



Monetary Circular 2020-01: Certificates of Deposit

The CBCS introduces some reforms of the CD-auctions. These reforms are based on recommendations by the IMF after a technical assistance mission during October 23 – November 5, 2019, in which the monetary operations of the CBCS were assessed with the objective to improve the effectiveness of its monetary policy.

The reforms comprise:

1. Introduction of weekly auctions of CDs in Netherlands Antillean guilder (ANG) with a term of 2 weeks. These CDs will replace the current 4-weeks CDs. The interest rate is fixed by the CBCS, while the banks can subscribe at any amount which will be fully accepted.
2. Continuation of the bi-weekly auctions of CDs in Netherlands Antillean guilder (ANG) and US dollar (USD) with terms of 12, 26 and 52 weeks. The CBCS will announce the total amount it wants to absorb, while the banks must indicate the amounts, terms and interest rates at which they want to participate. The CBCS determines which subscriptions will be accepted.
3. For the time being, only the maturing amounts of USD CDs will be offered again in the auctions.

These reforms become effective as of the auction on Friday, January 31, 2020. The details and procedure of the CD-auctions are included in the attachment.

Centrale Bank van Curaçao en Sint Maarten

January 28, 2020

Details and procedure auctions Certificates of Deposit

The CBCS offers the local commercial banks Certificates of Deposit (CDs) in two currencies, namely US dollar (USD) and Netherlands 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 ANG CD-terms offered can be 2, 12, 26 and 52 weeks. The USD CD-terms offered can be 12, 26 and 52 weeks. The interest rate will be determined by the CBCS for 2-weeks CDs in weekly auctions. The interest rates will be determined by the banks for 12-, 26-, and 52-weeks CDs in bi-weekly auctions.

2-weeks CDs

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. All subscriptions will be accepted. The interest rate for the 2-weeks CD is fixed by the Treasury Department of the CBCS. The CD-subscription form has to be returned by email to the CBCS' 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 resulting balance will be settled through the clearing account. Every change in an institution's account will result in a statement. The participating institutions will also receive an advice of the transaction.

12-, 26- and 52-weeks CDs

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 CBCS' 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. The participating institutions will also receive an advice of the transaction.

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 participating institutions will also receive an advice of the transaction.

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 counterpart in a transaction if the liquidity position of the banking sector justifies such action.