

PRESS RELEASE

ARUBA'S FINANCIAL SECTOR REMAINED HIGHLY SOLID AND PROFITABLE IN 2023

July 31, 2024

Today, the Centrale Bank van Aruba (CBA) releases the twelfth edition of its annual FINANCIAL SECTOR SUPERVISION REPORT (FSSR).

The CBA's *Financial Sector Supervision Report* for 2023 offers detailed insights into the implementation of the supervisory state ordinances assigned to the CBA governing the financial sector and changes in the regulatory and supervisory landscape, as well as an overview of the main developments within the Aruban financial sector.

According to the 2023 data, supervised sectors remained highly solid and profitable. Also, significant progress was made in further strengthening the resilience of the financial sector, as well as broadening the supervisory and regulatory framework in the areas of payments, market conduct and financial inclusion.

#### Economic outlook

The CBA is of the opinion that the economic outlook for Aruba remains favorable, mainly due to the buoyant developments in the tourism sector. The strong macroeconomic and monetary indicators demonstrate Aruba's resilience to external shocks like the COVID-19 pandemic. Positive economic developments also are reflected in the robust prudential ratios of the financial sector. The ample financial buffers by banks and other supervised institutions must hold have proven to be highly instrumental in maintaining a safe and sound financial system. Nonetheless, financial stability should not be taken for granted, especially against the backdrop of more volatile financial markets and emerging risks that include cybercrime, climate change, and the rapid advances in digital technology. While the latter comes with opportunities, potential risks must be considered and managed carefully.

#### Strengthening of the financial sector's resilience

Aruba's financial sector has shown remarkable resilience to external shocks over the years, including the recent COVID-19 pandemic, as reflected in its strong performance. International standards and risks associated with a highly one-sided economy, as well as lessons learned from the recent banking turmoil in the US and Swiss banking market, led the CBA to further strengthen the prudential regimes governing the banking, life insurance and pension fund sectors. The decision to raise these institutions' minimum solvency requirements or coverage ratios will fortify these sectors' resilience against external shocks.

#### Broadening and strengthening of the legislative framework

Significant progress has been made in designing a deposit insurance scheme and establishing a legislative framework for the licensing and supervision of payment service providers and the providers of payment systems. Also, with a view to fostering financial inclusion, the CBA submitted a legislative proposal to the Minister of Economic Affairs that introduces the legal right to a basic bank account under certain conditions. This proposal aims to improve access to basic banking products, such as a current account for domestic payments, which are essential to individuals' participation in an increasingly digitalized economy. In addition, the new State Ordinance on Consumer Credit will better protect customers who enter into a consumer loan agreement with a bank or other consumer credit provider by, inter alia, setting a maximum interest rate for consumer loans, prevent over-crediting and establishing rules that foster transparency in the area of fees and

other costs involved.

#### Fourth Round CFATF Mutual Evaluation Report (MER) of Aruba

The Fourth Round of the CFATF-MER of Aruba underscores Aruba's success in establishing an effective AML/CFT framework and the effectiveness of the CBA's risk-based approach. However, to fully comply with the FATF recommendations to prevent and combat money laundering, and terrorist and proliferation financing of weapons of mass destruction, additional improvements are necessary. In light hereof, the CBA drafted a plan of action to effectively implement the CFATF-MER recommendations that fall under its domain. The execution of this plan commenced in 2023, and is ongoing.

#### Enhancing cybersecurity oversight

Considering the increased cybersecurity risks faced by the financial sector as evidenced by the increased number of cyberattacks worldwide, the CBA will further intensify its oversight on the adequacy of the cybersecurity frameworks in place at the financial institutions. Secure and reliable operations also require the implementation of up-to-date Information Technology (IT) security-related policies, procedures, and measures at the supervised financial institutions. The CBA's technology-related policy papers form the benchmark for assessing the adequacy of the IT security framework at these institutions. In addition, and also in consideration of the revised core principles for effective banking supervision issued by the Basel Committee on Banking Supervision in April 2024, the CBA plans to provide further guidance to ensure sound management of operational risks at supervised financial institutions in the coming years.

#### Climate risk

The CBA points out that climate change is of increasing concern to Aruba, especially in relation to rising sea levels and the potential negative impact on Aruba's economy and, with it, the financial sector. The CBA recognizes the need to issue policy recommendations and guidance notes in coming years to promote awareness of this emerging risk to which also the supervised financial institutions are exposed to.

In conclusion, the CBA is steadfast in its commitment to foster a robust and reputable financial sector, by applying a forward looking approach. After all, prevention is better than cure. A safe and sound financial sector is vital for maintaining financial stability, which on its turn is an essential condition for sustainable economic growth.

The *FINANCIAL SECTOR SUPERVISION REPORT 2023* is available on the CBA website at [www.cbaruba.org](http://www.cbaruba.org).