

<p>SUPERVISION PROFILE</p> <p>CENTRALE BANK VAN ARUBA</p>

1. NAME OF THE SUPERVISORY AGENCY AND CATEGORY/IES OF FINANCIAL INSTITUTIONS FOR WHICH IT HAS REGULATORY OVERSIGHT RESPONSIBILITIES

The Centrale Bank van Aruba (the CBA) is the sole supervisory agency for financial institutions in Aruba.

2. NUMBER AND NAMES OF ENTITIES SUPERVISED IN EACH CATEGORY

Banking Sector	Number of Supervised Institutions
1. Commercial Banks	4
2. Offshore Banks	2
3. Bank-like Institutions	3
(a) Mortgage banks..... 1	
(b) Finance companies..... 1	
(c) Other financial institutions..... 1	
4. Credit Unions	2
TOTAL	11

Institutional Investors' Sector	Number of Supervised Institutions
Life Insurance Companies	7
Non-life Insurance Companies	13
Captive Insurance Companies	4
Company Pension Funds	11
TOTAL	35

Other	Number of Supervised Institutions
Money Transfer Companies	4
Trust service providers	0
TOTAL	4

3. **PRUDENTIAL INFORMATION/DATA REQUIRED OF LICENSED INSTITUTIONS AND PUBLICATION INTERVALS**

Commercial banks and bank-like financial institutions are required to submit their monthly (unaudited) statements of assets and liabilities with appendices (see below) on respectively, a monthly, quarterly and annual basis. On an annual basis, the commercial banks and the bank-like financial institutions are required to submit certified monthly statements, including appendices as per year-end, as well as their audited annual report and management letter. Please note that the bank-like institutions are exempted from filling out appendices 5, 11, 14, 15 and 16.

- Appendix 1: Claims and Liabilities with Other Banks and Financial Institutions
- Appendix 2: Breakdown of Loans Granted by Collateral Type
- Appendix 3: Large Loans
- Appendix 4: Interest Rates Loans and Deposits
- Appendix 5: Savings of Residents and Non-residents
- Appendix 6: Maturity Spread
- Appendix 7: Risk Weighted Solvency Test
- Appendix 8: Liquidity Testing Sheet
- Appendix 9: Breakdown into Sectors of Commercial Loans, Demand Deposits, Time Deposits Private, Borrowings (Bonds and Other) (Residents Sector Only)
- Appendix 10: Income and Expenditure Statement (*Quarterly*)
- Appendix 11: Loans Distributed by Economic Sector (Residents Only) (*Quarterly*)
- Appendix 12: Non-Performing Loans (*Monthly*)
- Appendix 13: Allocated Loan Loss Provision (*Quarterly*)
- Appendix 14: Country Risk Exposure (*Annually*)
- Appendix 15: Interest Rate Risk Exposure (*Annually*)
- Appendix 16: Foreign Exchange Risk Exposure (*Annually*)

The insurers and company pension funds have to submit on an annual basis detailed financial information to the CBA audited by their external auditors, as well as their annual audited reports and the management letter issued by their external auditors. They also have to submit key figures on a quarterly basis (unaudited). The money transfer companies also report detailed quarterly information on their activities (unaudited) and also have to submit the fourth quarter report audited by their external auditors, as well as their annual audited reports and management letter issued by the external auditor. The reporting requirements for the trust service providers are currently being drafted.

4. PRUDENTIAL INFORMATION/DATA PUBLISHED BY SUPERVISORY AUTHORITY AND PUBLICATION INTERVALS

The monthly aggregated financial figures and macro-prudential indicators of the commercial banks are published in CBA's monthly and quarterly bulletins, while the aggregated financial year-end figures as well as the core set of macro-prudential indicators of each financial sector under CBA's supervision are published in CBA's IV Quarterly Bulletin, Annual Report and Annual Statistical Digest. Note that the financial reports and data published by CBA are available on CBA's website www.cbaruba.org.

5. PRINCIPAL PIECES OF LEGISLATION GOVERNING THE OPERATION OF BANKING/FINANCIAL LICENSEES

1. State Ordinance on the Supervision of the Credit System (AB 1998, no. 16) (SOSCS);
2. State Ordinance on the Supervision of the Insurance Business (AB 2000, no. 83) (SOSIB);
3. State Ordinance Company Pension Funds (AB 1998, no. GT 17);
4. State Ordinance on the Supervision of Money Transfer Companies (AB 2003, no.60) (SOSMTC);
5. State Ordinance on the Supervision of Trust Service Providers (AB 2009, no. 13) (SOSTSP);
6. State Ordinance on Identification when Providing Services (AB 1995, no. 86) (SOIPS).

6. MAJOR CHANGES OF BANKING/FINANCIAL STATUTES OVER THE PAST TEN YEARS

One of the major changes that took place over the past ten years was the introduction of the SOSCS in 1998 and the SOSIB in 2001. Furthermore, in 2003 the SOSMTC was implemented. In addition to the aforementioned, the CBA is in charge of overseeing compliance with the provisions of the SOIPS of 1995, insofar as it concerns the financial institutions under its supervision.

As of February 5, 2009, the SOSCS, the SOSIB, and the SOSMTC were amended. The major changes with regard to these ordinances are the inclusion of new articles in all three ordinances giving the CBA the explicit authority to issue directives in the area of AML/CFT and to oppose the appointment of an external auditor. Furthermore, the possibility of imposing administrative sanctions also has been extended to the SOSCS and the SOSIB.

As of February 5, 2009, the CBA was also entrusted with the execution of the SOSTSP, which focuses mainly on maintaining the integrity of the trust sector. In accordance with section 2, paragraph 1, of the SOSTSP, conducting the business of a trust service provider in or from Aruba without a license from the CBA is prohibited. The main

licensing conditions are that the shareholders and management of the trust service provider be fit and proper, the trust service provider has sound know-your-customer policies in place aimed at preventing money laundering and terrorist financing, and has systems, procedures, and controls in place enabling it to continuously comply with the stipulations of the laws and regulations governing this sector. According to section 33 of the SOSTSP, trust service providers registered at the Chamber of Commerce of Aruba before this ordinance came into effect had a period of one year to obtain a license from the CBA, if they wanted to continue to offer the trust services mentioned in section 1 of the SOSTSP after February 5, 2010.

In addition, to enhance the soundness of the banking sector, the CBA further tightened its policy rule on the admission of credit institutions as of January 1, 2009. A major condition was added that only financial institutions with solid financial strength and reputation and subject to comprehensive consolidated supervision are allowed as a major shareholder in a credit institution established in Aruba.

Finally, for the protection of the interests of investors in nominal repayable funds and for the safeguarding of the reputation of the financial sector, it was decided, by Ministerial Regulation of April 16, 2009 (MR 2009, no.32), to increase the amount below which it is prohibited to approach the public, either directly or indirectly, for the purpose of attracting funds in the course of one's occupation or business, from Afl. 100,000 to Afl. 1,000,000.

7. AREAS IDENTIFIED FOR FURTHER LEGISLATIVE CHANGES AND DETAILS/STATUS OF ANY NOW IN PROCESS

A mission from the International Monetary Fund conducted an Offshore Financial Center Assessment in May 2008. The mission's findings are laid down in the Offshore Financial Center Assessment Report on Aruba dated September 2008, which is also published on the IMF and the CBA's websites. The CBA has implemented most recommendations included in aforementioned report. A follow-up by IMF on the assessment of 2008 is scheduled for July 2010.

From November 24 to December 5, 2008, an FATF assessment team conducted a mutual evaluation of Aruba's compliance with the 40+9 FATF recommendations. The FATF Mutual Evaluation Report of Aruba adopted on October 16, 2009, concluded that Aruba's AML/CFT system is incomplete and lacks coherence and effectiveness and that, subsequently, the Aruban AML/CFT framework needs a complete overhaul. A plan of action has been established to address the shortcomings identified in the Mutual Evaluation Report.

Notwithstanding the improvements in the legislative framework, additional work is needed to extend the scope of CBA's supervision to other sectors. The CBA is currently drafting a proposal for a state ordinance regulating the investment business, which also will encompass (electronic) stock exchanges, investment companies and advisors, collective investment schemes, and insurance brokers.

8. **FORMAL DIRECTIVES, POLICIES, GUIDELINES/GUIDANCE NOTES ISSUED BY SUPERVISORY AUTHORITY TO LICENSEES**

Supervisory Directives applicable to banking institutions

1. Prudential Requirements (solvency, liquidity, loan-to-deposit ratio, immobilia-rule, other real estate-to-capital ratio)
2. Large Exposures to a Group of Connected Clients
3. Credit Extensions to Insiders
4. Loan Loss Provisioning
5. Appointment of an External Auditor
6. Publication of the Audited Annual Financial Statements
7. Customer Due Diligence for banks
8. Managing Directors and Members of the Supervisory Board
9. Prospective (In-)Direct Shareholders - Natural Persons
10. Management and reporting of incidents
11. Internal audit in banks
12. The issuance of Multipurpose Prepaid Money Cards

Policy Papers applicable to banking institutions

1. Sound Corporate Governance Practices
2. Credit Institutions' Administrative Organization
3. The Reliability and Continuity of Electronic Data Processing in Banking
4. Credit Risk Management
5. Country Risk Management
6. Interest Rate Risk Management
7. Foreign Exchange Risk Management

As of July 1, 2009, the CBA eliminated the monetary cash reserve requirement and simultaneously introduced a reserve requirement. To improve its use as a monetary policy instrument, the reserve requirement was excluded from the calculation of the prudential liquidity ratio. At the same time, the prudential liquidity ratio was lowered from 20 percent to 12 percent, allowing the initial transition to take place on a cost-neutral basis.

Furthermore, the CBA decided to increase as of January 1, 2010, both the minimum risk-weighted capital asset ratio and the prudential liquidity ratio from 12 percent to 14 percent and 15% respectively. The CBA also decided to increase as of April 1, 2010, the minimum risk-weighted capital asset ratio for bank-like institutions from 12 percent to 14 percent.

9. STATUS OF JURISDICTION VIS A VIS BASEL CORE PRINCIPLES OF BANKING SUPERVISION

The conclusion of the IMF mission was that the system for banking supervision and regulation in Aruba is compliant or largely compliant with 21 of the 25 Basel Core Principles. Reference is also made to the response to question 7 above.

10. JURISDICTION STATUS VIS A VIS FINANCIAL SECTOR ASSESSMENT PROGRAMME (FSAP)

Reference is made to the response to question 9 above.

11. ADDITIONAL INFORMATION

In 2009, the CBA established a separate Integrity Unit within the Supervision Department to enable a more focused attention to oversight in the area of anti-money laundering and combating financing of terrorism (AML/CFT). The tasks of this unit are, among other things, to conduct fit and proper testing on an ongoing basis of managing and supervisory directors as well as individual shareholders, to oversee compliance with the laws and regulations in the area of AML/CFT via regular on-site examinations at the supervised financial institutions, and to closely monitor international developments in the area of AML/CFT, including the translation of these developments in the supervisory directives and practices.

December 2009