

# FIU PRESENTATION TO IBA MEMBERS

Opening speech delivered by  
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On the occasion of the information session on:  
*AML/CTF within the International Banking Sector*

**Centrale Bank van Curaçao en Sint Maarten**  
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Ladies and gentlemen, good evening,

I would like to express my gratitude to the Association of International Bankers (IBA) for its initiative in organizing this important seminar titled *AML/CFT within the international banking sector*. I am pleased to share my opening remarks with you. This year marks the 10-year anniversary of the global financial crisis. If we learned anything from the crisis, it is that international cooperation and policy coordination is crucial to shape a sound, transparent, and attractive financial system.

As the managing director of the International Monetary Fund (IMF), Christine Lagarde, stated *“The time to fix the roof is when the sun is shining.”* That is to say, we should not wait for (reputational) storms to come our way to act agile.

Ladies and gentlemen, our financial sector is of integral importance to achieve sustainable economic growth. Suffice to say is that, though its contribution has declined over the past 20 years, the international financial services sector remains a key economic pillar of Curaçao. The IFS sector generates about 6% of foreign exchange earnings, provides labor intensive high-skilled employment to more than 1,000 persons, and contributes approximately 6% of GDP. In addition to these direct effects, the sector has indirect spillover effects across related industries, including the business, telecommunication, transportation, and hospitality sectors.

Amid the increased complexity of financial transactions, it has become imperative for financial intermediaries such as international banks, to keep re-inventing themselves through new and innovative products and services. Simultaneously, the supervisory role of the central bank is to ensure proper controls to prevent systemic collapse and achieve market integrity. Today, I would like to touch upon the history of the International Financial Services (“IFS”) sector, the main challenges this sector is facing, what we have achieved so far, and what our next steps are.

Ladies and gentlemen, *first allow me to take you back to the history of the IFS sector*. By mid-1960s Curaçao had become a well-known international financial center for purposes of global tax planning. However, the prosperity of the IFS sector came to a halt with the termination of the Tax Treaty with the United States and the abolishment of the U.S. Foreign Withholding Tax in 1985. In addition, the sector was also negatively affected by other developments, such as the negative connotation of global tax planning and increased bundling as tax-exempt region.

Over the past years, however, Curaçao has taken several measures to meet international standards. One of the main measures taken was the enactment of a New Fiscal Regime in 2002 to be in full compliance with the policies of the Organization for Economic Cooperation and Development (OECD) for fair tax practices. The new tax regime was created in line with the recommendations offered by the OECD, to avoid being labeled as a jurisdiction with harmful tax practices, and thus was intended to avert inclusion on the OECD’s ‘black-list’ of non-transparent offshore jurisdictions in 2000.

Ladies and gentlemen, *let us now continue with the main challenges the IFS sector is facing*. With the implementation of global regulatory standards, including Anti-Money Laundering (“AML”) and Combatting Financing of Terrorism (“CFT”) rules, banks have faced increased compliance costs

in providing correspondent banking relations. In addition, tax information-sharing agreements that also result in more costs for the banks have added to the de-risking trend, which resulted in the ending of correspondent banking relations. Both the domestic banking sector and the international financial services sector in the Caribbean face this challenge. A correspondent banking relation is crucial for financial institutions in the Caribbean, given their limited access to foreign financial markets. Furthermore, without a correspondent banking relation, Caribbean financial institutions cannot properly service clients' accounts. Recently, many correspondent banks have terminated their relations because of the high perceived risks of the Caribbean and Latin American Region. In the monetary union of Curaçao and Sint Maarten, however, the CBCS has informed correspondent banks on the effective implementation of AML-CFT regulations, and positive assessments of the Caribbean Financial Action Task Force (CFATF), which have led to favorable results. For example, JP Morgan has recently reinstated its correspondent relation with two major banks in Curaçao. The CBCS is continuing with its efforts toward correspondent relations to attain more of these favorable results, and thus minimize the de-risking effects.

The CBCS has always been active in promoting financial stability and minimizing risks via sound prudential and conduct supervision. The CBCS is constantly striving for ways to strengthen the financial sector by enhancing the quality and effectiveness of our supervision. Accordingly, we promote high standards of skills, integrity, and good governance among all our supervised institutions and individuals. Although there is no substitute for sound regulation, we are aware that overregulation prevents our jurisdiction to maintain a competitive position in the IFS sector. Hence, another challenge we face is to achieve a proper balance between the effectiveness of rules and regulations on the one hand and the related risks in the IFS sector on the other.

To attain this balance we believe that information-sharing and collaboration among the CBCS, the government, and IFS sector is crucial. Together we should strive to continuously reform the fiscal and legal framework of the financial industry to adapt to the ever-changing international business environment, thereby creating confidence for the (international) public.

Ladies and gentlemen, *now I would like to pay attention to some recent achievements in the areas of regulation and supervision that could help strengthen the IFS sector.* We have successfully and positively been assessed by the major standard-setting bodies over the past years, such as the OECD, the World Bank, and the FATF, and subsequently, have implemented their recommendations. In addition, Curaçao has recently signed the Base Erosion and Shifting (BEPS) Multilateral Instrument (MLI). Currently, 117 countries participate in the inclusive framework of the BEPS, representing more than 90% of world trade. The standards have been adopted by the European Union as one of the requirements that jurisdictions should meet to be excluded from the EU-list of non-cooperative jurisdictions. The CBCS has also recently been entrusted with the supervision of Securities Intermediaries and Asset Managers. Finally, the CBCS is in the process of becoming a signatory member of the International Organization of Securities Commissions (IOSCO). With these positive developments in the areas of regulation and supervision, we are taking a further step in the right direction to strengthen the IFS sector which certainly benefits the international banking sector.

Ladies and gentlemen, *after discussing the history, the main challenges, and the key achievements of the IFS sector, in my opinion, the question that remains is, what are our next steps?* The CBCS understands that

innovation is changing the environment in which you, as financial service providers, and we, as regulators and supervisors, are operating. With the need to process and analyze an ever-increasing volume, frequency, and granularity of data, we are prompted to implement Regulatory Technology (RegTech) and Supervisory Technology (SupTech) in our financial sector supervision to increase our effectiveness and efficiency. In our aim to preserve and foster the reputation of Curaçao as a sound, transparent, attractive, and reputable international financial center, we strive to achieve institutional agility and adaptability to guide our financial sector into this new, technology-driven, era. Research has shown that over 85% of Global FinTech's are directed toward or related to the financial services business. This suggests that the financial services industry, especially the international banking sector, will most likely be considerably disrupted in the upcoming years. Considering that innovation and new financial technologies transcend borders and markets in which international banks operate, we should take charge in shaping the future of regional and global financial services provision.

Ladies and gentlemen, it is imperative that I underscore that the CBCS is committed to fight money laundering and terrorist financing, and will continue to provide guidance for the financial sector to combat these abusive and illicit practices within our jurisdiction. The CBCS is currently updating the AML/CFT Provisions & Guidelines (P&G). In addition, the CBCS, the Financial Intelligence Unit Curaçao (FIU), and the Gaming Control Board (GCB) have agreed to meet on a quarterly basis to provide a platform to monitor trends, local threats and vulnerabilities, and new developments in the area of AML/CFT.

In 2022 our jurisdiction will be subject to the fourth round mutual evaluation by CFATF. A vital part in the preparation for this mutual evaluation is the National Risk Assessment (NRA) to identify, analyze, understand, and address AML/TF risks in Curaçao. The NRA is on track to be completed by the end of 2019 which provides our jurisdiction sufficient time to be duly prepared for the next CFATF evaluation.

Allow me to close with the following statement: *"It is always better to be compliant than be sorry"*.

I thank you for your attention and wish you a fruitful seminar.