



# HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

## CURAÇAO AND SINT MAARTEN

### Stress Testing

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**Prepared By**

*Petr Jakubik (Resident Financial Stability Advisor) and Adam Gersl (Short-term expert)*



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**High-Level Summary Technical Assistance Report  
Monetary and Capital Markets Department**

**Curaçao and Sint Maarten  
Stress Testing  
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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 technical assistance mission supported the Central Bank of Curaçao and Sint Maarten in strengthening its capacity to assess banking sector resilience through the development of a new macro-stress testing framework. The framework integrates macro-consistent scenarios, sectoral credit risk models, and detailed projections of balance sheet and income statement items. Key recommendations include institutionalizing regular biannual stress testing exercises, refining parameter calibration, enhancing scenario development, and expanding data collection aligned with IFRS 9 standards. These efforts position the CBCS to improve its macroprudential oversight and better safeguard financial stability in the monetary union.

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The contents of this document constitute a high-level summary of technical advice provided by the staff of the International Monetary Fund (IMF) to the authorities of Curaçao and Sint Maarten (the "CD recipient") in response to their request for capacity development. Unless the CD recipient specifically objects within 30 business days of its transmittal, the IMF will publish this high-level summary on IMF.org (see [Staff Operational Guidance on the Dissemination of Capacity Development Information](#)).

International Monetary Fund, IMF Publications  
P.O. Box 92780, Washington, DC 20090, U.S.A.  
T. +(1) 202.623.7430 • F. +(1) 202.623.7201  
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## Background

The IMF CARTAC technical assistance mission was conducted to support the Central Bank of Curaçao and Sint Maarten (CBCS) in enhancing its stress testing (ST) capabilities. The CBCS required a robust and forward-looking framework to assess banking sector resilience, particularly in light of its unique economic structure and exposure to external shocks. The mission developed an Excel-based macro-ST tool, incorporating scenario-specific projections, sectoral credit risk models, and detailed balance sheet analysis. This framework aims to strengthen the CBCS's macroprudential oversight and improve its ability to address emerging financial risks.

## Summary of Findings

The new ST framework integrates macroeconomic scenarios with sectoral credit risk projections, providing a more comprehensive approach to risk assessment. It enables the CBCS to evaluate key financial metrics, including NPL ratios, capital adequacy, and pre-provision income, across multiple scenarios. While the framework offers significant advancements, several areas for refinement remain, including parameter calibration for credit growth, provisioning rates, and interest rate passthroughs. Expanding data collection aligned with IFRS 9 standards, such as Probability of Default (PD) and Loss Given Default (LGD), would enhance the accuracy of projections and the overall effectiveness of the framework.

## Summary of Recommendations

The mission recommends that the CBCS institutionalize the new framework by conducting regular top-down stress tests at least twice a year. One exercise should align with the annual Financial Stability Report (FSR) to ensure timely publication, while the other should focus on internal monitoring of risks. Collaboration between the Financial Stability and Economic Analysis & Research Departments is crucial for consistent and well-calibrated scenario development. Additionally, the CBCS should enhance its data collection processes to include IFRS 9 parameters and consider complementing top-down stress tests with periodic bottom-up exercises to gain further insights into the resilience of individual banks.