



Press Release 2020-034

Tailored payment conditions loans allowed - Generic moratoriums no longer desirable in the interest of financial stability

Willemstad/Philipsburg – With the aim of mitigating the direct financial impact of the COVID-19 crisis on businesses and individuals, in March of this year, the *Centrale Bank van Curaçao en Sint Maarten* (CBCS) gave its approval for commercial banks to offer 3 to 6-month moratoriums to their customers. Banks were thus allowed to exempt their customers from making both principal and interest payments on their loans for a specific period, without this affecting the banks' financial position. Additionally, banks were allowed to temporarily increase the maximum amount of credit to be extended to customers in proportion to their income – the debt-service ratio.

However, this concession made to customers is not without its consequences and risks for the commercial banks themselves, for their future financial position and therefore also for financial stability. For these reasons, the CBCS is no longer allowing banks to generically grant moratoriums to their customers without this affecting the provisions to be made by the bank. Nevertheless, on a case-by-case basis and subject to the applicable supervisory regulations, banks are still allowed to support any of their customers facing financial challenges, without this necessarily affecting the provisions to be made by the bank.

Furthermore, the CBCS has determined that, when granting loans, the total debt-service ratio of 37 percent may no longer be exceeded. In doing so, the CBCS aims to prevent excessive lending to consumers and to ensure prudent credit extension practices in Curaçao and Sint Maarten.

Willemstad, November 18, 2020

CENTRALE BANK VAN CURAÇAO EN SINT MAARTEN