



CENTRALE BANK VAN ARUBA

Abbreviated Policy on the Lending Facilities of the Centrale Bank van Aruba

The Lending Facility Program (LFP) of the Centrale Bank van Aruba (CBA)

In accordance with the Central Bank Ordinance, through the LFP, the CBA can, on request of the commercial banks, provide liquidity support denominated in Afl. and/or USD to the commercial banks that face temporary liquidity constraints and/or unexpected need for liquid funds in the form of collateral loans, insofar the qualifying conditions are met. In this way, the CBA aims to promote a smooth functioning of the payments system and to help foster financial stability.

The LFP consists of an overnight lending facility, a primary lending facility, a secondary lending facility, and a tertiary lending facility through collateralized loans, which are described below.

1. Overnight Lending Facility (OLF) denominated in Aruban florin

The commercial banks experiencing temporary shortfalls in their daily liquidity position and are solvent can borrow from the CBA against eligible collateral for a period of one day (overnight) at a predetermined interest rate.

2. Primary Lending Facility (PLF) denominated in Aruban florin or US dollar

The commercial banks that are solvent may obtain short-term liquidity denominated in Aruban florin or US dollar from the CBA against eligible collateral for a period of maximum thirty (30) days at a predetermined interest rate.

3. Secondary Lending Facility (SLF) denominated in Aruban florin and/or US dollar

The commercial banks that are solvent may obtain liquidity denominated in Aruban florin and/or US dollar from the CBA against eligible collateral for a period of maximum six (6) months, with an extension option at the discretion of the CBA, at an interest rate to be determined by the CBA. It should be noted that conditions of the SLF, excluding the interest rate, are determined by the CBA on a *case-by-case basis*.

4. Tertiary Lending Facility (TLF) denominated in Aruban florin and/or US dollar

This facility is restricted to commercial banks that are insolvent but are able to provide eligible collateral. Mentioned commercial banks may obtain liquidity denominated in Aruban florin and/or US dollar from the CBA against eligible collateral for a period to be determined by the CBA on a case-by-case basis, with an extension option at the discretion of the CBA, and at an interest rate to be determined by the CBA. It should be noted that all conditions of the TLF, including the interest rate, are determined by the CBA on a *case-by-case basis*.

LFP rates

The interest rate for each facility of the LFP is determined by the weighted average interest rate for the latest three (3) months Treasury Bills (base rate) issued by the Government of Aruba as the base, which is increased by the applicable margin. For example, the applicable interest rates of the LFP, effective Monday, November 7, 2022 until further notice are as follows:

	Interest rate basis	Interest rates as of November 7, 2022
OLF	Base rate plus 250 bps	2.90 percent
PLF	Base rate plus 300 bps	3.40 percent
SLF	Base rate plus 350 bps	3.90 percent
TLF	Minimum base rate plus 450 bps	≥ 4.90 percent

¹ Conditions of TLF, including the interest rate, are determined by the CBA on a case-by-case basis. Therefore, the indicated interest rate should be considered as a reference interest rate.