



## **Monetary Circular 2013-02: prolongation credit restriction**

The credit restriction, effective during the periods March – August 2012, September 2012 – February 2013 and March – August 2013, to address the persistent high deficit on the current account of the balance of payments and the consequent declining international reserves, has started to produce the intended results. Private sector credit growth, the current account deficit, and the decline in reserves all have moderated. Nevertheless, the deficit on the current account of the balance of payments is still significant and the decline in international reserves has not yet been reversed.

The current monetary situation, therefore, warrants a prolongation of the credit restriction. During the period September 2013 – February 2014, the Bank will allow a maximum growth of domestic private credit extension<sup>1</sup> of 3.00% measured from the outstanding amount on August 31, 2012. The exemptions<sup>2</sup> introduced in Monetary Circular 2012-02 and the penalty on excess credit<sup>3</sup> introduced in Monetary Circular 2013-01 will remain in effect.

In addition, we have noticed that many banks do not adhere to the monthly reporting deadline of their exemptions, which is 21 days after month end. Therefore, a penalty has been introduced for late reporting. The penalty is equal to NAf.1,000 for each day that the monthly reporting is submitted after the reporting deadline. If the reporting deadline falls in a weekend or on a holiday, the report must be submitted on the next business day.

### **Centrale Bank van Curaçao en Sint Maarten**

September 16, 2013

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<sup>1</sup> See Attachment 1 for the definition.

<sup>2</sup> See Attachment 2 for a detailed explanation.

<sup>3</sup> The penalty is equal to the amount of excess credit at month-end multiplied by the Bank's pledging rate plus two percentage points (i.e., 3.0%) and 1/12 and will be charged monthly.

## Attachment 1

### 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:

<b>Chart of Accounts Item</b>	<b>Description</b>	<b>Debtor Category</b>
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

## Attachment 2

## **Exemptions from the credit freeze**

### **1. Credit commitments**

- a. A credit is considered committed when the application has been approved by the credit committee of the bank.
- b. The take up of the undisbursed part of the credit commitments agreed up to and including March 16, 2012 will be exempted.
- c. The credit commitments must be adequately substantiated by a document, which should be submitted to the Bank electronically.
- d. Twenty-one (21) days after month end at the latest, an Excel sheet must be sent to the Bank stating for each credit commitment the total amount of the commitment and the cumulative amount disbursed at month end, starting with February 29, 2012. Please note that:
  - only the undisbursed part of the credit commitments taken up after February 29, 2012 is exempted;
  - commitments for overdrafts may be summed and reported as a total;
  - credit commitments not exceeding NAF 100,000 may be summed and reported as a total;
  - it is not necessary to send the documents of the commitments that may be summed and reported as a total, but they should be submitted to the Bank upon request.
- e. The Excel sheet must be accompanied by a cover letter on official letter paper stating that the data are complete and correct and signed by an authorized employee.

### **2. Credit extensions for projects that contribute to a strengthening of the foreign exchange reserves**

- a. Credit extensions for projects that will strengthen the foreign exchange reserves of the monetary union are eligible for exemption. The project should promote exports or reduce imports and should have a significant positive net impact on the foreign exchange reserves.
- b. Only credit extensions of NAF 1,000,000 or more will be considered for exemption.
- c. Applications for exemption must contain:
  - a description of the project;
  - the maximum amount of the credit extension;
  - the term of the credit extension.
- d. The Bank will decide if an application is accepted for exemption within five business days after receipt of the application.
- e. Twenty-one (21) days after month end at the latest, an Excel sheet must be sent to the Bank stating for each exempted credit extension the total outstanding amount at month end, starting with September 30, 2012.

### **3. Takeover of credit facilities from other banks**

- a. If a bank takes over a credit facility from another bank that is subject to the credit measure, the outstanding amount is eligible for exemption.

- b. The outstanding amount of the credit facility will be subtracted from the total outstanding amount of credit of the bank that takes over the credit facility.
- c. The outstanding amount of the credit facility will be added to the total outstanding amount of credit of the bank where the credit facility is redeemed.
- d. Only credit facilities of NAF 100,000 or more will be accepted for exemption.
- e. Twenty-one (21) days after month end at the latest, an Excel sheet must be sent to the Bank stating for each credit facility taken over:
  - the name of the bank from which the credit facility was taken over;
  - the name of the client;
  - the date on which the credit facility was taken over;
  - the outstanding amount of the credit facility taken over.