



Monetary Circular 2012-01: credit freeze

In light of the persistent high deficit on the current account of the balance of payments and the declining international reserves, the Bank started to tighten its monetary policy through increasing the reserve requirement percentage as of September 16, 2011. Despite the increase of the reserve requirement percentage from 7.75% to 10.75% as of January 16, 2012, private credit growth continued to accelerate, exceeding economic growth and fueling the current account deficit and the decline in reserves.

The current ineffectiveness of the reserve requirement in containing private sector credit growth is related to the high excess liquidity in the banking system. Mopping up this excess liquidity would require an increase of the reserve requirement percentage to unprecedented levels, which is considered undesirable. Therefore, the Bank will introduce a temporary freeze on domestic private credit extension¹ measured from the outstanding amount on February 29, 2012 for a period of six months. By the end of this period, the measure will be evaluated.

Centrale Bank van Curaçao en Sint Maarten
March 14, 2012

¹ See the attachment for the definition.

Definition domestic private credit extension

Domestic private credit extension is defined as the sum of the outstanding amounts reported in the resident NAF and forex columns of the following Chart of Accounts items:

Chart of Accounts Item	Description	Debtor Category
140103	Current Account	Agencies and Institutions
140105		Other Financial Institutions
140106		Business Enterprises
140107		Individuals
140109		Other
140203	Time Loans	Agencies and Institutions
140205		Other Financial Institutions
140206		Business Enterprises
140207		Individuals
140209		Other
140303	Mortgages	Agencies and Institutions
140305		Other Financial Institutions
140306		Business Enterprises
140307		Individuals
140308		Construction Loans
140309		Other
140403		Leases
140405	Other Financial Institutions	
140406	Business Enterprises	
140407	Individuals	
140409	Other	
1503	Advances	Agencies and Institutions
1505		Other Financial Institutions
1506		Business Enterprises
1507		Individuals
1509		Other