



Monetary Circular 2019-01: Certificates of Deposit

Gross official reserves are showing a gradual declining trend. Contributing factors are: (1) challenges for some foreign exchange generating sectors, (2) the conclusion of debt relief payments by the Netherlands, (3) higher oil import prices and the acute reconstruction import needs of Sint Maarten, and (4) higher interest rates abroad.

While relevant foreign interest rates may ease slightly in the months ahead, the CBCS is not in a position to guarantee that this gradually declining trend in reserves will end soon. Out of a measure of caution and to safeguard a continuous sound level of reserves to support our currency peg to the US-dollar, the CBCS is taking monetary policy measures to slow and stabilize the decline in reserves. To support the impact of these measures, we also call on the governments of Curaçao and Sint Maarten to implement steady and sustainable fiscal adjustment to lower the fiscal deficits, and structural reform steps to achieve sound competitiveness for sustainable export growth and slowing import growth to reduce the current account deficit of the balance of payments.

As of mid-August 2019, the CBCS will reintroduce biweekly auctions of Certificates of Deposit (CDs). In addition to regular auctions of CDs in NAf aimed at reducing further the excess liquidity in the banking system, the CBCS may also offer CDs in USD to make it attractive to keep dollar assets at the Bank.

The details and procedure of the CD-auctions are included in the attachment.

Centrale Bank van Curaçao en Sint Maarten

August 13, 2019

Details and procedure auctions Certificates of Deposit

The Bank offers the local commercial banks Certificates of Deposit (CDs) in two currencies, namely US dollar and Antillean guilder (ANG). The ANG CD has a nominal amount per CD of Naf. 100,000 and the USD CD has a nominal amount per CD of USD 100,000. The CD-terms offered can be 4, 12, 26 and 52 weeks, while the interest percentage will be determined by the market participants in bi-weekly auctions.

A CD-subscription form, including the date of the tender, will be sent to each institution on the Thursday prior to the auction date. Auctions will be held on Fridays. On the subscription form, each institution can fill out the total nominal amount of CDs it wants to buy, at various terms and interest levels (multiples of 0.01%). The CD-subscription form has to be returned by email to the Bank's Treasury Department before 12.00 PM on Friday. After closing of the subscription, settlement will take place and the results will be announced on Friday at 5.00 PM. The announced results will include the allotted amount of CDs and the interest percentage. The resulting balance will be settled through the clearing account. Every change in an institution's account will result in a statement.

Interest is calculated using the actual number of days and a year consisting of 365 days. Interest payments will take place at maturity. The interest will be deposited on the clearing account, together with the repayment of the principal.

The CDs are negotiable among domestic commercial banks. Whenever commercial banks reach an agreement on the sale and purchase of CDs, they both have to notify the Bank before 2.00 PM to assure same day settlement. The Bank will only act as a counterparty in a transaction if the liquidity position of the banking sector justifies such action.