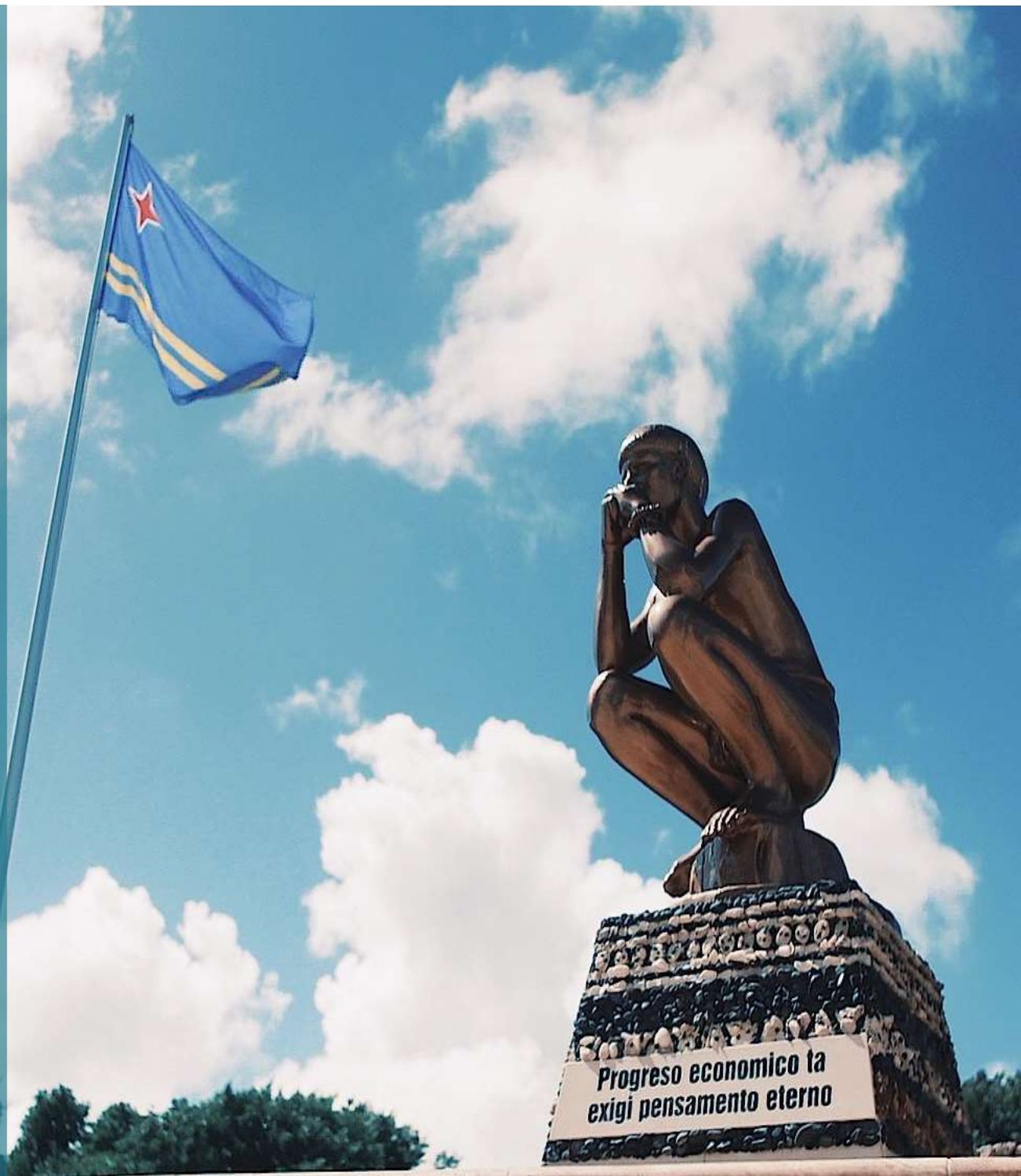


How to tackle de-risking or de-banking in small economies

Comments

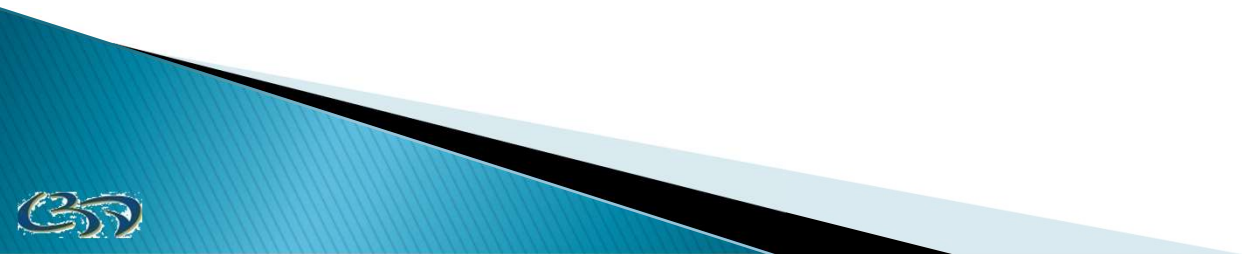
May 20, 2022

Centrale Bank van Aruba
Amalin L.A.C. Flanegin



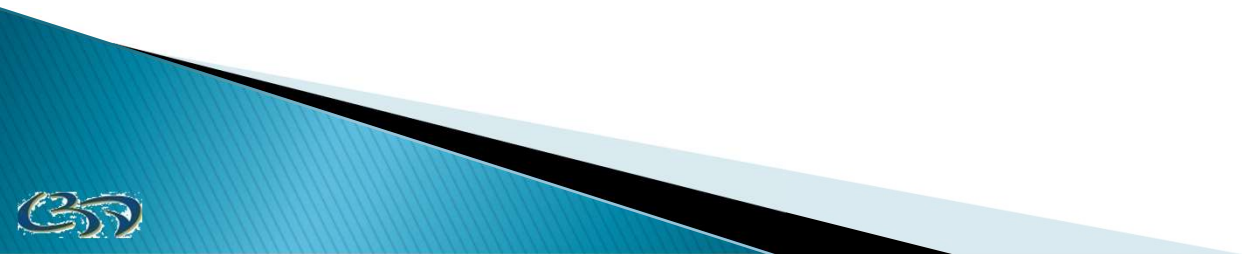
Introductory remarks

- ▶ Aruba is a small open economy with an average growth of 2.7%.
- ▶ In the face of one of the most impactful economic crises that Aruba has ever experienced, the local financial sector showed strong resilience.
- ▶ The resilience of Aruba's financial sector is evidenced by the solid prudential ratios in the areas of capital adequacy, asset quality, and liquidity of the supervised sectors, which stayed within very sound ranges.



Introductory remarks cont.

- ▶ Pre-Covid
- ▶ Over the years there was a decline in the number of correspondent banking relationships in many countries around the world due to amongst others AML/CFT concerns, and cost/benefit evaluations.
- ▶ During and post-Covid
- ▶ The Covid-19 pandemic brought additional challenges along as the banks were forced in a short time to digitalize.
- ▶ Aruba's financial sector has no immediate threat of being de-risked.



Alert European Banking Authority for unwarranted de-risking

- ▶ European Banking Authority (EBA) published in January 2022 its alert on the detrimental impact of unwarranted de-risking and ineffective management of money laundering and terrorist financing risks.

Besides regulatory guidance, EBA identified a number of steps competent authorities and the European Commission and co-legislators could take:

- ▶ competent authorities should engage more actively with institutions that de-risk and with users of financial services that are particularly affected by de-risking, to raise mutual awareness of their respective rights and responsibilities.

Alert European Banking Authority for unwarranted de-risking cont.

- ▶ Competent authorities should remind credit and financial institutions that if this is warranted by the outcome of their AML/CFT risk assessment of a customer, they can opt to offer only basic financial products and services in order to restrict the ability of users to abuse these products and services for financial crime purposes.
- ▶ EBA advises the European Commission to clarify in the Payment Account Directive, the interaction between AML/CFT requirements and the right to open and use a payment account with basic features.

Approach of Centrale Bank of Aruba in a small economy as Aruba

- ▶ Organize thematic meetings with the managements of the commercial banks together with their MLCO to discuss their correspondent banking relations and the de-risking topic in general
- ▶ Conduct surveys on the topic of correspondent banking relations and de-risking in order to gather more specific information on the risks involved and their approach on the matter



Approach of Centrale Bank of Aruba in a small economy as Aruba

- ▶ Maintain a comprehensive and robust AML/CFT regulatory framework by the CBA.

- ▶ So far, also due to robust AML/CFT regulatory framework, Aruba has not been much affected by the de-risking trend seen in the Caribbean Region.

Comments

- ▶ AMLA
- ▶ Standardization of parameters for the implementation of FATF standards is possible?

