



## ANNOUNCEMENT

By announcement of March 20, 2020, the Centrale Bank van Curaçao en Sint Maarten (CBCS) allowed commercial banks and credit institutions to provide a 3 to 6-month payment moratorium on interest and principal of all outstanding loans, without having to make an adequate provision. Furthermore, the CBCS allowed commercial banks to exceed the total debt service ratio, which is currently set at 37%, to a maximum of 50%. The CBCS implemented these flexibilities to certain supervision rules to address short-term challenges caused by the COVID-19 pandemic.

Considering the adverse medium to long-term prudential impact on commercial banks and the increased risks involved,

- the CBCS no longer encourages further extension of payment moratoria. However, financial institutions can continue supporting their customers on a case-by-case basis. In situations where debtors may face medium to long-term financial challenges, the existing prudential framework and practices should be followed. In all cases when a financial institution recognizes that probably it would be unable to collect all amounts due, including both interest and principal, these loans should be impaired immediately; and
- the CBCS no longer allows commercial banks to provide credits that exceed the total debt service ratio of 37%. This is to prevent the overextension of credit for consumers and to foster prudent credit extension practices in Curaçao and Sint Maarten.

For further details, please refer to our Q&As related to this subject also available on the website of the CBCS: <https://www.centralbank.cw/publications/announcements/2020>.

Willemstad, November 18, 2020

CENTRALE BANK VAN CURAÇAO EN SINT MAARTEN