



ANNOUNCEMENT

The economic outlook for the monetary union of Curacao and Sint Maarten has significantly deteriorated due to the COVID-19 pandemic. The inevitable decision to close the borders in order to protect the local people against the virus will be at great cost. Tourism, the monetary union's main export sector, is basically coming to a standstill. This will result in economic contractions on both Curaçao and Sint Maarten. For a substantial part of the population and local businesses, income is not guaranteed and will know a disruption the coming few months.

Therefore, the CBCS deems it necessary to enable the financial system to finance the economy, in order to keep the economy running smoothly in these extremely difficult times. This calls for measures to support the population and local businesses, to enable financial institutions to meet liquidity demands from their clients, and to help commercial banks withstand the unforeseeable shocks.

In this light, it is required to make temporary monetary and prudential policy adjustments. Consequently, CBCS has taken the following measures:

A. Monetary measures

- To reduce the pledging rate by 150 basis points. As a result, the pledging rate will be back at the 2008 – 2009 financial crisis' historical low level of 1.00 percent. The pledging rate is the rate at which the commercial banks can borrow at the Bank. Furthermore, the surcharge on the pledging rate of 200 basis points on loans exceeding NAf.20.0 million will be suspended. Besides this measure, the Bank's overdraft facility for commercial banks will be reintroduced. Through this measure, the Bank aims at guaranteeing the commercial banks' access to liquidity in case this may be required while maintaining the cost of financing low. Thereby, the financing of the economy can be ensured.
- To lower the interest rates on Certificates of Deposit (CDs). Through this step the Bank will, within certain limits, temporarily ease the money market by absorbing less liquidity.

- To suspend with immediate effect, the extension of foreign exchange licenses for transfers abroad. This also applies for submitted applications that have not yet been granted a license. Transfers that have yet to be executed based on licenses already granted can be carried out normally. The extension of foreign exchange licenses will be resumed at a date to be determined by the Bank. Transfers abroad that do not require a foreign exchange license can be carried out as usual.

B. Prudential measures

CBCS will implement more flexibility to the certain supervision rules:

- Commercial banks and credit institutions will be allowed to provide a 3 to 6-month payment moratorium on interest and principles of all outstanding loans, without having to make an adequate provision. This flexibilization will take effect immediately. The CBCS will closely monitor this provision.
- Commercial banks may exceed the debt service ratio, which is currently set at 37%, to a maximum of 50%. This flexibilization will take effect immediately. The CBCS will closely monitor this provision.
- Life insurance companies and pension funds will be allowed to provide clients a 3 to 6-month payment moratorium on policy premiums without having to make an adequate provision. This flexibilization will take effect immediately. The CBCS will closely monitor this provision.

Willemstad, March 20, 2020

CENTRALE BANK VAN CURACAO EN SINT MAARTEN