

Summary of the Advisory Report on the Deposit Guarantee Fund

The Minister of Finance has submitted a request for urgent advice on the draft national decree regarding the Deposit Guarantee Scheme. The draft national decree aims to introduce a deposit guarantee scheme for Curaçao to compensate account holders in the event that a credit institution is unable to fulfill its obligations arising from debt claims on deposits as specified in Article 39 of the National Ordinance on the Supervision of Banking and Credit Institutions. The necessity for the introduction of a deposit guarantee scheme stems from the existence of a legal mandate included in the National Ordinance on the Supervision of Banking and Credit Institutions to establish a deposit guarantee scheme in consultation with the financial sector.

The deposit guarantee scheme applies to guaranteed deposits held at credit institutions that have been licensed by the CBCS under the National Ordinance on the Supervision of Banking and Credit Institutions. As a result, the deposit guarantee scheme applies to credit institutions based in Curaçao (whether or not a subsidiary of a bank group headquartered elsewhere) or credit institutions operating from a branch in Curaçao with their statutory seat elsewhere. However, the coverage of the deposit guarantee scheme does not extend to deposits held at credit institutions registered with the CBCS as international credit institutions. The total size of the deposit guarantee is set at 7% of the total amount of guaranteed deposits held by all participating credit institutions. The total target size of the deposit guarantee must be reached within 10 years after the deposit guarantee scheme comes into effect. The costs of the deposit guarantee scheme are borne by the credit institutions themselves through the payment of an annual basic contribution. The determination of the annual basic contribution of a credit institution is solely based on the amount of guaranteed deposits held by that credit institution. The deposit guarantee scheme provides coverage up to a maximum of NAf. 50,000 per depositor per credit institution.

The SER notes that several specific components of the design of the deposit guarantee scheme, as outlined in the present draft national decree, require adjustments. These include, among others, the mandate and associated powers, the financing structure, and the governance structure.

After thorough consideration, the SER urges the Minister of Finance to, in view of a careful, efficient, and effective continuation of the advisory and legislative process, pay close attention to the gaps identified in this advisory report. It is of great importance that the SER's recommendations, aimed at repairing, adjusting, and/or supplementing these gaps, be integrated into the current draft where possible and included in the accompanying explanatory memorandum. It is also essential to carefully and thoughtfully consider all interests involved in the matter.