

The CBA revoked the “advance rate” and introduced its Lending Facility Program

Press Release

On March 2, 2022, the State Decree legal interest (Landsbesluit wettelijke rente) was amended and changed the way the legal interest rate is determined. In this regard, the legal interest rate as referred to in Article 120 of Book 6 of the Civil Code of Aruba (AB 2021 no. 137) was set at 3.00 percent per year, effective April 1, 2022. As a result hereof, the legal interest rate is no longer linked to the advance rate of the Centrale Bank van Aruba (CBA) as stipulated in article 13 of the Central Bank Ordinance. Subsequently, the CBA revoked mentioned advance rate, and introduced its Lending Facility Program (LFP), effective August 1, 2022.

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 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, under certain terms and conditions. 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 issued by the Government of Aruba as the base (base rate), which is increased by the following applicable margins:

- Overnight Lending Facility: base rate plus 250 Bps;
- Primary Lending Facility: base rate plus 300 Bps;
- Secondary Lending Facility: base rate plus 350 Bps;
- Tertiary Lending Facility: to be determined by the CBA on a case-by-case basis with a minimum rate equal to the base rate plus 450 Bps.

The CBA publishes on its website the applicable LFP rates, following each Treasury Bills issue by the Government of Aruba.

For more information, please refer to the “Abbreviated Policy of the Lending Facilities of the Centrale Bank van Aruba” and the applicable LFP rates, which are available on CBA’s website www.cbaruba.org as of today.