



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

CURAÇAO AND SINT MAARTEN

Report on the Financial Soundness
Indicators

June 2023

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2023 International Monetary Fund HLS/23/05

High-Level Summary Technical Assistance Report Statistics Department

CURAÇAO AND SINT MAARTEN **Report on the Financial Soundness Indicators Technical Assistance Mission** **Prepared by: Brian Kwok Chung Yee and Bidisha Das**

The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: The International Monetary Fund's (IMF's) Statistics Department (STA) provided technical assistance (TA) on financial soundness indicators (FSIs) to Centrale Bank van Curaçao en Sint Maarten (CBCS) during April 25–May 9, 2022. The mission worked with the staff of the CBCS on the development of FSIs that are in line with the IMF's 2019 FSIs Guide. The mission (i) reviewed the institutional framework for collection and dissemination of FSIs data for both Curaçao and Sint Maarten; (ii) examined the source data, institutional coverage, and accounting and regulatory frameworks used in the compilation of the FSIs for deposit takers (DTs); (iii) assisted the CBCS in compiling FSIs for DTs on the basis of internationally accepted standards as set out in the IMF's 2019 FSIs Compilation Guide (2019 FSIs Guide) separately for Curaçao and Sint Maarten with the aim of reporting to STA for dissemination; (iv) prepared the accompanying metadata for posting on the IMF's FSI website; (v) assessed data availability to compile FSIs for other financial corporations (OFCs); and (vi) addressed some other issues related to the FSIs compilation and reporting that the CBCS's staff raised.

JEL Classification Numbers: E62

Keywords: Commercial banks; Financial institutions; Financial sector policy and analysis; Financial soundness indicators; and Financial statements

Background

1. At the request of the Centrale Bank van Curaçao en Sint Maarten (CBCS), and with the support of the International Monetary Fund's (IMF's) Western Hemisphere Department (WHD), the Statistics Department (STA) conducted a remote technical assistance (TA) mission via videoconference on the compilation of financial soundness indicators (FSIs) during April 25–May 9, 2022. The mission (i) reviewed the institutional framework for collection and dissemination of FSIs data for both Curaçao and Sint Maarten; (ii) examined the source data, institutional coverage, and accounting and regulatory frameworks used in the compilation of the FSIs for deposit takers (DTs); (iii) assisted the CBCS in compiling FSIs for DTs on the basis of internationally accepted standards as set out in the IMF's *2019 FSIs Compilation Guide (2019 FSIs Guide)* separately for Curaçao and Sint Maarten with the aim of reporting to STA for dissemination; (iv) prepared the accompanying metadata for posting on the IMF's FSI website; (v) assessed data availability to compile FSIs for other financial corporations (OFCs); and (vi) addressed some other issues related to the FSIs compilation and reporting that the CBCS's staff raised.

2. Prior to the mission the CBCS has been compiling a set of FSIs for its own financial stability assessment, which were, however, not reported to STA for dissemination on the IMF's FSI website. The CBCS also compiled 13 core and six additional FSIs for commercial banks and two FSIs for Real Estate Markets (REMs) at the level of the monetary union, which were not always aligned with the *2019 FSIs Guide's* definitions.

Summary of Findings

3. The mission confirmed that source data for compiling FSIs for commercial banks are adequate and generally meet the requirements set by the 2019 FSIs Guide. The financial statements are prepared in accordance with the CBCS's 2016 Chart of Accounts Manual (COAs), which are broadly consistent with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS). The valuation of financial instruments follows partially the IFRS 9. Provisioning rules are prescribed using the supervisory method. The regulatory framework to compile capital adequacy ratios of banks is broadly consistent with the Basel II framework with capital requirements for credit, market, and operational risks. The minimum capital adequacy ratio is currently at 10.5 percent for commercial banks and 8 percent for offshore banks. Compared to Basel II, higher risk weights are assigned to some categories of exposures to reflect the level of credit risk in the local jurisdictions, and these are documented in the draft metadata. Further, the definitions of nonperforming loans, liquid assets, and short-term liabilities, amongst others, are also broadly consistent with the *2019 FSIs Guide*.

4. The mission, in collaboration with the staff of the CBCS, successfully developed bridge tables to compile FSIs for commercial banks and savings banks, which could be linked in the long term with its database to automate the FSIs compilation process. The bridge tables cover the mapping of income and expense statements, balance sheets, and supervisory series to the FSIs Standard Reports (FSI-SRs). The use of the bridge tables is to ensure greater consistency in the compilation of the FSIs and facilitate the adoption of the new report forms.

5. The mission recommended that the CBCS compiles and reports FSIs to STA for commercial banks using (i) Cross Border, Cross Sector Domestically Incorporated Consolidation Basis (CBCSDI) for Curaçao; and (ii) Domestic Location Consolidation Basis (DL) for Sint Maarten. For Curaçao, FSIs based on CBCSDI will cover four commercial banks and one saving bank that are domestically incorporated and controlled, and one subsidiary of a foreign-controlled bank as well as their foreign deposit-taking subsidiaries and branches located in Sint Maarten, Aruba, and the Dutch Caribbean. For Sint Maarten, FSIs based on DL basis will cover one subsidiary and three branches of banks incorporated in Curaçao, and one subsidiary and one branch of foreign-controlled banks.

6. The mission also identified a few areas for improvements related to the data collection framework for the DTs to be implemented in the medium term. These include the collection of granular data on accrued interest receivable/payable at the level of financial instruments and counterparties and the compilation of data disaggregated by residents of Curaçao and Sint Maarten for loans in the call reports.

7. The mission also worked on the metadata (FSM) and institutional coverage (FSIC) templates to explain national compilation practices and deviations from the recommendations of the 2019 FSIs Guide. The publication of the FSM will provide additional information on the national accounting and regulatory frameworks underpinning the production of the FSIs compared to the methodology of the 2019 FSIs Guide. In the FSIC, the CBCS will provide the structure of the banking sector including indicating the presence of any DTs in liquidation that are excluded in the coverage of FSIs.

8. As a result of the mission, the CBCS is able to start reporting the FSI-SRs, FSM, and FSIC for dissemination on the IMF's FSI website for Curaçao and Sint Maarten. The legal and institutional framework for collecting and publishing aggregate FSI data are adequate to report the FSIs data and metadata to STA for dissemination on the FSIs website. The mission, together with staff of the CBCS, compiled (i) for Curaçao, 14 core and ten additional FSIs for DTs and two additional FSIs on REMs on a quarterly basis, and two additional FSIs on the size of OFC's subsector on annual basis; and (ii) for Sint Maarten, eight core and seven additional FSIs for DTs and two additional FSIs on REMs on a quarterly basis. In addition, the mission also recommended that the CBCS compile separate sets of FSIs for offshore banks in Curaçao and for the Monetary Union of Curaçao and Sint Maarten (monetary union accounts) consistent with the 2019 FSIs Guide and report to the WHD country team on a quarterly basis for Fund surveillance and for macro-prudential analysis.

9. A timeframe for implementing the mission recommendations including reporting FSIs to STA was also discussed and agreed on with the CBCS staff. Following the mission, the authorities started reporting FSI data for Curaçao and Sint Maarten separately in IMF's FSI reporting template using the bridge tables developed during the mission from 2018 onwards and finalized the contents of metadata and FSIC report forms. These will be reviewed by STA before their publication on the IMF's FSIs website.

Summary of Recommendations

10. To support progress in the compilation of FSIs in line with the 2019 FSIs Guide and the dissemination of the data, the mission has prepared a detailed action plan. The priority recommendations are summarized in Table 1.

Table 1. Curaçao and Sint Maarten: Priority Recommendations

Target Date	Priority Recommendations	Responsible Institutions
September 2022 (Completed)	<i>Start compiling FSIs for DTs separately for Curaçao and Sint Maarten using bridge tables developed during the mission, which are consistent with the 2019 FSIs Guide, and link the bridge tables with the internal database to partially automate the compilation of FSIs from June 2018 onwards.</i>	CBCS
September 2022 (Completed)	<i>Finalize and report to STA for review the FSI-SRs for DTs, including balance sheets, income statements, and memorandum series, the new FSIC and FSM report forms for Curaçao and Sint Maarten separately with information from June 2018 onwards.</i>	CBCS
Target Date	Priority Recommendations	Responsible Institutions
October 2022	<i>Start regular reporting to STA (on a quarterly basis) FSI-SRs, FSIC, and FSM for Curaçao and Sint Maarten separately through the Integrated Collection System (ICS) for disseminating on the IMF's FSIs website with data from June 2018 onwards.</i>	CBCS