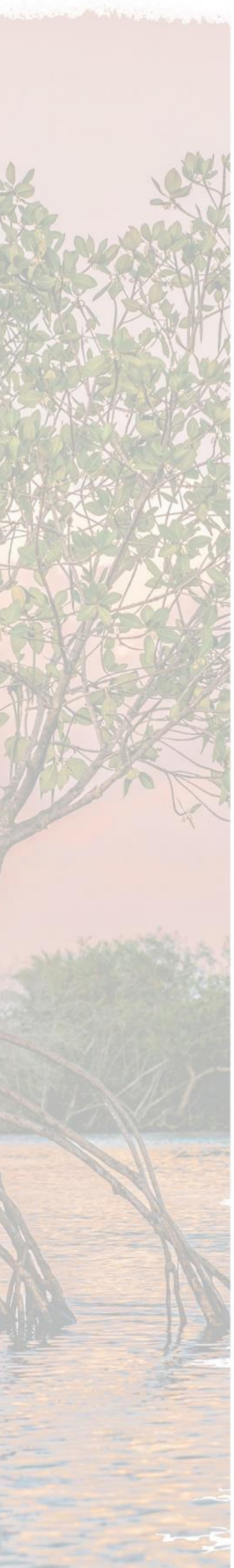
In May 2017, a (revised) legislative proposal for the introduction of a deposit insurance scheme (DIS) for the domestic commercial banking sector was submitted by the CBA to the Minister of Finance. The aim of the DIS is to preserve trust in the banking system, thereby contributing to financial stability. The legal basis for the introduction of a DIS was established through an amendment of the SOSCS in December 2021. Currently, a draft state decree regulating the DIS is in preparation.

3.1.3 TRADE REGISTER ORDINANCE AND AML/CFT STATE ORDINANCE

On March 7, 2022, a draft proposal for the establishment of a designated register for ultimate beneficial owners (UBO register) of companies, legal entities, trusts, and other similar legal constructions was submitted by the GoA to the Parliament of Aruba for approval. This draft State Ordinance amending the Trade Register Ordinance (AB 1991 no. GT 15) and the AML/CFT State Ordinance (AB 2011 no. 28) was discussed and adopted by Parliament on July 7, 2022. On January 1, 2023, this ordinance entered into force. The Aruban Chamber of Commerce and Industry is in charge of the UBO register.

3.1.4 PASSING ON OF THE SUPERVISION COSTS INCURRED IN CONNECTION WITH THE EXECUTION OF THE AML/CFT STATE ORDINANCE TO THE DNFBPS

Subject State Decree entered into force on January 1, 2023, providing the CBA with a legal basis to charge part of the supervisory costs incurred in connection with the execution of AML/CFT Ordinance to the DNFBPs.



3.2 REGULATORY FRAMEWORK

3.2.1 REVISION POLICY PAPER ON BUSINESS CONTINUITY MANAGEMENT

The revision of the Business Continuity Management policy paper is mainly related to the broadening of its scope to include insurance companies, captives, insurance brokers, company pension funds, money transfer companies, trust companies, finance companies, pawnshops, and the securities business. This revised policy paper entered into force on July 1, 2022, with a transition period of six months.

3.2.2 GUIDELINES FOR DETERMINING THE AMOUNT OF ADMINISTRATIVE FINES

The supervisory laws, including the AML/CFT Ordinance, authorize the CBA to impose formal measures against supervised entities. The administrative fine is one of the instruments the CBA can apply in case of breaches vis-à-vis the applicable laws and regulations. The framework for imposing fines is set out in the respective state ordinances. The assessment framework for determining the amount of an administrative fine to be imposed by the CBA is stipulated in the State Decree on the principles of sectoral administrative enforcement supervision legislation (*Landsbesluit grondslagen bestuurlijke handhaving sectorale Toezichtwetgeving*) and the State Decree on the principles of administrative enforcement AML/CFT (*Landsbesluit grondslagen bestuurlijke handhaving Lwtf*), respectively.

For consistency purposes and also to provide additional transparency in the way the amount of an administrative fine is calculated, the CBA decided to further detail the steps for determining the amount of an administrative fine. The established guidelines detail seven successive steps and the associated considerations to be followed in determining the amount of an administrative fine.

1) The severity and duration of the violation (“*ernst en duur”*);
2) The degree of culpability (“*verwijtbaarheid”*);
3) Whether recidivism is in play;
4) The objective carrying capacity of the entity involved, based upon its size or market share;
5) Whether there is any obtained monetary advantage stemming from the violation, and if so, if this monetary advantage can be quantified;
6) Whether there are specific circumstances that justify a reduction in the amount of the administrative fine (the so-called ‘suitability-test’); and
7) The subjective carrying capacity of the entity, based on the financial position of the entity (primarily measured by its equity) at the time of the imposition of the fine.

Subject guidelines entered into force on February 1, 2022.

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Chapter 4

CFATF mutual evaluation of Aruba's AML/CFT framework

4.1 AML/CFT ASSESSMENT BY THE CFATF

From 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[4] were held to discuss the second draft of the mutual evaluation report (MER), which took into consideration Aruba's comments, as well as those from the selected external reviewers (including the FATF Secretariat).

On April 4, 2022, the CBA received the third (final) draft MER, which was discussed during the CFATF Working Group on FATF Issues (WGFI) meeting on May 19, 2022, together with the substantive key issues document. On June 2, 2022, the virtual CFATF Plenary took place, which focused on the key findings and recommended actions on how Aruba could improve its AML/CFT regime. During this Plenary, the final draft MER of Aruba was adopted. Following the post-Plenary quality and consistency review process by the FATF Secretariat in Paris, France, the Fourth Round MER of Aruba was published on July 14, 2022.

4.2 RESULTS AND RECOMMENDED ACTIONS

4.2.1 OVERALL RESULT

The Fourth Round MER of Aruba evidences a good level of compliance with the FATF Recommendations in the area of preventing and combating money laundering, terrorist financing, and proliferation financing. It also confirms that Aruba has an effective AML/CFT framework in place, including the preventive measures in place at the financial institutions and the DNFBPs, as well as the risk-based supervision conducted by the CBA, which were both rated "Substantially Effective" (Immediate Outcomes 3 and 4). Only three countries worldwide so far, including Aruba, have been assigned this rating for both Immediate Outcome 3 (Supervision) and Immediate Outcome 4 (Preventive measures). In view of the positive outcomes of the mutual evaluation, Aruba was placed in the regular follow-up process[5], meaning that Aruba will have to report on the progress made in addressing the identified deficiencies at the CFATF Plenary of November 2024.

[4] The face-to-face meetings focused on discussing possible changes and resolving outstanding issues relating to technical compliance and effectiveness, including identifying key issues for Plenary discussion.

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

4.2.2 RECOMMENDED ACTIONS RESULTING FROM THE CFATF ASSESSMENT WITH REGARD TO IMMEDIATE OUTCOME 3 (SUPERVISION) AND IMMEDIATE OUTCOME 4 (PREVENTIVE MEASURES)

With regard to Immediate Outcome 3 (Supervision) and Immediate Outcome 4 (Preventive Measures), the MER contains recommended actions[6] that include, inter alia, the following:

A. IMMEDIATE OUTCOME 3 (SUPERVISION)

a) Implement a more structured approach as to when financial institutions and DNFBPs will be subjected to onsite examinations, outside of trigger events and sole reliance on data analyzed in the course of conducting prior on-site examinations, desk-based reviews and participation in the NRA Working Groups.
b) Address legislative shortcomings that relate to fit and proper tests for jewelers and realtors. Further, the Aruban authorities should ensure that the Gaming Board is properly implemented and operationalized, and the necessary fit and proper checks are conducted to prevent criminals and their associates from holding (or being the beneficial owner of) a significant controlling interest or holding a management function in a casino.
c) Sustain the CBA's efforts to implement the risk-based assessment, ensuring that it continues to promote a clear understanding by financial institutions and DNFBPs of their AML/CFT obligations and ML/TF risks.
d) Ensure that the CBA's onsite examination findings are provided to the financial institutions and TSPs in a timely manner.

B. IMMEDIATE OUTCOME 4 (PREVENTIVE MEASURES)

a) Correct the technical deficiencies that underpin the implementation of effectiveness related to VAs and VASPs.
b) Ensure that there is a sustained effort to allow for a greater level of compliance by DNFBPs (especially for entities operating in the higher risk sector) and credit unions that have not completed their ML/TF risk assessments and implemented policies and procedures to mitigate the ML/TF risks identified. Furthermore, financial institutions and DNFBPs should continue to review their policies and procedures based on the findings of the NRAs.
c) Ensure that there is a sustained effort to keep FIs and DNFBPs aware of CDD, EDD and record keeping obligations. Also, continuous training and outreach should be provided to financial institutions and DNFBPs to ensure that there is a good understanding of reporting obligations and ensure that unusual transaction report (UTR) filings are commensurate with ML/TF risks.
d) Ensure that there is a sustained effort in fostering financial inclusion in the context of the existing AML/CFT framework, and to mitigate any potential ML/TF risks resulting from same.

In congruence with the recommended actions related to Immediate Outcome 10 (TF preventive measures and financial sanctions) and Immediate Outcome 11 (PF financial sanctions), the CBA should ensure that the UN designations are communicated promptly or in a more timely manner (within 24 hours). Additionally, the CBA should ensure that the PF supervisory framework is implemented, and that further training and guidance are

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

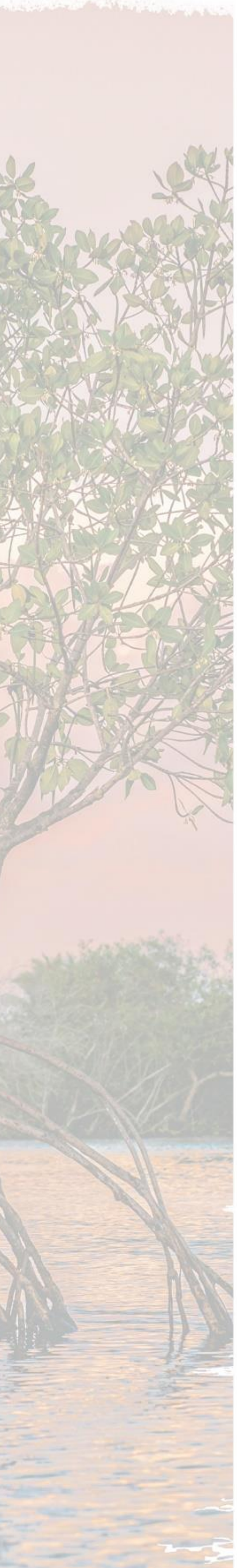
provided to the financial institutions and DNFBPs in this area.

4.2.3 ACTIONS ALREADY TAKEN BY THE CBA OR UNDERWAY

Following the adoption of the MER Aruba, the CBA started addressing the recommended actions in relation to Immediate Outcome 3 (Supervision), Immediate Outcome 4 (Preventive measures), as well as Immediate Outcome 10 (TF preventive measures and financial sanctions) and Immediate Outcome 11 (PF financial sanctions).

Actions already taken or underway:

- Twelve information sessions were organized with the supervised financial institutions and DNFBPs. See Table 9.2 for an overview of the topics discussed;
- The CBA’s AML/CFT Risk Based Supervision methodology is being updated to, inter alia, implement a more structured approach with respect to the conduct of onsite examinations at the supervised financial institutions and DNFBPs, and to further enhance its risk-based supervisory approach;
- Internal procedures were put in place to ensure timely communications to the financial institutions and DNFBPs on new or amended sanctions taken by the Council of the European Union (the Council) in 2022;
- Meetings were held with the commercial banks to discuss the introduction of a basic payment account.



Chapter 5

International developments

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

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

On June 15, 2022, the BCBS published *Principles for the effective management and supervision of climate-related financial risks*. This document forms part of the Committee's holistic approach for addressing climate-related financial risks in the global banking system.

5.2 BCBS: PRUDENTIAL TREATMENT OF CRYPTO ASSETS

In December 2022, the BCBS issued a policy paper on *Prudential treatment of crypto assets,* which will enter into force as of January 1, 2025. This document provides guidance on how banks should handle their exposure to crypto assets, and which risk weight should be applied to crypto assets. The document also outlines the due diligence to be performed on crypto asset customers, and the monitoring of crypto asset exposures. Further, it contains information on the importance of having robust risk management and internal control systems in place.

5.3 INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISION (IAIS): FINTECH DEVELOPMENTS IN THE INSURANCE SECTOR

In December 2022, the IAIS issued a report on *FinTech developments in the insurance sector*. The IAIS has recognized the far-reaching effects of FinTech on the insurance sector, and has identified it as one of its strategic themes. FinTech offers opportunities for financial inclusion and policyholder value, but also poses potential risks to market conduct and operations.

5.4 IAIS: ISSUES PAPER ON INSURANCE OPERATIONAL RESILIENCE – DRAFT FOR PUBLIC CONSULTATION

In October 2022, the IAIS published a draft issues paper on insurance sector operational resilience and addressed three sub-topics considered to be matters of significant operational risk, namely cyber resilience, IT third-party outsourcing, and Business Continuity Management (BCM). The issues paper elaborates on how operational resilience rests upon the assumption that disruptions will occur and that insurers should consider their tolerance for these disruptions. According to the issues paper, an operationally resilient insurer is one that can encounter, withstand, mitigate, recover, and learn from the impact of a broad range of events that have the potential to disrupt the normal course of business by impacting critical operations or systems. The issues paper calls upon supervisors to see that insurer's cyber resilience frameworks are effective and robust; concentration risk of IT third-party providers of important IT services are considered; and that insurers have BCM policies in place for dealing with operational disruption, slowdown, or interruption of activities.

5.5 CFATF: "MONEY LAUNDERING & TERRORISM FINANCING RISKS THROUGH THE USE OF VIRTUAL ASSETS AND VIRTUAL ASSET SERVICE PROVIDERS"

In January 2023, the CFATF published a report titled *Money laundering and terrorism financing risks through the use of virtual assets (VA) and virtual asset service providers (VASPs),* which contains the results of a survey on the usage of VAs and VASPs in the Caribbean region

conducted during the period December 2021 to December 2022.

The main objective of this survey was to examine how VAs function, integrate, and contribute to the financial sector in the Caribbean region, as well as to gain better insight into how the inherent risks posed are mitigated by the financial and corporate sectors when providing VA services.

The survey points to the continuing lack of knowledge on the extent of VA and VASP activity in the Caribbean region and notes that further work should be undertaken to gather information on VA usage and VASPs. The report recommends that jurisdictions should take steps to enact legislation in line with the FATF Recommendations and guidelines, and improve data gathering with respect to the usage of VAs and VASPs. The report further suggests that member jurisdictions should consider seeking technical assistance in conducting a national risk assessment of their VASP sector, along with training the supervisory authorities as to how to effectively supervise the VASP sector.

The CBA underscores the importance of having a sound regulatory and supervisory framework in place to mitigate the risks associated with VA activities and VASPs. The implementation of the amended AML/CFT Ordinance together with the changes made to the State Ordinance on the Supervision of the Securities Business (SOSSB) establishes a solid framework for supervising VA and VASP activities for AML/CFT purposes. Further work is needed to bring the legislative framework fully in line with the FATF recommendations, including the establishment of a prudential framework for the licensing and ongoing prudential supervision of VAs and VASPs.

5.6 RISK-BASED APPROACH GUIDANCE FOR THE REAL ESTATE SECTOR

On July 26, 2022, the FATF updated its 2018 paper on *Risk-based approach guidance for the real estate sector* to reflect the latest developments and evolving trends in the area of AML/CFT to ensure that the sector remains well-equipped to counter those risks. This paper was primarily developed to outline the principles and benefits of adopting a risk-based approach to tackle ML/TF in the real estate sector.

The NRA of Aruba identified the real estate business as a high risk sector. Also in this regard, the CBA underscores the importance for the real estate sector of implementing a risk-based approach to adequately address, manage, and mitigate ML/TF risks when dealing with customers. Given its higher risk exposure to ML/TF, the real estate sector, especially real estate project development, will remain subject to intensive scrutiny by the CBA.

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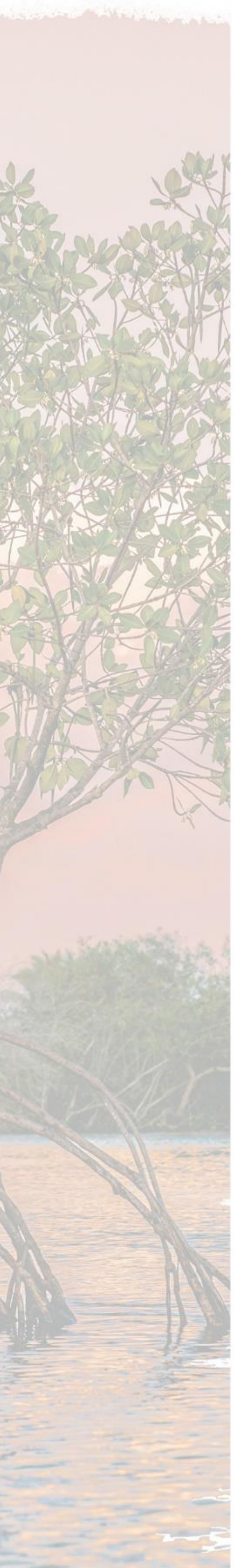


Chapter 6

National and international cooperation

6.1 NATIONAL COOPERATION

In 2022, the CBA continued its periodic meetings with the Financial Intelligence Unit (FIU) (“Meldpunt Ongebruikelijke Transacties”) to discuss topics of mutual interest with respect to integrity matters. In 2022, three bilateral meetings were held between the CBA and the FIU. The basis for these periodic meetings is the Memoranda of Understanding (MoU) with the FIU (signed in 2011). In 2022, also frequent contact was held with the Public Prosecutor’s Office (“Openbaar Ministerie”) related to, amongst others, the CFATFs Mutual Evaluation.

In February 2022, the CBA attended a meeting with the Aruban AML/CFT Steering Group 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 2022, the CBA continued its periodic meetings with the representative organizations of the commercial banks and the insurance companies, i.e., the Aruban Bankers’ Association (ABA) and the Insurance Association of Aruba (IAA), respectively. In these meetings, relevant supervisory topics, including the results of the CFATF Mutual Evaluation, new and revised Sanctions Decrees, 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 November 2022 to discuss, inter alia, economic and financial market developments, credit growth, financial projections, and the results of the stress tests conducted by the CBA in 2022.

6.2 INTERNATIONAL COOPERATION

The CBA meets regularly with its counterparts within the Kingdom of the Netherlands, namely DNB, the Centrale Bank van Curaçao en Sint Maarten (CBCS), and the Financial Markets Authority (AFM). The Technical Committee of the financial supervisors met twice virtually in 2022, namely in March and November. 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.

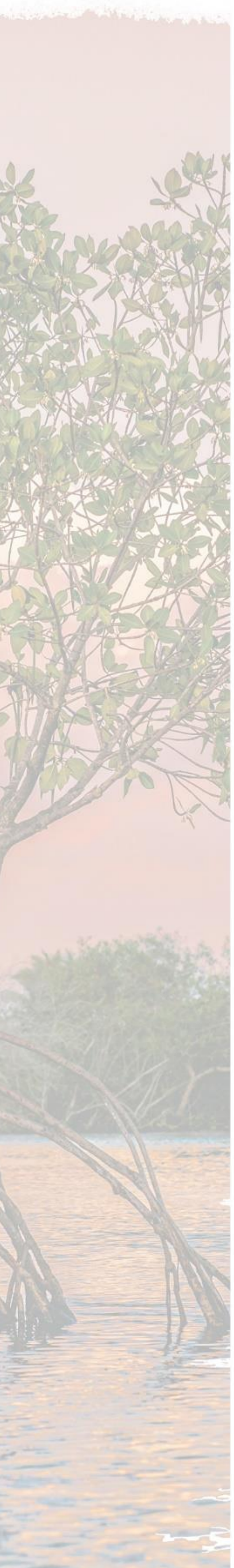
In September 2020, the CBA submitted an application to become a signatory to the IAIS MMoU. This MMoU is aimed at facilitating cooperation and information exchange between insurance supervisors. On May 3, 2022, the CBA received notification that the final approval to its application was given by the 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 2022, the CBA received one information request from a foreign supervisory authority, which was responded to within a period of three weeks.

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 2022:

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 CFATF.



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

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

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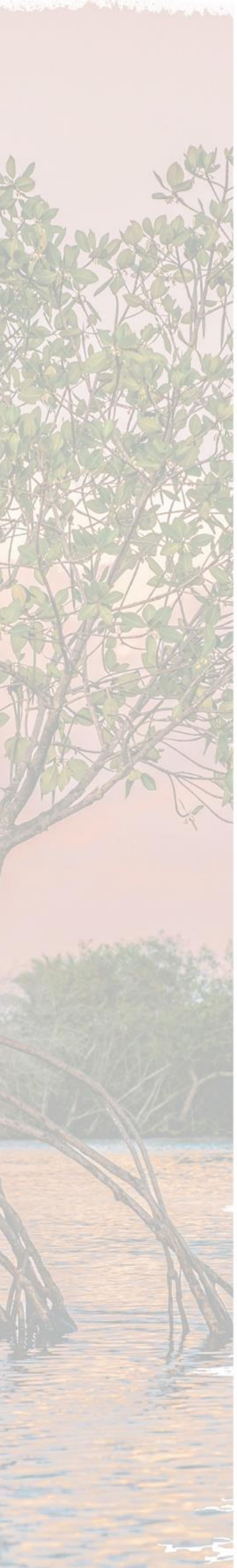


Chapter 7

Prudential supervision banks

The Prudential Supervision Department Banks (PSDB) is tasked with the supervision of credit institutions. At year-end 2022, the PSDB consisted of five full-time staff members.

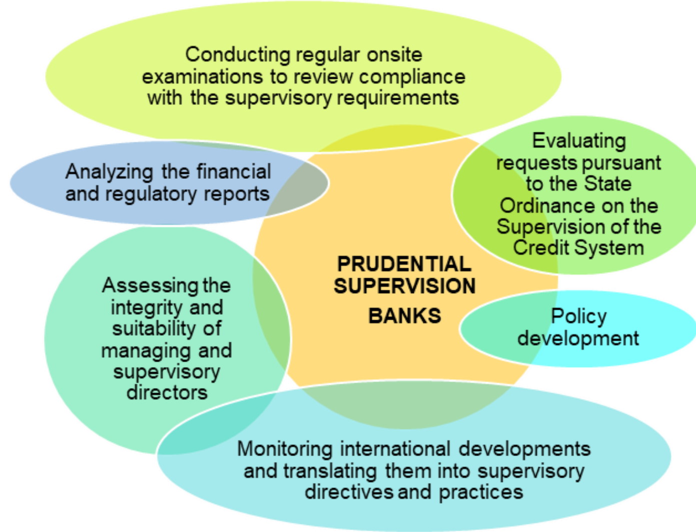
The department assesses ongoing compliance with the State Ordinance on the Supervision of the Credit System (AB 1998 no.16) (SOSCS) through offsite surveillance (including the analysis of the financial and regulatory reports) and regular (remote) examinations. In general, the supervised credit institutions remained in compliance with the CBA's prudential requirements during 2022.

As of January 1, 2022, PSDB is also charged with IT supervision. In 2022, the IT supervision of the CBA, in addition to other IT related surveillance activities, mainly focused on the development of internal policies, vision documents on, amongst other things, the digitalization of the financial sector, FinTech developments, incident reporting, Swift CSP compliance, and also conducted one onsite examination of IT oversight at a commercial bank.

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 2022, PSDB staff members attended several virtual trainings on, amongst other topics, corporate governance, risk data aggregation and reporting, stress testing, climate and environmental risks, crypto assets and digital currencies, and cyber resilience.

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 2022, 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 2022, the PSDB received fifteen new petitions from credit institutions associated with the appointment of key persons. As per year-end 2022, five are pending (see Annex 7).

In 2022, the CBA continued its regular stress testing on the commercial banking sector to assess its resiliency. The stress test conducted in 2022 measured the impact of a sharp increase in inflation and the resulting decrease in purchase power on the commercial banking sector. The results of the stress test showed that the capital and liquidity buffers of the commercial banks provide ample room to absorb such shock.

7.2 ONSITE EXAMINATIONS

The PSDB conducted six targeted onsite examinations during 2022, at three commercial banks, one bank-like institution, and two credit unions. At two commercial banks, the CBA carried out a thematic review on the quality of their risk management and internal audit. At one commercial bank, the CBA examined the bank's oversight of technology risks. At one bank-like institution and a credit union, the CBA assessed the adequacy of the institution's governance, risk management and internal controls. At another credit union, the CBA reviewed the adequacy of the provisioning formed against nonperforming loans. Table 7.3 provides an overview of the (remote) examinations conducted by PSDB in 2022.

Table 7.3 Remote examinations conducted by the PSDB in 2022

Sector	2022
Commercial banks	3
Bank-like institutions	1
Credit unions	2
Total	6

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

In 2022, PSDB conducted the self-assessment vis-à-vis the BCPs. The BCPs, issued by the BCBS in 1997 and revised in 2012, 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. Overall, the self-assessment indicated a high level of compliance with the BCPs (see Table 7.4).

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%**

The CBA will draft a road map to close the identified gaps vis-à-vis the BCPs for effective banking supervision.

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 2022, including the banking sector.

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Chapter 8

Prudential supervision insurance companies, pension funds & investment institutions

The Prudential Supervision Department Insurance companies, Pension funds & Investment institutions (PSIPI) is tasked with overseeing compliance with the prudential requirements laid out in the State Ordinances governing insurance companies, company pension funds, and investment institutions. The PSIPI had five full-time staff members at the end of 2022.

The PSIPI assesses compliance with the supervisory laws and regulations governing insurance companies, company pension funds, and investment institutions through ongoing offsite surveillance (including the conduct of integrity and suitability assessments of proposed managing directors and supervisory board members), and regular examinations. In general, with the exception of two pension funds, the supervised institutions remained in compliance with the minimum prudential ratio's during 2022.

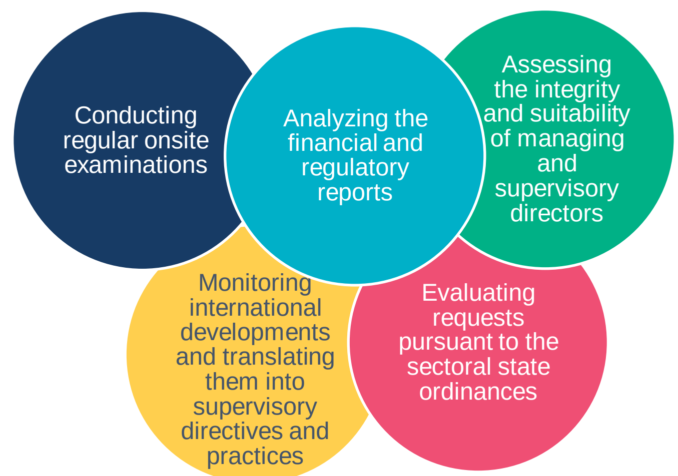
The PSIPI also closely follows international developments in the area of prudential supervision and, insofar as relevant for Aruba, translates these developments into supervisory directives or policy papers. To this end, in 2022, the PSIPI staff members attended several trainings in the area of insurance and pension supervision, including the 8th FSI-IAIS Regulatory and Supervisory Training Online (program). This program covered essential elements in insurance supervision as well as emerging issues, for example, the digitalization of the insurance business and climate change. At year-end 2022, the CBA conducted a survey among all insurance companies to assess the status of implementation and the impact of IFRS 17 on the insurance business in Aruba. The survey indicated that good progress was made with respect to the implementation of IFRS 17, but that some insurance companies were still faced with some challenges. The CBA will continue monitoring the implementation of IFRS 17 during 2023.

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

8.1 OFFSITE SURVEILLANCE

In 2022, as part of its offsite surveillance, the PSIPI undertook several activities, including, inter alia, the analysis of the financial and regulatory reports submitted by the insurance companies, insurance brokers, and company pension funds. The PSIPI intensified its offsite surveillance on the insurance brokers to ensure timely compliance with the CBA's prudential reporting requirements on an ongoing basis.

Figure 8.1 Tasks and responsibilities of the PSIPI



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.

In 2022, the PSIPI received ten new petitions associated with the appointment of a key person from insurance companies and one petition from a company pension fund. As per year-end 2022, four are still pending (see also Annex 7).

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

Table 8.1 Petitions to approve a change in external auditor in 2022

Sector	Insurance companies	Company pension funds	Insurance brokers	Total
Pending as of January 1, 2022	-	-	1	1
New requests	4	4	1	9
Withdrawn requests	-	-	-	-
Rejected requests	-	-	-	-
Approved	4	3	2	9
Pending as of December 31, 2022	-	1	-	1

In 2022, the CBA approved a change in certifying actuary of two life insurance companies (see Table 8.2).

Table 8.2 Petitions to approve a change in certifying actuary in 2022

Sector	Life insurance companies	Company pension funds	Total
Pending as of January 1, 2022	2	-	2
New requests	-	-	-
Withdrawn requests	-	-	-
Rejected requests	-	-	-
Approved	2	-	2
Pending as of December 31, 2022	-	-	-

8.2 ONSITE EXAMINATIONS

In 2022, PSIPI conducted targeted examinations at four insurance companies. During these examinations, the CBA reviewed the adequacy of the corporate governance framework as well as the quality of the assets. At one life insurance company, the CBA focused on the life insurance company's investments. Table 8.3 provides an overview of the examinations carried out by PSIPI in 2022.

Table 8.3 Onsite examinations conducted at insurance companies and pension funds in 2022

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

8.3 PASSING ON OF THE SUPERVISORY COSTS

34 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 2022, including the insurance and pension funds sector.

Chapter 9

Integrity supervision

The Integrity Supervision Department (ISD) is tasked with overseeing compliance with the AML/CFT State Ordinance, the Sanction Ordinance insofar it regards financial institutions and DNFBPs, the State Ordinances on the supervision of the MTCs and TSPs, as well as the stipulations in the sectoral supervisory ordinances with regard to sound business operations. The ISD consisted of seven full-time staff members at year-end 2022. The primary tasks and responsibilities of ISD are illustrated in Figure 9.1.

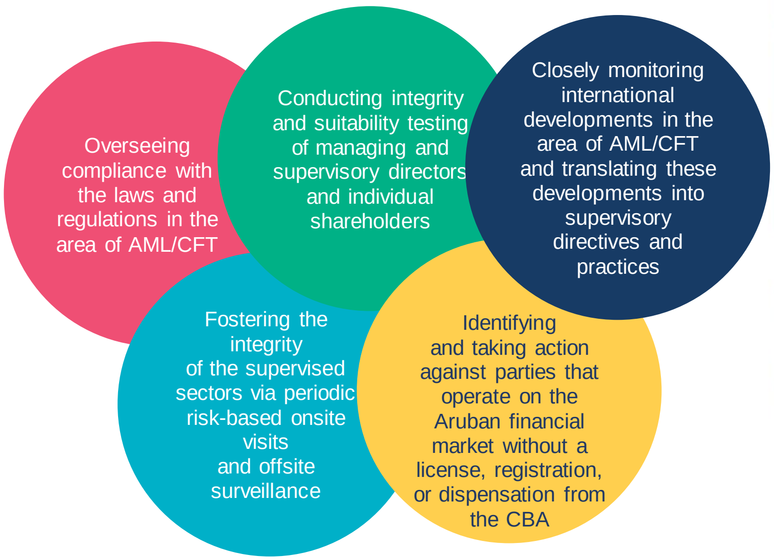
In 2022, the ISD carried on with its efforts to foster compliance through onsite examinations and offsite surveillance. To stay informed about international advancements, the ISD staff participated in numerous virtual training programs in the areas of AML/CFT, e.g., training on Proliferation Financing and emerging trends provided by the Association of Certified Anti-Money Laundering Specialists (ACAMS). Additionally, the staff attended other virtual AML/CFT conferences and training sessions on sanctions regimes, cryptocurrency, VASPs, and Human Trafficking which were arranged by various organizations, including the Association of Certified Sanctions Specialists (ACSS), the, “Coordinatiecentrum Mensenhandel Mensensmokkel Aruba” (CMMA), FinScan and the FATF.

9.1 OFFSITE SURVEILLANCE

In 2022, the ISD undertook several activities as part of its offsite surveillance. It surveyed selected financial institutions and DNFBPs on the key requirements of the AML/CFT legislation. The surveys were organized as part of the ongoing process to assess the AML/CFT framework in place at the supervised institutions, and to evaluate the level of improvement in the sectors’ AML/CFT frameworks compared to the results of the 2021 surveys. Key survey results were communicated to the respective sectors as a whole via letters and during information sessions. Additionally, the banks and the MTCs were surveyed on the topic of sound business operations. The data gathered through these surveys provided the CBA with valuable information that, inter alia, also feeds its AML/CFT risk-based approach.

Furthermore, in 2022, the CBA continued and finalized its projects on the topics of Terrorist Financing and Politically Exposed Persons (PEP). The results of mentioned projects were also communicated to the respective sectors in writing and during the information sessions with these sectors.

Figure 9.1 Primary tasks and responsibilities of the ISD



9.2 ONSITE EXAMINATIONS

The ISD conducted eleven onsite examinations in 2022: two examinations at financial institutions, one at a life insurance company and one at a bank-like institution. Nine examinations were carried out at the DNFBPs: two casinos,

two notaries, two real estate companies, two TSPs, and one at an accountant (see Table 9.1).

Table 9.1 Onsite examinations conducted by ISD in 2020-2022

Sector	2020	2021	2022
Credit institutions	3	11	-
Bank-like institutions	-	-	1
Life insurance companies	1	1	1
Insurance brokers	1	-	-
Pawnshops	1	1	-
Money transfer companies	1	2	-
DNFBPs	12	7	9
Total	19	22	11

The onsite examinations conducted in 2022 focused on, inter alia, ongoing monitoring, unusual transaction reporting, and CDD. This was mainly based on ISD's AML/CFT risk-based approach and the areas of concerns identified in 2022.

The onsite examinations revealed multiple breaches of the AML/CFT State Ordinance with respect to, among other things, CDD (including transaction monitoring), (timely) reporting of unusual transactions to the FIU, and policies and procedures. Annex 8 provides a comprehensive overview of the breaches identified. The findings of the onsite examinations, insofar concluded, were communicated in writing to the institutions examined, which were also given a reasonable timeframe to take remedial actions. However, in addition, in cases of more severe findings, formal measures were taken (see Chapter 10) or are being considered.

9.3 INFORMATION SESSIONS HELD FOR SUPERVISED INSTITUTIONS

Twelve AML/CFT information sessions were held by the CBA during 2022: five for selected financial institutions and seven for selected DNFBPs. The sessions were held in the form of general sessions or meetings with individual institutions or with representative organizations. These information sessions were organized in response to requests from the sectors for guidance on specific topics.

Table 9.2 provides an overview per sector of the topics discussed during the information sessions held in 2022 with the respective sectors.

Table 9.2 Information sessions 2022

Sector	Month	Type of Session	Topics discussed
Real Estate (Meeting with representative organization)	May	Meeting	* AML/CFT Framework *Unusual transaction reporting * Registration * Compliance Functions
Credit Unions[7]	July	Meeting	* Transaction monitoring * AML/CFT Policies and procedures * Compliance functions * Business Risk Assessment * AML/CFT training
Banks	August	General session	* TF/CFT * PF/CPF

[7] A bilateral meeting was held with each of the credit unions separately.

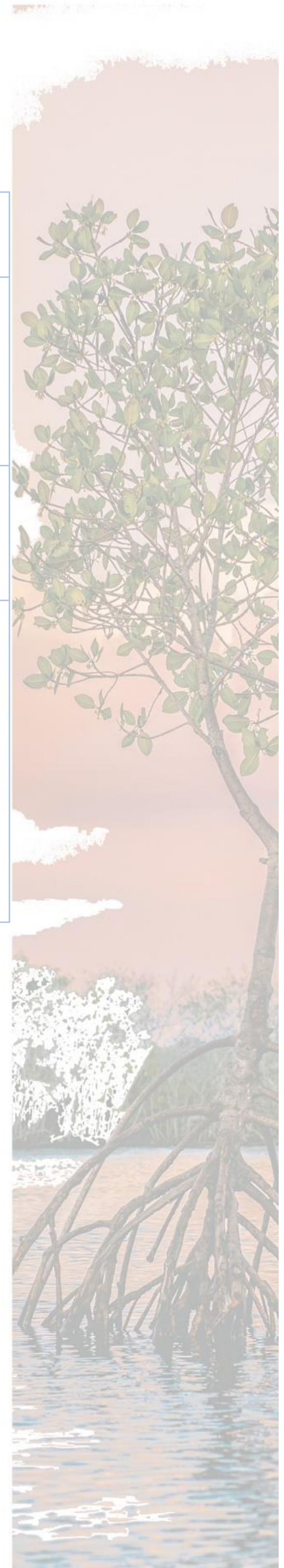
Sector	Month	Type of Session	Topics discussed
Banks	August	General session	* Key findings on thematic projects (PEP/ transaction monitoring/ Real Estate transactions)
Real Estate[8]	September	General session	* Key findings NRA * CFATF Mutual Evaluation * Registration * Compliance functions * AML/CFT training * AML/CFT Audit * CDD * Unusual transaction reporting and statistics
MTCs	September	General session	* TF/CFT * PF/CPF
Notaries	October	General session	* PF * CFATF Mutual Evaluation * Key findings onsite examination * Response questionnaires
TSPs	October	General session	* PF * Key findings NRA * CFATF Mutual Evaluation * Key findings onsite examination * Results Questionnaires
Accountants (Meeting with representative organization)	November	Meeting	* CFATF Mutual Evaluation * Key findings onsite examination * Results questionnaires * Key findings NRA
Lawyers[9]	November	General session	* CFATF Mutual Evaluation * Results questionnaires * Key findings NRA
Real Estate (Meeting with representative organization)	December	Meeting	* AML/CFT Framework * Registrations * Reporting of unusual transactions * Compliance functions * Results questionnaires * Key findings onsite examinations

9.4 SANCTIONS

On April 13, 2022, two Sanctions State Decrees entered into force in response to Russia's actions as these destabilized the situation in Ukraine, namely;

i. Sanctions State Decree Territorial Integrity Ukraine I (AB 2022 no. 47);
ii. Sanctions State Decree Recognition Donetsk and Luhansk (AB 2022 no. 48).

[8] This session was held for all registered real estate agents. The FIU also collaborated by offering a presentation during this session.
[9] The FIU also collaborated by offering a presentation during this session.



Additionally, the Council of the European Union adopted nine packages of sanctions in 2022 in light of Russia's escalating aggression against Ukraine. These European Union (EU) sanctions, along with the Sanctions State Decrees of April 13, 2022, were communicated in a timely manner (within 24 hours of receipt) to all supervised financial institutions and DNFBPs. The institutions were informed regarding the specific restrictive measures adopted by the Council, along with the number of newly designated individuals and legal entities against which the EU imposed restrictive measures. The CBA required all institutions to take duly notice of the content of the letters sent and to stay abreast of the EU list of sanctioned persons and entities given that they are kept under constant review and subject to periodic renewals by the Council.

9.5 PASSING ON OF THE SUPERVISORY COSTS

On December 23, 2022 the State Decree on the allocation of supervision costs to non-financial service providers AML/CFT State Ordinance was formalized by the GoA after the consultation round of the CBA with the DNFBPs was finalized. Subject State Decree entered into force on January 1, 2023, providing the CBA with a legal basis to charge part of the supervisory costs incurred in connection with the execution of AML/CFT Ordinance to the DNFBPs. The supervision costs will be charged by the CBA to the DNFBPs before December 1st of each year.

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Chapter 10

Enforcement, market entry, and legal advisory

The Enforcement, Market Entry, & Legal Advisory Department (EML) consisted of three staff members at year-end 2022. The EML Department works closely with the PSDB, the PSIPI, the ISD, and the Legal Services Department on enforcement and market entry related matters. It monitors international standards and best practices in the area of enforcement and market entry and, insofar as these are relevant for Aruba, 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 2022, 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, amongst other things, on the seriousness of the breach. The CBA's enforcement policy lays out the process for such decisions. In this context, a so-called escalation ladder is used, on the basis of which an assessment is made for the application of the type of measure. The more serious the (possible) consequences of a violation and the more culpable the behavior of the offender, the sooner not only a (formal) remedial sanction will be imposed (provided remediation is possible), but also a punitive sanction (or an administrative fine) will be imposed. The CBA has also established further guidelines for determining the amount of an administrative fine. These guidelines entered into force on February 1, 2022. Both the CBA's enforcement policy, as well as the Guidelines for determining the amount of the administrative fines can be found on its website: www.cbaruba.org.

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

a. Issuing a formal direction;
b. Imposing a penalty charge order and/or an administrative fine;
c. Declaring that an auditor or actuary is no longer authorized to certify the annual filings of a credit institution, an insurance company, an insurance broker, a money transfer company, or a company pension fund;
d. Appointing a silent receiver in the case of a credit institution, an insurance company, or a company pension fund;

e. Filing a request to the Court of First Instance to apply the emergency regulations and to appoint one or more administrators (*bewindvoerders*) in the case of a credit institution or insurance company;
f. With respect to company pension funds, requesting the Court of First Instance to appoint an administrator (*bewindvoerder*) in the case of mismanagement, for example;
g. Revoking the license, dispensation, or cancelling the registration;
h. 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 2019-2022 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 can be submitted to the EML Department, which then 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 2022, the EML Department processed the following requests in the area of market entry:

- One request concerning a change in the qualifying holding of an insurance broker;
- One request from a nonlife insurance company for a license to operate in an additional nonlife insurance segment;
- One request from an Aruban legal entity for a license to operate as an insurance broker in Aruba;
- One request from an Aruban legal entity for a dispensation pursuant to article 48 of the SOSCS to mediate in the activity of granting credit or other forms of financing to the public;
- One request from a commercial bank for the revocation of its license; and
- Two 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.

Moreover, the license of one insurance broker was revoked, while the request of an Aruban legal entity for a license to operate as a credit institution was withdrawn upon its own request. Finally, one request concerning a change in the qualifying holding of an insurance broker was withdrawn in 2022, while the assessment of two requests concerning a change in qualifying holding was temporarily suspended, pending the submission of further information and documents.

Reference is also made to Table 10.1 for a complete overview of the licenses, dispensations, and permissions received and processed during the year under review.

Table 10.1 Requests reviewed and processed in 2022

	Licenses			Dispensations			Permissions						Total
	Art. 4 SOSCS[10]	Art. 2 SDSIB[11]	Art. 5 SOSIB[12]	Art. 4 SOSIB[13]	Art. 27b SOSIB[14]	Art. 48 SOSCS[15]	Increase in equity[16]	Change in qualifying holding[17]	Acquisition of assets and liabilities of another entity[18]	Name change[19]	Financial reorganization and acquisition of a qualifying holding in a new entity[20]	Entering in a sub-ordinated loan[21]	
Pending as of January 1, 2022	1	1	-	-	-	3	-	4	1	1	-	-	11
New requests	-	1	1	7	32	-	1	8	-	2	1	1	54
Issued	-	1	-	7	30	1	1	8	1	3	1	1	54
Request discontinued	1	-	-	-	-	-	-	3	-	-	-	-	4
Pending as of December 31, 2022	-	1	1	-	2	2	-	1	-	-	-	-	7

[10] License to pursue the business of a credit institution.
[11] License to act as an insurance broker.
[12] License to engage in the insurance business.
[13] Dispensation to operate as a sales agent for an insurance company.
[14] Dispensation to act as an intermediary in the conclusion, surrender, or payment of an insurance contract with an enterprise or institution domiciled in or outside Aruba, which does not dispose of a license to engage in the insurance business as issued by the CBA.
[15] Dispensation to operate as a finance company, pawnshop and/or mortgage broker.
[16] Pursuant to article 9 of the SOSCS.
[17] Pursuant to article 17 of the SOSCS, article 14a of the SOSIB (also in conjunction with article 4 of the SDSIB) and article 5a of the SOSTSP.
[18] Pursuant to article 16 of the SOSCS.
[19] Permission for and decision by the CBA to change an issued license, dispensation or registration – as to the name of supervised entity to whom it is bestowed – in accordance with the statutory name change of said supervised entity.
[20] Pursuant to article 16 of the SOSCS.
[21] Pursuant to conditions set in the license, dispensation or registration of the supervised entity.

Chapter 11

Key financial developments

This chapter describes the key developments in the financial sector, which comprises commercial banks, bank-like institutions, money transaction companies, life and 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	2020	2021	2022
Total	10	10	10
Commercial banks	5	5	5
Bank-like institutions	3	3	3
Credit unions	2	2	2

Number of supervised institutions within the insurance sector	2020	2021	2022
Total	21	20	20
Nonlife insurance companies	11	10	10
Life insurance companies	6	6	6
Captive insurance companies	4	4	4

Number of supervised institutions within the pension fund sector	2020	2021	2022
Company pension funds[22]	8	8	7

Source: CBA.

[22] 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 2022 compared to 2021. 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, and that the latter bank is no longer active in the Aruban market.

11.1.1 COMMERCIAL BANKS

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

In 2022, the commercial banks' lending activities picked up as the aggregated loan portfolio expanded by 3.4 percent

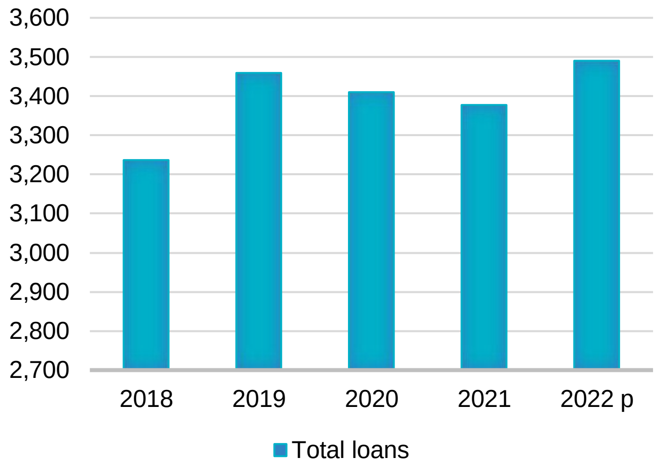
AGGREGATED BALANCE SHEET TOTAL

The commercial banking sector is an essential part of the Aruban economy, with a combined total balance sheet amounting to 110.1 percent of Aruba's 2022 Gross Domestic Product (GDP) as estimated by the CBA. The commercial banks' aggregated balance sheet total grew by Afl. 340.0 million or 5.0 percent at end-2022 compared to end-2021, reaching the Afl. 7 billion mark, or Afl. 7,124.3 million, at year-end 2022. This expansion can be mainly attributed to the hikes in investments of Afl. 128.8 million or 28.0 percent and the loan portfolio of Afl. 114.4 million or 3.4 percent. On the liability side, total deposits grew by Afl. 229.6 million or 4.2 percent, while equity increased by Afl. 103.4 million or 8.7 percent.

AGGREGATED OUTSTANDING LOANS

Aggregated outstanding loans stood at Afl. 3,490.9 million at year-end 2022 (see Chart 11.1). The contractionary path witnessed during the period 2020-2021 came to a halt in 2022, as the total loan portfolio grew by Afl. 114.4 million or 3.4 percent compared to 2021. This is a clear indication that demand for credit resumed.

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



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

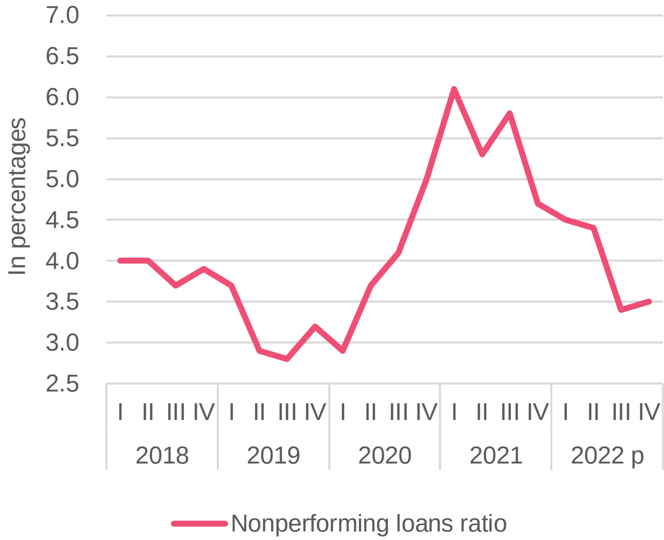
AGGREGATED TOTAL DEPOSITS

Deposits increased in 2022 by Afl. 229.6 million or 4.2 percent to Afl. 5,706.7 million compared to 2021, reflecting expansions in demand deposits (Afl. 260.8 million or 8.2 percent) and savings deposits (Afl. 31.3 million or 2.7 percent), while time deposits contracted by Afl. 62.5 million or 5.5 percent. The overall growth in deposits of Afl. 229.6 million or 4.2 percent in 2022 is less when compared to the growth of Afl. 592.5 million or 12.1 percent in 2021. The latter was mainly the result of the financial support provided by the Government of Aruba to businesses and households in connection with the COVID-19 pandemic.

QUALITY OF LOAN PORTFOLIO

According to information shown in Chart 11.2 and Table 11.2, the nonperforming loan ratio of the commercial banks surged during 2020 and early 2021, peaking at 6.1 percent in the first quarter of 2021. Commensurate with the economic recovery that gained traction in the second quarter of 2021, the quality of the loan portfolio also started to improve in the latter part of 2021 and continued throughout 2022. Subsequently, the nonperforming loan ratio descended sharply to 3.5 percent at year-end 2022. The total nonperforming loans declined by Afl. 36.8 million or 22.6 percent in 2022 compared to 2021, mainly due to the restructuring of some of the nonperforming loans. The improvement in the nonperforming loan ratio is witnessed in both the business and individual loans categories.

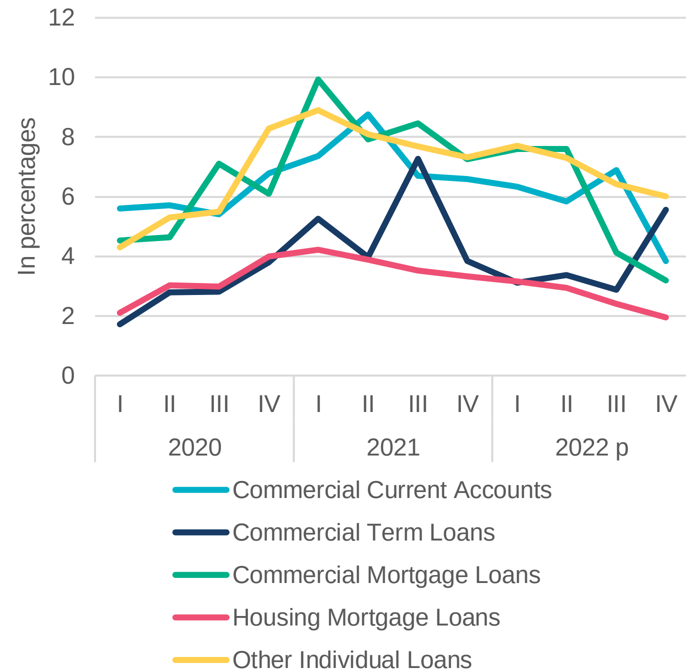
Chart 11.2 Development of the nonperforming loans (gross) to total gross loans of the commercial banks (at end of period)



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

Chart 11.3 shows that during 2022, with the exception of the commercial term loans category, all nonperforming loan categories moved downwards in the year under review.

Chart 11.3 Development of the nonperforming loans (gross) ratio by loan category of the 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 2.5 percentage points to 39.7 percent at year-end 2022, substantially above the required minimum of 16.0 percent.

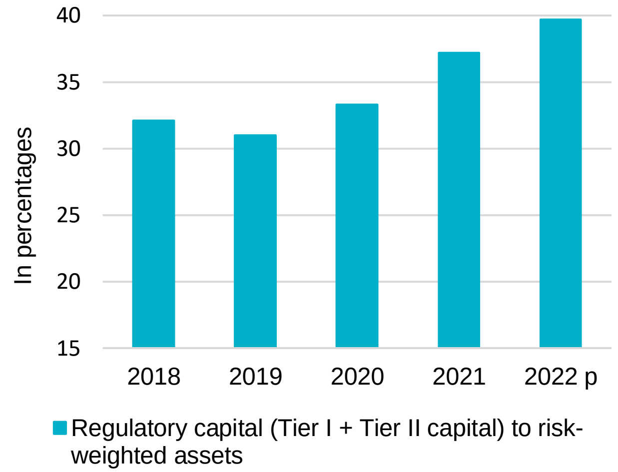
As reflected in Table 11.2 and Chart 11.4, the commercial banks' aggregated risk-weighted capital adequacy ratio remained highly adequate at nearly 40 percent by the end of 2022. The 2.5 percentage points growth in 2022 compared to 2021 is due to a larger increase in the regulatory capital of Afl. 104.3 million or 8.9 percent, compared to an Afl. 65.8 million or 2.1 percent rise in the risk-weighted assets. The rise in the regulatory capital is the result of the sharp expansion of the 2022 net profit of the commercial banking sector. Also, no dividends were paid out during 2022.

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

	2018	2019	2020	2021	2022p
Capital adequacy					
Regulatory capital (Tier I capital) to risk-weighted assets	24.4	24.6	27.5	28.6	30.7
Regulatory capital (Tier I + Tier II capital) to risk-weighted assets	32.1	31.0	33.3	37.2	39.7
Asset quality					
Nonperforming loans to gross loans	3.9	3.2	5.0	4.7	3.5
Nonperforming loans (net of ALLP[1]) to gross loans	1.5	0.9	1.1	1.5	1.1
Nonperforming loans (net of ALLP) to regulatory capital	4.9	3.0	3.8	4.5	3.1
Profitability					
Return on assets (before taxes)	2.1	1.7	0.4	2.1	2.2
Return on equity (before taxes)	13.1	10.6	2.7	13.5	13.8
Interest margin to gross income	55.5	56.0	63.3	55.5	51.1
Noninterest expenses to gross income	77.2	81.9	93.5	71.1	71.2
Interest rate margin[2)]	5.2	4.4	4.7	4.7	4.5
Liquidity					
Loan-to-deposit ratio	68.1	68.4	66.8	58.9	58.4
Liquid assets to total assets[3)]	29.8	29.3	33.7	38.0	29.8

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

After plummeting in 2020 to a record-low net income (before taxes) of Afl. 24.6 million, the banking sector rebounded in 2021 to a pre-pandemic net income (before taxes) level of Afl. 133.0 million. In 2022, the commercial banking sector surpassed the 2021-performance by recording a net result (before taxes) of Afl. 150.5 million. The sharp rise in profitability is also reflected in the return on assets (before taxes), which also reached pre-pandemic levels of 2.1 percent in 2021 and 2.2 percent in 2022. This is largely attributed to the release of the significant loan loss provisions formed in 2020, due to the negative economic outlook at that time in connection with the COVID-19 pandemic.

On the income side, the net interest margin was Afl. 5.0 million or 2.5 percent higher in 2022 compared to 2021, while other operating income grew by Afl. 35.7 million or 21.9 percent. Although revenues generated from lending activities remain a significant source of income as indicated by the interest margin to gross income ratio of 51.1 percent at end-2022, other operating income, consisting of fees and commission and revenues from foreign exchange transactions, continued to increase at a faster rate, and were a nearly equal source of income for the commercial banks as this income category accounted for 48.9 percent of total income in 2022. On the expense side, the noninterest expenses to gross income ratio reached a record high of 93.5 percent in 2020, due primarily to the sizable additions to the loan loss provisions mentioned earlier. This ratio normalized in 2021 to 71.1 percent and in 2022 to 71.2 percent. This result is also largely the consequence of the release of the loan loss provisions formed during the peak of the COVID-19 pandemic, following the gradual economic recovery.

LIQUIDITY

Per year-end 2022, the PLR (liquid assets to total assets) plunged from 38.0 percent in 2021 to 29.8 percent, but remained well above the required minimum of 18.0 percent.

Table 11.2 shows strong increases during 2020-2021 in the PLR of the commercial banks, related to the temporary monetary relief measures that provided the commercial banks with additional free liquidity to continue their lending activities. However, in 2022 the PLR plummeted to 29.8 percent, i.e., an 8.2 percentage point drop, mostly attributed to the consecutive increases of the reserve requirement[23], requiring the commercial banks to maintain significant

[23] The reserve requirement was gradually increased from 12.0 percent in December 2021 to 25.0 percent at year-end 2022.

account balances at the CBA based on a percentage of their deposits. The reserve requirement balances held at the CBA are excluded when calculating the PLR and, as such, was the principal reason for the sharp decline in the PLR in 2022.

The commercial banks' aggregated loan-to-deposit ratio hovered around 68.0 percent during 2018-2019, and began a declining trend in 2020 to 66.8 percent, 58.9 percent in 2021, and 58.4 percent in 2022. The 0.5 percentage point contraction in 2022 compared to 2021 was the result of a larger increase in deposits (Afl. 229.6 million or 4.2 percent) compared to the growth in total loans (net) of Afl. 106.8 million or 3.3 percent.

11.1.2 BANK-LIKE INSTITUTIONS

11.1.2.1 AGGREGATED BALANCE SHEET TOTAL

The bank-like institutions' aggregated balance sheet total was Afl. 895.8 million at year-end 2022, equivalent to 13.9 percent of Aruba's 2022 GDP, as estimated by the CBA.

At year-end 2022, the bank-like institutions' aggregated balance sheet total expanded by Afl. 94.3 million or 11.8 percent to Afl. 895.8 million when compared to end-2021, mirroring an Afl. 95.7 million or 158.1 percent increase in cash and due from banks, while funds borrowed rose by Afl. 71.2 million or 24.6 percent.

11.1.2.2 KEY RATIOS

ASSET QUALITY

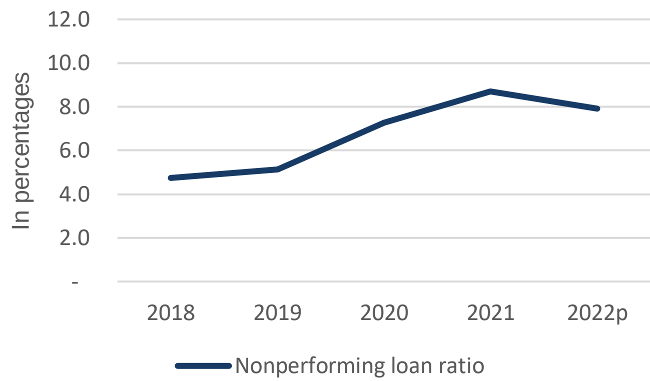
Table 11.3 and Chart 11.5 show that the nonperforming loan ratio deteriorated sharply in 2020 and 2021 as a result of the COVID-19 pandemic, and peaked at 8.7 percent per end-2021. However, in 2022, a slight improvement was recorded as the nonperforming loan ratio declined by 0.8 percentage point to 7.9 percent.

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

	2018	2019	2020	2021	2022p
Capital adequacy					
Regulatory capital (Tier I capital) to risk-weighted assets	56.6	51.4	54.6	55.9	57.1
Regulatory capital (Tier I + Tier II capital) to risk-weighted assets	63.4	58.1	59.6	61.3	63.5
Asset quality					
Nonperforming loans to gross loans	4.7	5.1	7.3	8.7	7.9
Nonperforming loans (net of ALLP) to gross loans	3.7	4.0	5.4	6.9	6.1
Nonperforming loans (net of ALLP) to regulatory capital	4.2	4.7	6.2	7.5	6.3
Profitability					
Return on assets (before taxes)	3.6	4.0	1.2	2.3	2.5
Return on equity (before taxes)	6.6	7.2	2.2	4.0	4.5
Interest margin to gross income	62.6	61.5	66.1	58.6	64.4
Noninterest expenses to gross income	67.4	65.7	86.1	78.2	72.4

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)



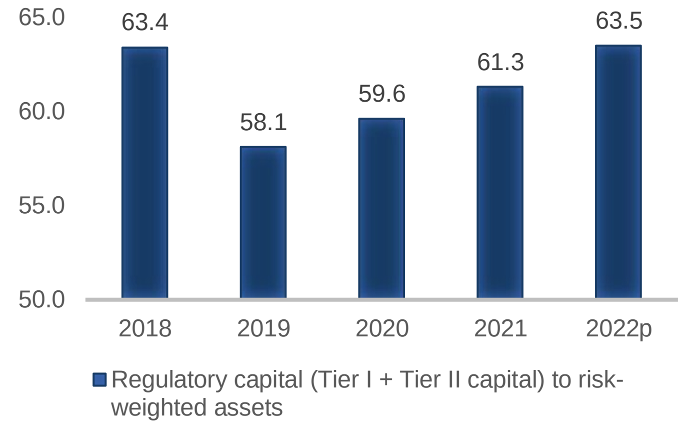
Source: CBA: bank-like institutions; p= preliminary figures.

CAPITAL ADEQUACY

The aggregated regulatory capital-to-risk-weighted assets ratio of the bank-like institutions remained highly solid at 63.5 percent at year-end 2022.

Table 11.3 and Chart 11.6 show that the regulatory capital (Tier I + Tier II capital) to risk-weighted assets ratio of the bank-like institutions began an upward trend since 2019, as it widened from 58.1 percent in 2019 to 63.5 percent in 2022. The 2.2 percentage points increase in 2022 was due to higher capital and reserves (numerator of this ratio) of Afl. 20.5 million or 4.8 percent. This is attributed to the result of the allocation of the 2022 net result to retained earnings, and was partly offset by the distribution of dividend. Overall, the regulatory capital ratio of the bank-like institutions remained elevated and solid, despite the COVID-19 pandemic.

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, the impact of the COVID-19 pandemic on the performance of the bank-like institutions was quite tangible, as the return on assets (before taxes) more than halved to 1.2 percent in 2020 compared to 2019. This ratio picked up to 2.3 percent in 2021 and to 2.5 percent in 2022, however, not yet near the pre-pandemic level of around 4.0 percent. The performance of the bank-like institutions in 2022, measured by the return on assets (before taxes) of 2.5 percent, was ascribed to a higher net interest income of Afl. 6.7 million, that was partly offset by a drop in other operating income of Afl. 2.8 million. The higher interest revenues are also evidenced by the increase in the interest margin to gross income ratio, from 58.6 percent in 2021 to 64.4 percent in 2022.

The noninterest expenses to gross income was fairly stable during the period under review, with the exception of the surge in 2020 to 86.1 percent. This was predominantly due to the large additions to the loan loss provisions (part of the numerator of this ratio) formed in connection with the COVID-19 pandemic. Thereafter, this ratio subsided in 2021 to 78.2 percent and in 2022 to 72.4 percent, as the Aruban economy started to recover on a relative quick pace.

11.2 MONEY TRANSACTION COMPANIES

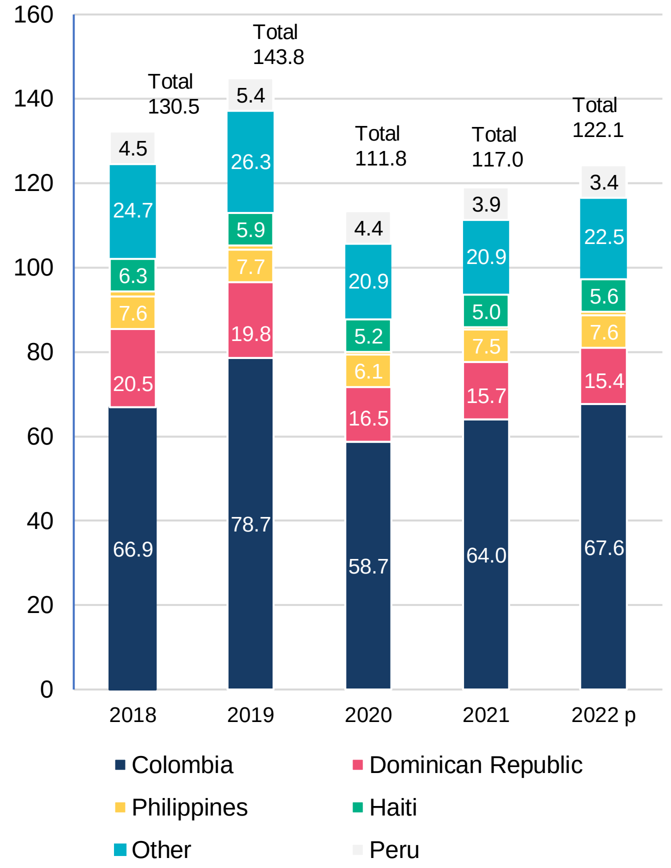
At the end of 2022, four money transaction companies were registered in Aruba. However, Kalpa Exchange Services VBA has not yet started its operational activities since receiving its license in 2021.

11.2.1 OUTGOING MONEY TRANSFERS

The total amount of outgoing money transfers increased by Afl. 5.1 million from Afl. 117.0 million in 2021 to Afl. 122.1 million in 2022.

A significant portion of Aruba's workforce comprises - foreign workers, predominantly from South America. Many of these foreign workers remit a portion of their earnings back to their home countries. The amount of outgoing money transfers increased consistently from 2016 through 2019. However, in 2020, there was a decrease of Afl. 32.0 million or 22.3 percent in outgoing money transfers compared to the year before, primarily due to reduced economic activities in Aruba caused by the COVID-19 pandemic, which led to a decrease in employment and salaries. Since 2021, there has been an increase in outgoing money transfers as the economic activities picked up and some COVID-19-related foreign exchange remittance restrictions were lifted. In 2022, Colombia continued to be the top destination for outgoing money transfers, accounting for around 55.4 percent (equivalent to Afl. 67.6 million) of the total transfers in 2022 (Chart 11.7).

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



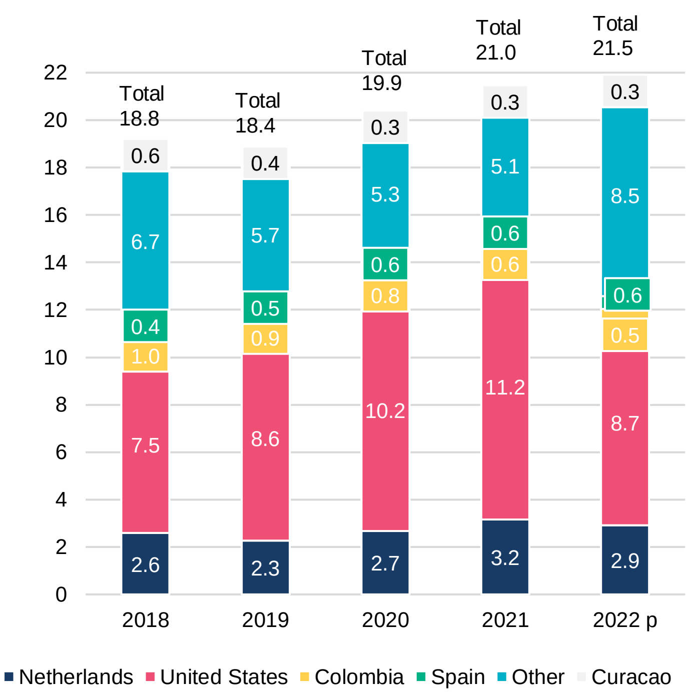
Source: CBA: money transfer companies; p= preliminary figures.

11.2.2 INCOMING MONEY TRANSFERS

The total amount of incoming money transfers increased to Afl. 21.5 million in 2022, up from Afl. 21.0 million in 2021.

The majority of the incoming transfers originated from the U.S. in 2022 (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 remained twenty by year-end 2022 compared to year-end 2021.

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 was Afl. 345.8 million at the end of 2022, equivalent to 5.3 percent of Aruba's 2022 GDP, as estimated by the CBA.

AGGREGATED BALANCE SHEET TOTAL

The nonlife insurance companies' aggregated balance sheet grew by Afl. 0.4 million or 0.1 percent to Afl. 345.8 million at the end of 2022. This expansion was due primarily to an increase of Afl. 12.8 million or 7.3 percent in investments and a decrease in current assets of Afl. 8.4 million or 5.8 percent.

Total investments of the nonlife insurance companies grew steadily from 2018 on, standing at Afl. 188.5 million at year-end 2022. Nearly all the investments are local investments, as only Afl. 1.7 million or 0.9 percent of the total investments at end-2022 are foreign. Chart 11.9 displays the composition of the investments at year-end 2022.

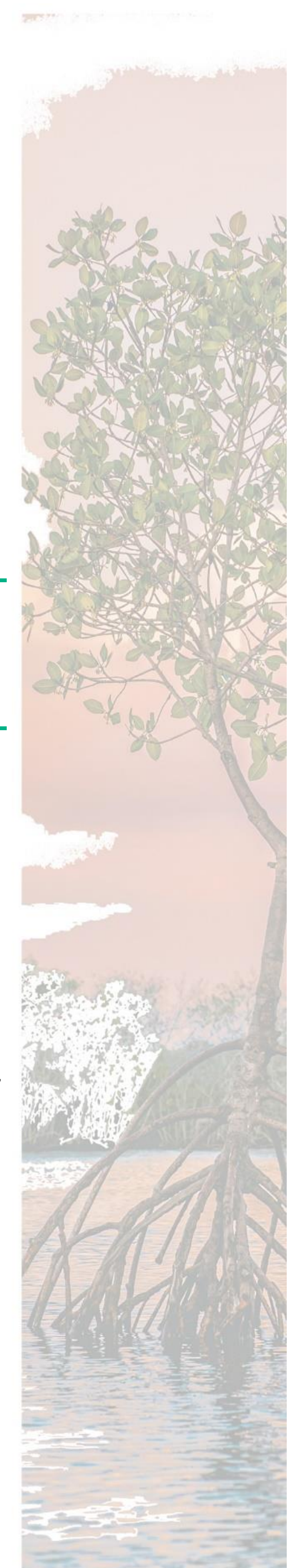
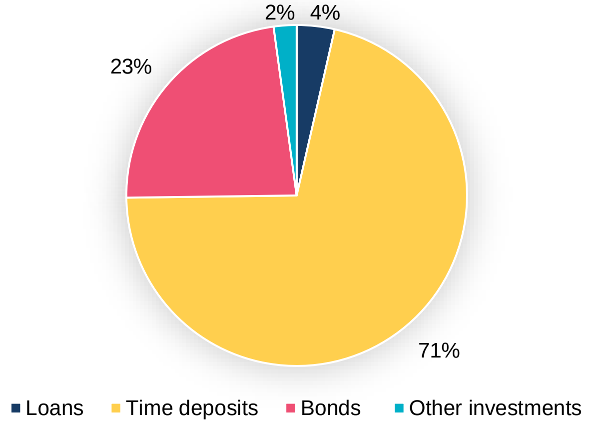


Chart 11.9 Investments by nonlife insurance companies at year-end 2022



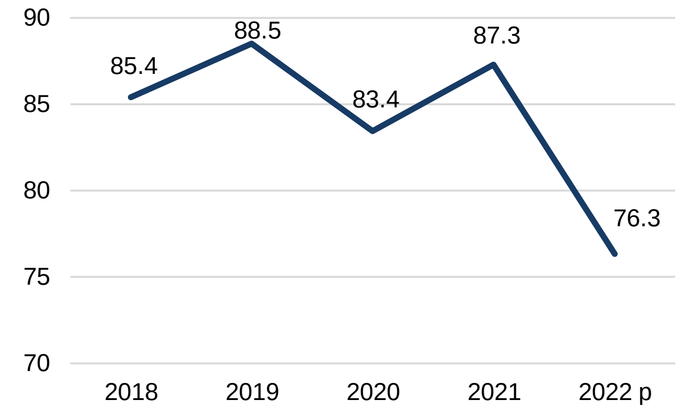
Source: CBA: nonlife insurance companies (preliminary figures).

NET EARNED PREMIUM

In 2022 net earned premiums decreased by Afl. 11.0 million or 12.6 percent to Afl. 76.3 million compared to 2021, related to declines in property premiums (Afl. 4.3 million or 23.8 percent), accident and health premiums (Afl. 3.7 million or 17.2 percent), and motor vehicle premiums (Afl. 3.7 million or 8.1 percent), while other premiums grew by Afl. 0.8 million or 50.2 percent (Chart 11.10).

Net earned premiums recorded an increase of Afl. 1.9 million in the period 2018-2021. However, a decrease was noted in 2020 of Afl. 5.1 million or 5.7 percent compared to 2019. In 2020, four of the five indemnity groups noted declines, with motor vehicle premiums recording the largest drop of Afl. 4.5 million or 8.6 percent.

Chart 11.10 Net earned premiums in Afl. million



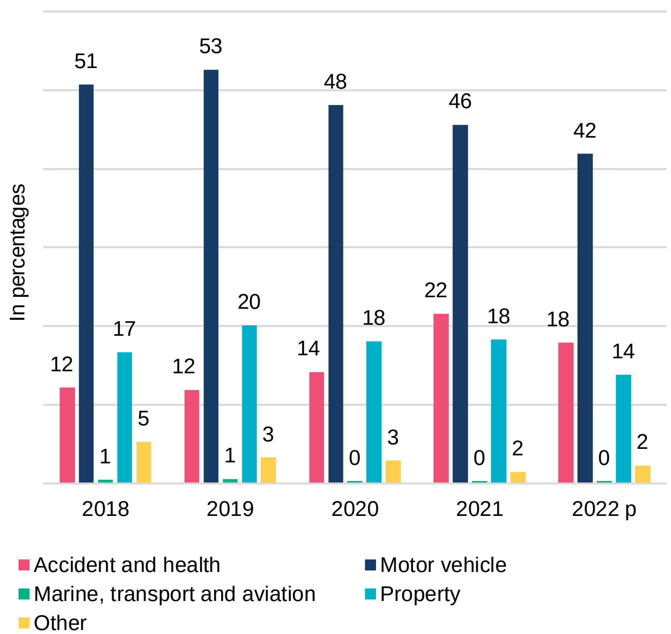
Source: CBA: nonlife insurance companies; p= preliminary figures.

NET EARNED PREMIUM PER INDEMNITY LINE

Net premiums received from motor vehicle insurance, despite the decreasing trend, remained the main source of income for nonlife insurance companies in 2022 (Chart 11.11).

The net premiums from motor vehicle insurance amounting to Afl. 41.9 million stood at year-end 2022 at its lowest point since 2014.The premiums related to accident and health insurance rose in 2020 and 2021, but abated in 2022 to Afl. 17.9 million. Net premiums from property insurance remained virtually the same at about Afl. 18 million in the years 2020 and 2021, but declined to Afl. 13.9 million at year end-2022.

Chart 11.11 Net earned premium by indemnity line



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

11.3.1.2 KEY RATIOS

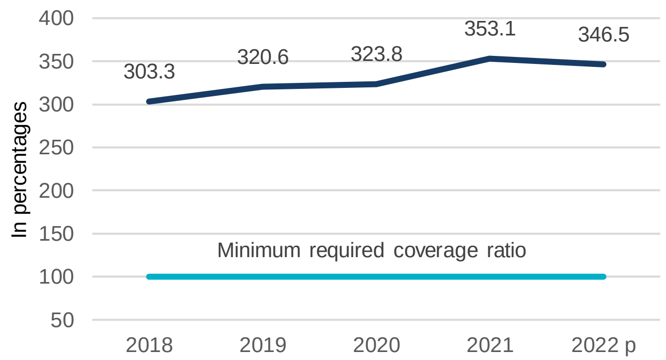
COVERAGE RATIO

Table 11.4 shows that the coverage ratio of the nonlife insurance sector improved from 303.3 percent in 2018 to 353.1 percent in 2021. The improvements noted in the coverage ratio during 2019-2020 of, respectively, 17.3 percentage points and 3.2 percentage points were caused primarily by contractions in the technical provisions (denominator of this ratio). In 2021, the coverage ratio surged by 29.3 percentage points to 353.1 percent, caused by a growth of Afl. 12.4 million or 4.9 percent in the admissible assets to cover technical provisions, while the technical provisions contracted by Afl. 3.0 million or 3.8 percent.

The coverage ratio of the nonlife insurance sector decreased by 6.6 percentage points to 346.5 percent at end-2022, but remained far above the regulatory minimum of 100.0 percent.

In 2022, the coverage ratio fell by 6.6 percentage points to 346.5 percent, mainly due to a growth of Afl. 2.6 million or 3.4 percent in the technical provisions (Chart 11.12).

Chart 11.12 Combined coverage ratio nonlife insurance companies (at end of period and in percentages)



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

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

	2018	2019	2020	2021	2022p
Coverage ratio[1]	303.3	320.6	323.8	353.1	346.5
Return on investment ratio[2]	3.4	3.6	3.2	3.3	3.9
Liquidity ratio[3]	50.4	47.3	38.4	42.0	39.5

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.

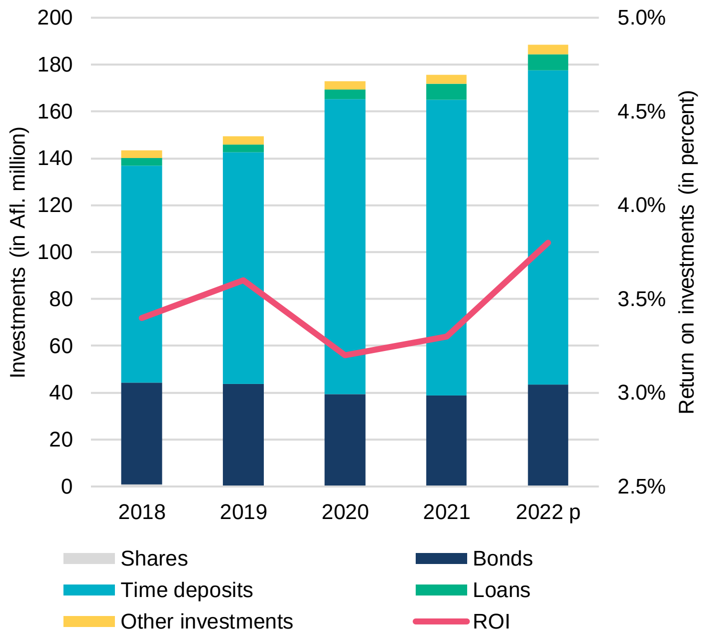
RETURN ON INVESTMENT RATIO

The return on investment ratio was relatively stable over the last five years, hovering around approximately 3 to 4 percent. In general, the return on investment for the nonlife insurance sector is lower compared to the life insurance sector, as a large portion of the investment portfolios of the nonlife insurers consists of time deposits, which yield relatively lower returns compared to other investment categories. Chart 11.13 illustrates the development of this ratio over the period 2018-2022.

LIQUIDITY RATIO

Table 11.4 shows that the liquidity ratio for nonlife insurance companies declined in 2019 and 2020, respectively, by 3.1 percentage points and 8.9 percentage points. The marked drop in 2020 was mostly related to the decrease in receivables from reinsurers. The liquidity ratio went up in 2021 by 3.6 percentage points to 42.0 percent, primarily due to a rise in current assets. But in 2022, this ratio fell again, namely by 2.5 percentage points to 39.5 percent, mostly due to a 5.8 percent decrease in the current assets.

Chart 11.13 Return on investment ratio (at end of period)



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

11.3.2 LIFE INSURANCE COMPANIES

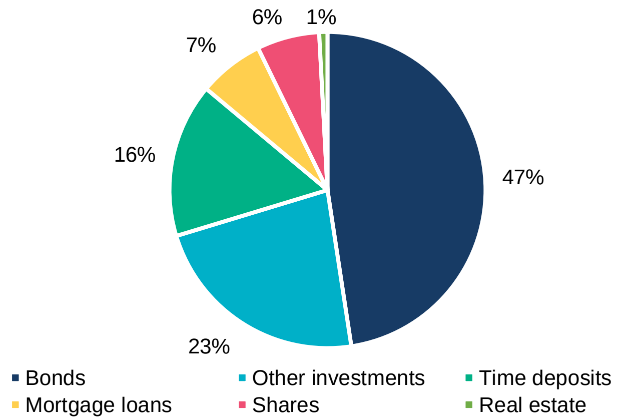
The combined assets of the life insurance sector total was Afl. 1,695.2 million at year-end 2022, equivalent to 26.2 percent of Aruba's 2022 GDP, as estimated by the CBA.

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. 1,361.2 million at end-2018 to Afl. 1,695.2 million at end-2022, equivalent to an Afl. 334.0 million or 24.5 percent expansion. The growth in investments of Afl. 347.1 million or 31.6 percent, i.e., from Afl. 1,099.4 million at end-2018 to Afl. 1,446.5 million at end-2022, was the main driver of the increase in total assets over the past five years. Chart 11.14 reflects the composition of the investments at year-end 2022, and shows that almost half of the investment portfolio consisted of bonds.

The share of foreign investments in the investment portfolio of the life insurance companies was Afl. 296.7 million or 20.5 percent at year-end 2022.

Chart 11.14 Investments by life insurance companies at year-end 2022



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

The technical provisions form a substantial portion of liability side of the life insurance sector's balance sheet as these provisions represent the discounted future liabilities toward policyholders. Technical provisions exhibited a consistent upward trend over the past five years, rising by Afl. 306.5 million or 26.6 percent to Afl. 1,460.4 million at end-2022, up from Afl. 1,153.9 million at end-2018.

Capital and reserves grew at an increasing rate during 2018-2021, i.e., from Afl. 137.8 million in 2018 to Afl. 207.4 million in 2021. However, in 2022, the capital and reserves shrank to Afl. 181.4 million, which is equivalent to a reduction of Afl. 26.0 million or 12.6 percent. The latter was due largely to the marked declines in the reserves of Afl. 16.4 million and in the retained earnings of Afl. 9.7 million. The drop in the reserves was caused primarily by fair value losses on the international bonds portfolio measured at fair value through other comprehensive income.

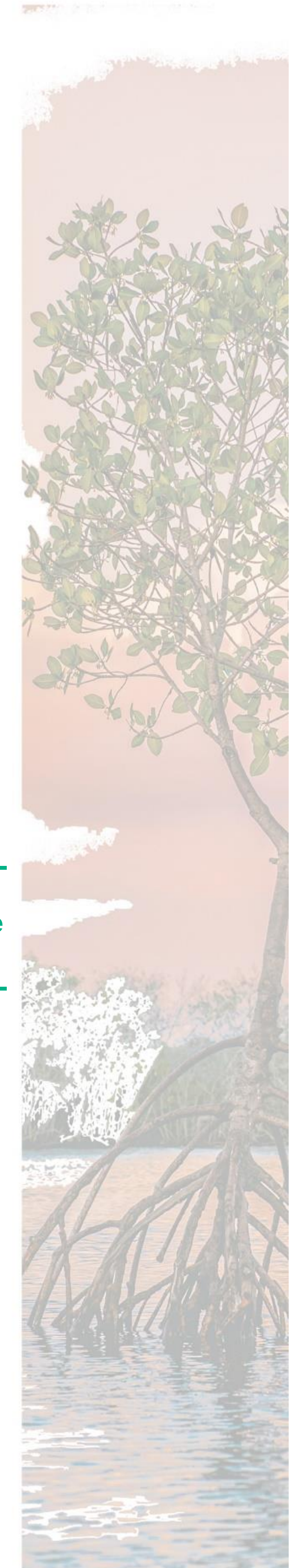
11.3.2.2 KEY RATIOS

COVERAGE RATIO

The coverage ratio of the life insurance sector stood at 109.3 percent at year-end 2022, remaining far above the regulatory minimum of 100.0 percent.

As illustrated in Table 11.5 and Chart 11.15, the coverage ratio experienced little movement during 2018-2022, ranging between the lower bound of 108.9 percent in 2019 and the higher bound of 111.4 percent in 2021. Insurance companies are required to maintain, at a minimum, a coverage ratio of 100.0 percent at all times.

In 2022, a 2.1 percentage points decline was registered, compared to 2021, due to a larger increase in the technical provision of Afl 88.0 million or 6.4 percent compared to an increase of Afl. 67.3 million or 4.4 percent in the assets to cover the technical provisions. In other words, the eligible



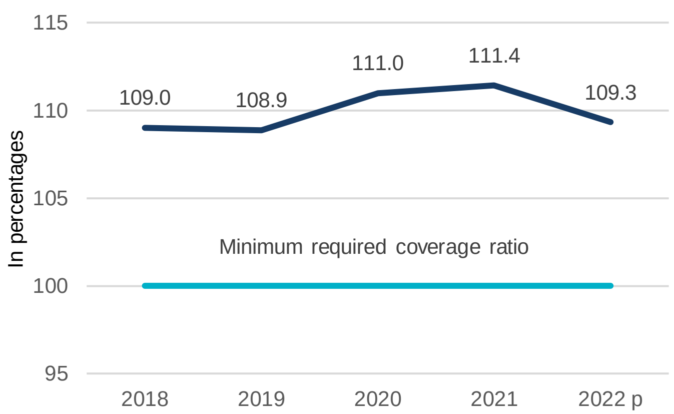
assets held by life insurance companies to cover its liabilities grew at a slower pace than the technical provisions (sum of the discounted future liabilities toward policyholders).

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

	2018	2019	2020	2021	2022p
Coverage ratio[1]	109.0	108.9	111.0	111.4	109.3
Return on investment ratio[2]	4.5	5.2	4.9	5.2	3.8
Liquidity ratio[3]	17.2	8.8	11.7	12.6	13.3

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.

Chart 11.15 Combined coverage ratio life insurance sector (at end of period and in percentages)

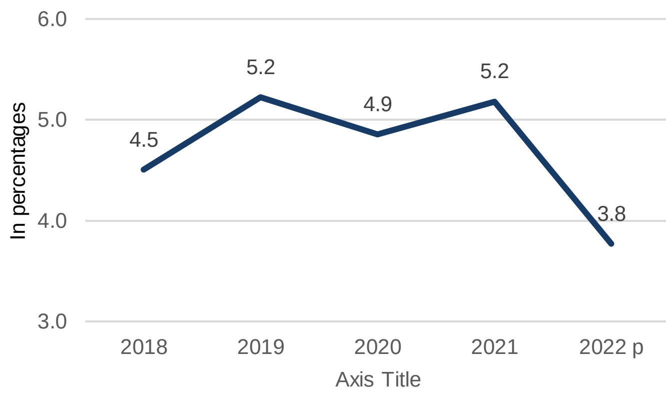


Source: CBA: life insurance companies; p= preliminary figures.

RETURN ON INVESTMENT RATIO

The return on investment ratio was quite stable during 2018-2021, hovering between 4.5 percent and 5.2 percent. However, it fell to 3.8 percent at year-end 2022. As noted earlier and as illustrated in Chart 11.14, the majority of the investment portfolio for life insurance companies consists of government bonds, which were negatively impacted by developments in the US bond market as the Federal Reserve Bank raised its interest rate sharply in 2022.

Chart 11.16 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. 108.3 million or 46.2 percent contraction in current assets. This contraction stems from a marked expansion in the investment portfolio of the life insurance companies.

In 2020, the liquidity ratio picked up to 11.7 percent, and steadily continued to strengthen in 2021 to 12.6 percent and in 2022 to 13.3 percent. The increases in the period 2020-2022 are mainly attributed to the growth in current assets of, respectively, Afl. 54.4 million or 43.2 percent in 2020, Afl. 25.1 million or 13.9 percent in 2021, and Afl. 20.2 million or 9.8 percent in 2022. The 2022 rise in current assets was mostly reflected in the deposits held at the commercial banks.

PROFITABILITY

The net income before taxes of the life insurance companies grew from Afl. 17.8 million in 2019 to Afl. 22.3 million in 2020 and to Afl. 38.5 million in 2021. On the other hand, a net loss before taxes of Afl. 5.1 million was recorded in 2022. The profits earned in 2019 were associated mostly with an increase of Afl. 14.7 million in investment income. The steep decline in the addition to the technical provisions of Afl. 26.3 million, partially offset by the contraction of the net premiums of Afl. 16.1 million, was responsible for the positive net result of 2020.

The significant increase in net income before taxes in 2021 was largely related to the decline in net claims of Afl. 12.9 million. The loss recorded in 2022 was mostly caused by the increase in net claims of Afl. 60.5 million and the decrease of Afl. 17.4 million in investment income.

11.4 COMPANY PENSION FUNDS[24]

The number of company pension funds (including APFA) supervised by the CBA fell to seven at year-end 2022 as one company pension fund decided to join APFA's pension plan.

At year-end 2022, the net coverage ratio (including a buffer for possible losses on the investment portfolio) of two company pension funds fell below the minimum of 100 percent. These pension funds are required to submit a recovery plan aimed at eliminating the shortfall.

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

The combined assets of the company pension funds was Afl. 529.4 million, equivalent to 8.2 percent of Aruba's 2022 GDP, as estimated by the CBA.

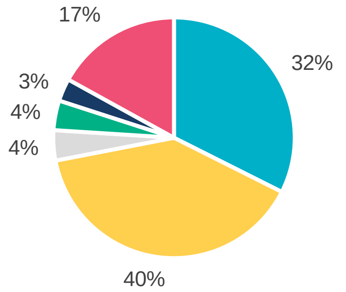
AGGREGATED BALANCE SHEET TOTAL

The aggregated balance sheet total of the five company pension funds (excluding APFA and the Lago Annuity Foundation whose pension obligations are covered by a guarantee of the parent company) declined by Afl. 127.2 million or 19.4 percent from Afl. 656.6 million in 2021 to Afl. 529.4 million in 2022. This was primarily driven by the decrease in the number of company pension funds in 2022. When adjusting the 2021-figures for this change, the aggregated balance sheet of the company pension funds increased by Afl. 8.2 million in 2022 compared to 2021.

The investments of the five company pension funds are mainly held in bonds (40 percent) and shares (32 percent). Afl. 155.9 million or 32.7 percent of the investments of the five company pension funds were held in foreign assets in 2022. Chart 11.17 displays the composition of the investments at year-end 2022.

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

Chart 11.17 Investments of company pension funds at year-end 2022



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

TECHNICAL PROVISIONS

Over the past five years, technical provisions for pension funds increased gradually by Afl. 24.3 million or 5.6 percent from Afl. 435.9 million at year-end 2018 to Afl. 460.2 million at year-end 2022. Table 11.6 shows the number of participants in the company pension funds. At year-end 2022 the number of participating companies in this sector was 211, a net increase of nine compared to 2021.

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

	2018	2019	2020	2021	2022p
Participants	7,566	7,548	7,529	7,433	7,770
Inactive participants	6,480	7,730	7,951	8,591	9,374
Pensioners	900	969	1,010	1,149	1,140
Total	14,946	16,247	16,490	17,173	18,284

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

CAPITAL AND RESERVES

The capital and reserves for company pension funds showed robust growth during 2018-2021, rising from Afl. 52.7 million in 2018 to Afl. 113.8 million in 2021. However, the capital and reserves of the company pension funds dropped by Afl. 47.8 million or 42.0 percent from Afl. 113.8 million at year-end 2021 to Afl. 66.0 million at year-end 2022. This drop was caused primarily by the reduction in the number of pension funds by one and the net loss recorded in 2022.

11.4.2 KEY RATIOS

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

	2018	2019	2020	2021	2022p
Coverage ratio[1]	102.3	105.3	107.1	109.8	104.9
Return on investment ratio[2]	0.8	9.7	7.1	7.3	-1.4

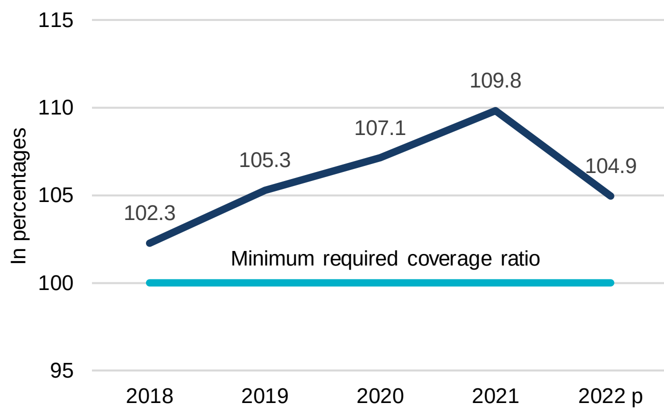
Source: CBA: company pension funds; p= preliminary figures.
1) Weighted assets less current liabilities to technical provisions.
2) Investment income to average invested assets.

COVERAGE RATIO

The aggregated coverage ratio for the company pension funds' sector decreased by 4.9 percentage points to 104.9 percent in 2022, but remained far above the minimum requirement of 100.0 percent.

The coverage ratio for company pension funds dropped significantly from 109.8 percent in 2021 to 104.9 percent in 2022, but, overall, stayed above the required minimum of 100.0 percent (see Table 11.7 and Chart 11.18). This is primarily due to the transfer of the investment portfolio and pension liabilities of one company pension fund to APFA. Consequently, the surplus of the admissible assets to cover the technical provisions dropped by Afl. 30.1 million by year-end 2022. This drop was due to a decline in admissible assets of Afl. 108.6 million, which was partially offset by a decrease in the technical provisions amounting to Afl. 78.4 million.

Chart 11.18 Aggregated coverage ratio company pension funds (at end of period and in percentages)



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

RETURN ON INVESTMENT RATIO

The return on investment ratio was negative 1.4 percent in 2022, mostly due to the Federal Reserve Bank's tightening of its monetary policy, as well as other major central bank interest rate hikes during 2022 to combat persistently high inflation.

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. 3,301.2 million at year-end 2022, equivalent to 51.0 percent of Aruba's 2022 GDP, as estimated by the CBA.

AGGREGATED BALANCE SHEET TOTAL

APFA's balance sheet total grew during the period 2018-2022, rising from Afl. 2,822.4 million at end-2018 to Afl. 3,301.2 million at end-2022, i.e., an Afl. 478.8 million or 17.0 percent expansion. APFA's investment portfolio grew by Afl. 427.8 million or 15.7 percent over the same period, and is the primary driver for the growth in the balance sheet total over the mentioned period. However, during 2022 APFA's balance sheet total decreased by Afl. 68.3 million, primarily driven by the loss incurred on its international investment portfolio amounting to Afl. 81.8 million or 2.5 percent. At the end of 2022, Afl. 1,379.9 million or 43.8 percent of APFA's investments were held in foreign assets.

TECHNICAL PROVISIONS

During the period 2018-2022 the technical provisions climbed steadily by Afl. 293.1 million or 11.2 percent from Afl. 2,618.2 million at end-2018 to Afl. 2,911.4 million at the end-2022. Table 11.8 shows the development in the number of participants at APFA.

As shown in Table 11.8, APFA's total number of participants leveled slightly below 7,000 participants, with the joining of a company pension fund to the APFA pension plan. At the other hand, the number of retirees (who have reached pension age) has been rising over the past five years, i.e., by 413 pensioners over this five year period.

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

	2018	2019	2020	2021	2022p
Participants	7,045	7,014	6,999	6,953	6,973
Former participants	928	1,080	1,219	1,314	1,512
Pensioners	4,100	4,166	4,239	4,338	4,513
Total	12,073	12,260	12,457	12,605	12,998

Source: CBA: APFA; p= preliminary figures.

CAPITAL AND RESERVES

After climbing to Afl. 620.2 million by the end of 2021, APFA's capital and reserves decreased by Afl. 254.3 million or 41.0 percent, to Afl. 365.9 at year-end during 2022. This decrease was mainly driven by APFA's international equity portfolio, which recorded a negative return of 16.4 percent.

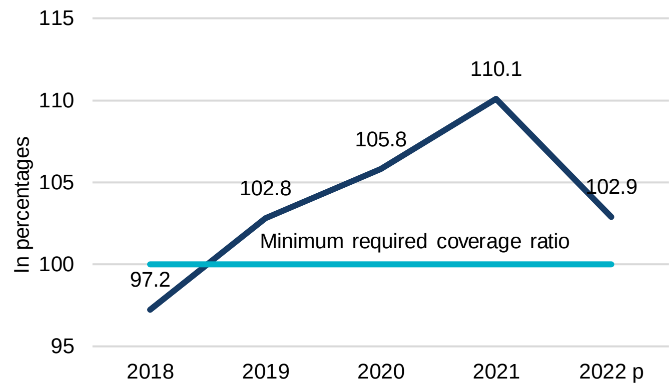
11.5.2 KEY RATIOS

COVERAGE RATIO

The coverage ratio of APFA stood at 102.9 percent at end-2022, remaining slightly above the regulatory minimum of 100.0 percent.

Table 11.9 and Chart 11.19 depict the developments 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. After experiencing upward climbs to 105.8 percent in 2020 and 110.1 percent at end-2021, APFA's coverage ratio declined to 102.9 percent at the end of 2022. This decline is primarily attributed to an increase of Afl. 184.4 million in technical provisions. APFA was required to increase its technical provision as its return on investments was significant lower than the minimum required return on investments.

Chart 11.19 Net coverage ratio of APFA (at end of period and in percentages)



Source: CBA: APFA; p= preliminary figures.

RETURN ON INVESTMENT RATIO

APFA recorded (based on its preliminary figures) a return on investment ratio of -4.3 percent (see Table 11.9) at the end of 2022. This outcome was the result of a negative return of 14.6 percent on its international portfolio. On the other hand, APFA's local investment portfolio recorded a return of 5.3 percent.

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

	2018	2019	2020	2021	2022p
Coverage ratio[1]	97.2	102.8	105.8	110.1	102.9
Return on investment ratio[2]	2.5	9.7	6.9	7.8	-4.3

Source: CBA: APFA; p= preliminary figures.

1) Weighted assets less current liabilities to technical provisions.

2) Investment income to average invested assets.

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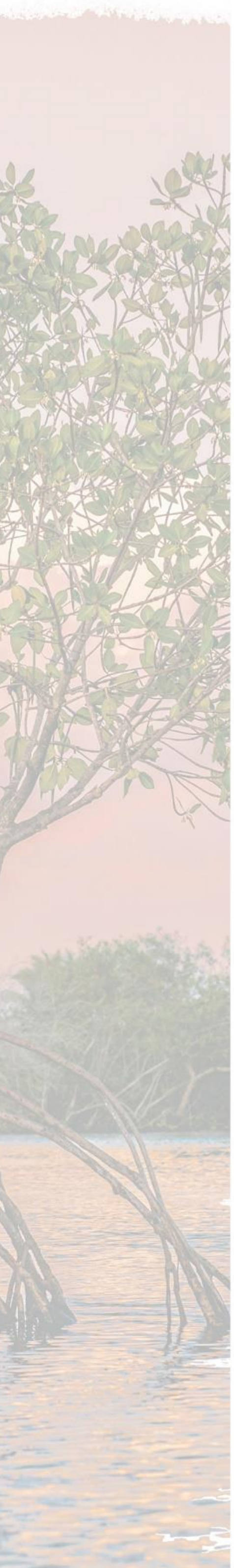
Annexes



Annex 1a
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 Transaction Companies (SOSMTC)	AB 2003 no. 60
Sanctions State Ordinance 2006	AB 2007 no. 24
State Ordinance on the Supervision of Trust Service Providers (SOSTSP)	AB 2009 no. 13
Sanction Decree Combat Terrorism and Terrorist Financing	AB 2010 no. 27
State Ordinance on the Prevention and Combating of Money Laundering and Terrorist Financing (AML/CFT State Ordinance)	AB 2011 no. 28
State Decree on the Supervision of Insurance Brokers (SDSIB)	AB 2014 no. 6
State Ordinance on the Supervision of the Securities Business (SOSSB)	AB 2016 no. 53

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

Annex 1b
Overview of the Sanctions legislation

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

Annex 2
Financial institutions supervised by the CBA (as of December 31, 2022)

In alphabetical order:

1. BANKING SECTOR[25]

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)[26]
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)

[25] Supervision by virtue of the SOSCS.
[26] FCIB's assets and liabilities were acquired by Aruba Bank N.V. in 2022.

2. MONEY TRANSFER SECTOR[27]

2.1 MONEY TRANSFER COMPANIES

1. Kalpa Exchange Services V.B.A[28]
2. Mack’s Exchange Services V.B.A.
3. Post Aruba N.V.
4. Union Caribe N.V.

3. TRUST SECTOR[29]

3.1 TRUST SERVICE PROVIDERS

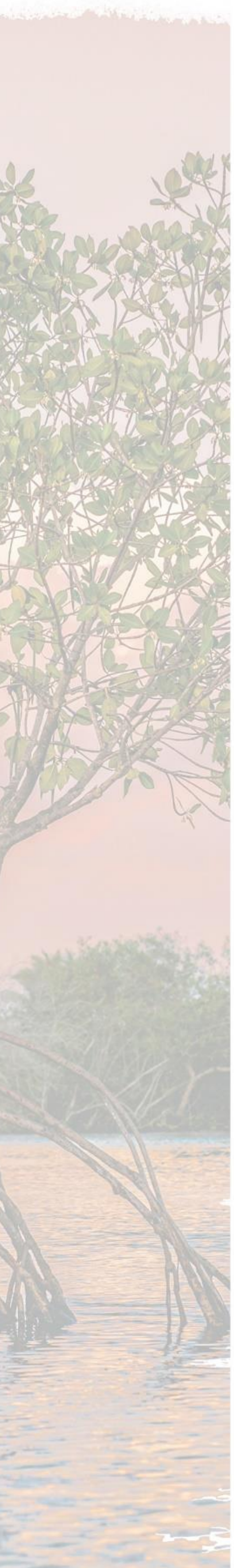
1. AMTR N.V.[30]
2. Arulex Trust Services N.V.
3. C.T.F. (Aruba) N.V.
4. Euro Trust International N.V.
5. IMC International Management & Trust Company N.V.
6. Intima Management N.V.
7. Standard Trust Company N.V.
8. United Trust Management (Aruba) UTM N.V.
9. Vistra (Aruba) N.V.

4. INSTITUTIONAL INVESTORS’ SECTOR

4.1 COMPANY PENSION FUNDS[31]

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

[27] Supervision by virtue of the SOSMTC.
[28] Not operational.
[29] Supervision by virtue of the SOSTSP.
[30] In liquidation.
[31] Supervision by virtue of the SOCPF.



5. INSURANCE COMPANIES[32]

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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[32] 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.[33]	•				
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[34]

1. Bancarib Real Insurance Aruba N.V.
2. Fides Rae Insurance Company N.V.[35]
3. MCB Risk Insurance N.V.
4. Mondis Manufacturers Insurance Company N.V.

5.4 INSURANCE BROKERS[36]

5.4.1 Premium collecting insurance brokers

1. Aresta Aruba N.V.
2. Assurantie Service Centrum Aruba A.S.C.A. N.V.
3. Boogaard Assurantiën N.V.
4. Framo Insurances N.V.
5. Jai Mahalaxmi Enterprises N.V.
6. Lyder Insurance Consultants N.V.

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33 In liquidation.

34 Supervision by virtue of the SOSIB and SDCIC.

35 In liquidation.

36 Supervision by virtue of the SDSIB.

7. Navigator Insurance Consultants Aruba N.V.
8. Pentagon Investment & Consultancy N.V.[37]
9. Seguros Geerman N.V.
10. Verdant Insurance and Management Company Group N.V.
11. Worldwide Insurance Agency N.V.

5.4.2 Non-premium collecting insurance brokers

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

[37] License revoked. In liquidation.

Annex 3
Financial institutions or persons in possession of a dispensation (as of December 31, 2022)

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
4. Bluestart Capital (Aruba) VBA

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

MONEY TRANSFER COMPANIES
1. MoneyGram International Inc.[38]
2. Western Union Financial Services International Inc.[39]

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

[38] For conducting money transfer activities through Union Caribe N.V.
[39] For conducting money transfer activities through Post Aruba N.V. and Mack's Exchange Services V.B.A.

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

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

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

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

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

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

1. Mrs. S.S. Alli-Martijn
2. Mrs. M.T. Arends
3. Mr. I. Chai
4. Ms. J. Dijkhoff
5. Mrs. M.I. Garcia Martinez
6. Mrs. L. Kelly
7. Mr. J.R. Martina
8. Mrs. J.M. Pesqueira
9. 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. Ms. Z.M. Kock
7. Mrs. B.S. van Loon-Kadir
8. Mrs. N.C. Marques Hidalgo
9. Mr. F.C. Martina
10. Mrs. M.V. Peters
11. Mr. J. Theysen
12. Mrs. S.J.G. Velthuizen
13. 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 of facilitating and meeting requirements for effective supervision of the financial sectors and financial markets in the Dutch Kingdom	2012
DNB	Cooperation and exchange of information in the area of supervision of banks, insurance companies, trust service providers, and money transfer companies	2014
AFM	Cooperation and exchange of information in the area of supervision of banks, insurance companies, insurance brokers, trust service providers, and money transfer companies	2015
GIFCS	Cooperation and information exchange	2019[40]
IAIS	Cooperation and information exchange	2022[41]

40 Agreed upon in 2016.

41 The accession to and signing of the MMoU took place in May 2022.

Annex 5
Attendance of virtual meetings of international supervisory bodies in 2022

This annex provides an overview of the virtual meetings attended in 2022 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)	▪ Supervisory impact of a high-inflation environment ▪ Implementations of BCPs ▪ Regulation of virtual asset markets ▪ Sustainable finance: green bonds and supervisory approach ▪ TCSP supervision: ongoing key supervisory challenges ▪ Application of enforcement powers ▪ Discussion of Summary Statements 2022
CGBS Members' Assembly (June)	▪ Effectiveness of financial regulation during the pandemic ▪ Regulation in the age of digitalization
GIICS Annual General Meeting and Annual Seminar (June)	▪ Operational risk ▪ Insurance conduct regulation ▪ Trends and regulation on captives and general insurance ▪ Impact of Covid-19 on regulation and supervision ▪ IFRS 17 challenges ▪ Sustainability and insurance
ASBA XXV Annual Assembly and High-level Meeting (October) - "Regional Public and Private Policy Dialogue Banking Sector"	▪ Climate-related financial risks ▪ Prudential treatment of crypto assets ▪ Reflections on the Basel III macroprudential buffers ▪ Financial inclusion, retail payments, and open finance
CFATF Plenary meeting (November)	▪ Discussion on key issues of the MERs of Suriname and Bolivarian Republic of Venezuela ▪ ML/FT/PF risks through the use of Virtual Assets and Virtual Assets Service Providers ▪ The impact of decriminalization of cannabis on AML/CFT ▪ ML/TF risks, trends, methods, and operational issues
CFATF WIGFI meeting (May) CFATF Plenary meeting (June)	▪ Discussion key issues of the MERs of Grenada and Aruba ▪ Discussion and approval of the MERs of Grenada and Aruba based on the 4th round methodology

Annex 6
Changes in the shareholding of supervised institutions in 2022

FINANCE COMPANIES

- On February 10, 2022, pursuant to article 17 of the State Ordinance on the Supervision of the Credit System (SOSCS), the CBA granted permission to Fondo di Pensioen di Trahadornan di Empresana i Fundacionnan Publico to increase its qualifying holding in Mack's Total Finance VBA to 23%.

- On March 9, 2022, pursuant to article 17 of the State Ordinance on the Supervision of the Credit System (SOSCS), the CBA granted permission to Ennia Caribe Leven (Aruba) N.V. to acquire a qualifying holding in Mack's Total Finance VBA.

TRUST SERVICE PROVIDERS

- On December 7, 2022, pursuant to article 5a of the State Ordinance Supervision of Trust Service Providers (SOSTSP), the CBA granted permission to Advocatenkantoor Mr. Anthony Ruiz VBA to increase its shares in Arulex Trust N.V. to a 100%.

- On December 13, 2022, pursuant to article 5a of the State Ordinance Supervision of Trust Service Providers (SOSTSP), the CBA granted permission to EQT AB and BPEA EQT Holdings AB to acquire a qualifying holding in Vistra Aruba N.V.

INSURANCE COMPANIES

- On February 23, 2022, pursuant to article 14a, paragraph 1, of the State Ordinance on the Supervision of the Insurance Business (SOSIB), the CBA granted permission to Coralisle Group Ltd. to acquire a qualifying holding in CG United Insurance Aruba N.V (formerly known as Massy United Insurance Aruba N.V.).

- On October 28, 2022, pursuant to article 14a, paragraph 1, of the State Ordinance on the Supervision of the Insurance Business (SOSIB), the CBA granted permission to Peak Reinsurance Company Limited to increase its qualifying holding in Nagico Aruba N.V. respectively Nagico Life Insurance Aruba N.V. to 100%.

INSURANCE BROKERS

- On February 10, 2022, 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 Pescara Holding N.V. to increase its shares in Framo Insurances N.V. to 100%.

- On December 20, 2022, 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 Ennia Caribe Leven (Aruba) N.V. to acquire 100% of the shares in EFS Equidad Financial Services N.V.

Annex 7
Integrity and suitability assessments conducted in 2022

This annex provides an overview of the integrity and suitability assessments conducted in 2022.

Sector	Credit institutions	Insurance companies	Company pension funds	MTCs	Trust service providers	Insurance brokers	Total
Pending as of January 1, 2022	3	4	4	-	-	-	11
New requests	15	10	1	-	-	-	26
Reassessments	-	-	-	-	-	-	-
Withdrawn requests	-	1	-	-	-	-	1
Rejected requests	-	-	-	-	-	-	-
Approved	3	2	-	-	-	-	5
Conditionally approved	4	7	5	-	-	-	16
Assessments ceased	6	-	-	-	-	-	6
Pending as of December 31, 2022	5	4	-	-	-	-	9

Annex 8
Type of breaches identified in 2022 during the AML/CFT onsite examinations

SECTOR	BREACHES OF THE AML/CFT STATE ORDINANCE	AREAS
Financial institutions		
Bank-like	Chapter 2, article 46, of the AML/CFT State Ordinance	* Customer due diligence * Procedures and measures
Life Insurance Companies	Chapter 2, article 46, of the AML/CFT State Ordinance	* Customer due diligence * Procedures and measures
DNFBPs		
Notaries	Chapter 2, article 26 and Chapter 6 of the AML/CFT State Ordinance	* Customer due diligence * Reporting of unusual transactions * Procedures and measures
TSPs	Chapter 2, articles 35, 46a, and 47, of the AML/CFT State Ordinance and article 28 SOSTSP	* Customer due diligence * Procedures and measures * Appointment of a local MLCO and MLRO * Legal requirement to cooperate with Supervisory authority
Casinos	Chapter 2, articles 26, 46 of the AML/CFT State Ordinance	* Customer due diligence * Reporting of unusual transactions * Procedures and measures
Real Estate companies	Chapter 2, and article 26 of the AML/CFT State Ordinance	* Customer due diligence * Reporting of unusual transactions

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

	2020			2021			2022		
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	-	2	-	1	1	3	-	1
Pawnshops	-	-	-	-	-	-	-	-	-
Life insurers	1	-	-	-	-	-	-	-	-
Nonlife insurers	-	-	-	-	-	-	-	-	1
Captive insurers	-	-	-	-	-	-	1	-	-
Insurance brokers	-	-	-	-	1	-	-	1	-
MTCs	-	-	-	-	-	-	-	-	-
Pension funds	-	-	-	-	-	-	-	-	-
TSPs	-	-	-	-	-	1	-	-	1
DNFBPs:									
▪ Casinos	-	-	2	-	-	2	-	-	-
▪ Lawyers	-	-	-	-	-	-	-	-	-
▪ Real estate	-	1	1	-	1	1	-	-	3
▪ Notaries	-	-	1	-	-	1	-	-	1
▪ Tax consultants	-	-	1	-	-	-	-	-	-
▪ Accountants	-	-	1	-	-	1	-	-	-
▪ Others	-	-	-	-	1	-	-	-	1
Total	**3**	**1**	**8**	**0**	**4**	**7**	4	1	8

Annex 10
Supervisory costs passed on in 2022

Pursuant to the respective state decrees[42], the CBA charges the supervised sectors for part of the supervisory costs incurred. The supervisory costs passed on to the different sectors in 2022 are as follows:

Sector	Supervisory costs passed on in 2022	
Credit institutions	Afl.	800,000
Insurers	Afl.	300,000
Captives	Afl.	30,000
Insurance brokers	Afl.	55,000
Company pension funds	Afl.	155,000
Money transaction companies	Afl.	150,000
Trust service providers	Afl.	100,000
Total	Afl.	1,590,000

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

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