

Update on de-risking

Centrale Bank van Curaçao en Sint Maarten
May 2022



CBCS



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The impact of de-risking on the Curaçao and Sint Maarten banking industry

Curaçao and Sint Maarten:

From 2017 to 2021 more than 17 supervised Institutions lost one or several CBRs, which is significant.

Several banks have also noted that they are experiencing limited services from their current correspondent bank. Others are experiencing delays in processing transfers for their customers through their existing correspondent relationships (due to for instance increasing questions about enhanced due diligence).

The impact of de-risking on the Curaçao and Sint Maarten banking industry cont'd

Risk level related to CBRs	Jul-16	Oct-18	Jul-20
Low	24	23	25
Medium	8	4	6
High	7	12	8

The correspondent bank risk at the financial institutions needs to be thoroughly assessed by CBCS. In the table above Medium and High risk institutions lost primary CBRs, and or those that are left with only one or two relationships. Low medium institutions: may have lost but have sufficient other CBRs, shareholders, etc.

The impact of de-risking on the Curaçao and Sint Maarten banking industry cont'd

Curaçao and Sint Maarten:

- In addition to the relationships lost, ten (10) new CBRs were acquired by the local institutions during 2019 - 2021

Respondent Banks:

focus away from Tier-I banks and more towards:

- Tier-2 banks
- Fintech
- Other payment service providers

What can the respondent banks do

- The Bank expects a robust AML/CFT framework from our institutions, which needs to ensure a.o.:
 - Policies and Procedures are monitored and enforced
 - Independent Compliance Unit or Officer is in place
 - Staff are well trained, and Know Your Employee (KYE) is in place
 - Invest in a risk based automated compliance monitoring system to facilitate AML/CTF compliance
- Create a culture of compliance throughout the organization ensuring that the Board of Directors are fully involved with the Risk Management Framework
- Ongoing client education programs
- Urgently address deficiencies in AML/CFT framework

What is the CBCS doing?

The CBCS closely monitors all the institutions with regards to their current CBRs and requires institutions to perform a self risk assessment related to CBRs.

Institutions with a medium and high-risk status:

- must submit:
 - de-risking contingency plan detailing the actions to be taken
 - or action plan detailing how the institution will be resolving the forthcoming loss

What is the CBCS doing? cont'd

- Numerous steps have been taken by the CBCS in collaboration with the sector to find a solution to the de-risking challenge:
 - International lobbying efforts with senior officials in the U.S. Administration, International financial institutions and policy institutes;
 - Establishing a de-risking task force which is in charge of executing the de-risking strategy;
 - Executing a close monitoring approach;
 - Strengthening of the regulatory framework regarding AML/CFT;
 - Enhancing of the Sector's Awareness of AML/CFT Compliance;
 - Engaging with the sector and government to develop initiatives to lower compliance costs; and
 - CBCS has addressed the Fintech side of the de-risking solution by becoming a member of the SWIFT registry.

The End



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