

BANKING AND FINANCING

7.1 Banking, monetary system and currency

Bonaire has a well-developed banking system, various non-banking financial intermediaries and a postal checking system supervised by the Central Bank from the Netherlands Antilles. The Central Bank was established in 1828 and is the oldest Central Bank in the Americas. The banking system provides both local and international services in an environment of confidentiality, while ensuring security and stability. Bonaire has its own branch. The bank is a well-organized and well-run institution, which has, for the most part, placed only limited restrictions on Foreign Exchange.

Other banks, trust offices, and other financial institutions have the resources and technical capability to accommodate all the requirements of its international clientele. The commercial banks are also equipped with trust, insurance, and investment departments that provide both local and international services. Credit to the domestic private sector, savings accounts, and time and demand deposits accounts have increased substantially in recent years enabling the private banks to extend medium and long-term loans to firms and individual entrepreneurs.

7.2 Currency, foreign exchange regulations

The monetary unit of the country is the Netherlands Antilles Florin (naf.), commonly known as the Guilder. The official selling rate of currencies is set daily on the basis of their exchange rate with the U.S. dollar abroad.

The Central Bank of the Netherlands Antilles is charged with the supervision of banks and the control of currency.

The General Foreign Exchange policy is vested with the Government of the Netherlands Antilles. The Central Bank is charged with executing the Foreign Exchange regulations and managing available Foreign Exchange reserves for account and risk of the Government. Therefore, the Bank is empowered to grant licenses and exemptions by virtue of the Foreign Exchange Ordinance.

7.3 Foreign Exchange Controls

The foreign Exchange Ordinance is based on dual international transfer payments system.

Current transactions are in principle free, while most capital transactions remain subject to license. Exchange Banks are permitted to provide Foreign for the following transactions without the Central Bank's approval:

Import and export of goods and additional charges thereto

Transit transactions

Freight and insurance cost international transport

Costs of passage

Travel and hotel expenses

Interest and dividends
Transfer and profits
Rental and leases
Instalment payments on loans

Writing off investment
Short-term bank credits and similar short-term bank facilities
Labour and services
Office and administration expenses
Salaries and pensions
Insurance premiums
Alimonies and educational grants

The making of payments for bunkering, supplying, repair, and maintenance to ships and aircraft.

Taxation
Fines
Legal expenses
Levies of "Restrictions"
Consular dues
Costs of diplomatic and consular representations
Nursing fees
Changing of residence
Donations for charitable purposes
Payments out of an estate
Salaries
Unemployment payments
Royalties
Attendance fees
Right from labour contracts
Premiums and benefits from social insurance and industrial costs

On the other hand, all transactions not pertaining to the aforementioned current transactions, e.g., capital transactions, the entering of guarantees, surety ships and other securities are prohibited unless the Bank grants a license. However, the Bank applies a liberal licensing system with regard to capital transaction; licenses are normally granted upon request.

During 1988, the central Bank of the Netherlands Antilles issued a new Foreign Exchanges notification. This notification liberalized the law, with respect to Capital transactions.

Residents may freely attain, buy, pledge, or sell foreign securities listed on official stock exchanges to a limit of Naf.100, 000.00 annually.

Residents may open and hold an account in their name at non-resident banks or transfer system, under the condition that no more than the counter value of Naf. 10,000.00 quarterly, to a maximum of Naf. 40,000.00 annually, may be deposited to this account through the intermediary of exchange banks in the Netherlands Antilles.

For the purpose of this notification, residents are defined as natural persons. Institutional investors are still subject to license requirements.

7.4 Confidentiality

All persons who by virtue of their office or profession are concerned with the execution of the Foreign Exchange Regulations are under pledge of secrecy concerning everything that comes to their knowledge *ex officio*. This provision of the Foreign Exchange Ordinance may only be overridden if the abovementioned persons are bound to disclose the information by virtue of their official capacity.

7.5 Non-resident account/currency of payments

The Foreign Exchange Ordinance prohibits residents from having non-resident accounts denominated in Netherlands Antillean Guilder in their books unless the Bank grants a license. However, by means of a general license, exchange banks are allowed to open, hold, and close accounts in the name of the non-residents up to Naf. 200,000.00.

Non-residents are allowed to hold non-resident accounts in any foreign currency with local exchange banks.

Payments to non-residents may be made in any currency except the Antillean Guilder. These provisions of the Foreign Exchange Ordinance are aimed primarily at preventing the use of the Antillean Guilder in the International payments system.

7.6 Offshore companies

The Foreign Exchange Ordinance contains certain provisions that make it possible for the Bank to grant an exemption from all the prohibitions and exemptions to offshore companies. This is to promote the Netherlands Antilles as an international financial centre.

An offshore company is defined as a limited liability company, established in the Netherlands Antilles, the corporate object of which, on instructions and on behalf of one or more non-residents or the company itself, is pursued with means owned by one or more non-residents or by the company itself and the subscribed shares of which are owned by non-residents (natural persons or companies).

Enterprises that have the characteristics of an offshore company can apply for and obtain an exchange exemption under certain conditions from the Bank. These conditions are with respect to an offshore enterprise:

- The company shall be forbidden, without license for that purpose from the Bank, to perform acts from which obligations arise that may be chargeable to the Foreign Exchange reserves of the Netherlands Antilles.
- The company shall submit to the Bank the license for the establishment of a business required pursuant to the provisions of the licensing order for business.

- The company must have a legal representative in the Netherlands Antilles, i.e., a natural person or legal entity established or having its registered office in the Netherlands Antilles and possessing sufficient representation power.
- As far as the company's articles of incorporation (which were included in the papers of the application for the exemption in question) are amended, a copy of the amendment of the articles of incorporation must be sent by registered mail to the Bank no later than 10 working days after its formal conclusion.
- The company is permitted to open, maintain, and withdraw Guilder accounts in the books of an exchange bank; the company in question is permitted only to debit mentioned accounts to effectuate payments to residents.
- The account mentioned in the above is not permitted to show a debit balance; whenever this is imminent, the offshore company in question is obliged to feed the account by selling convertible currencies; the above company shall never be permitted to feed the Guilder account with Guilders.
- The exchange license is not transferable.

7.7 Commercial Banks in Bonaire

1. Banco di Caribe

Manager : Mr. Marlon Bermudez

Kaya Grandi 22

Tel. 717-8259/ 717-7595

Fax: (599) 717-5153

E-mail: info@bancodicaribe.com

www.bancodicaribe.com

Services

- Super Kaha ATM
Extensive network of ATM's on the A-B-C islands
Use of ATM Super Card at gas stations
24 Hour Super Card hot line
- Buy & Pay with Super Card
Use of ATM Super Card at all Cash Net C.A.T.
(Card Acceptance Terminals/Point of Sale)
- Loans
Personal loans/Mortgage loans
100% Financing for construction loans
Customized commercial loans
- Commerce
Documentary Collections and Swift transfers
Letters of Credit and Guarantees
Extensive international correspondent network

Modern banking system “Online Real Time”

- Insurance services
Investment & Insurance
Interest rates on Time Deposits/Interest rates on Savings Accounts
Portfolio & Investment Management
Comprehensive Insurance services
- Credit card and debit card services
Visa Credit Card/Cirrus Maestro Super card
Diners Club representative
Extensive correspondent network
- Same day chequebook delivery
Online transfers with utility companies
Customer Information Centre for personal services
Special attention to elderly
- Other services
Safety locker for documents and jewellery/Night deposit Box

Banco di Caribe has design especially for small enterprises a package named **PECHI**. This portfolio gives locals the follow support:

- Antillean and persons born in Aruba, the opportunity to make loans up to Naf 150.000
- A grace period for minimum 4 months. The grace period can be on the interest rate, or the bank can offer a separate loan to cover these expenses.
- Interest rate starting from 9%
- Special attention of the bank and management staff to help the entrepreneur focus on marketing, administration and other business aspects.
- 50% discount on credit card for the first year of membership
- A specific credit staff member is added to the entrepreneur’s team to help him
- Coordinate the Pechi package and banking administration.
- Furthermore entrepreneurs that qualified for the Pechi package can get an personal
- Loan with 9% interest, guaranteed for the first three years.

2. RBTT BANK

Trust insurance services
Credit card and debit card services
Strategic ATM network 24 hours ATM

The RBTT Bank doesn’t have a special package or programme for starters. They have personal promotion campaigns for personal loans for car, houses etc.

RBTT BANK Antilles NV (Bonaire)

Contact person: Mrs. Judy Diaz

Kaya Korona # 15

P.O. Box 378

Tel. 717-4500/Fax. 717-4510

3. Maduro & Curiels Bank (Bonaire) NV

Contact person: Mrs. Orphaline Saleh or Mr. Benno Michel

Central Operator for: Main Office & Hato Branch

Kaya LD Gerharts 1

P.O. Box 366

SWIFT: MCBKANCUABON

Web: www.mcb-bank.com

E-mail: mcbb-bcs@bonairelive.com

Telephone 717-5520

Main office fax 717-8584

Hato Branch Fax 717-2869

Hato Administration Fax 717-7249

Direct Extension Dialing 717-7245

Rincon Branch 717-6266

Airport Branch 717-5522

Telebanking 717-7186

Telebanking 717-7188

Maduro and Curiel's Bank has an investment department.

It's the intention that the MCB works together with Centrum for Small Enterprises The MCB will stimulate and administrate the SESNA funds for entrepreneurs. Negotiations are taken place. More information can be obtained by the bank credit Manager (Mrs. Gabrielle Nahr) and/or CKB-manager (Mr. Anthony Cecilia).

Comments on Banking and Financing from the work group

In principle the banking world on Bonaire is well organized and many modern banking products are available, also for SME.

ATM, telebanking, international traffic, SWAP, credit cards, PIN-cards, et cetera are functioning well and can be used by all corporate clients.

Significant fact is that The Netherlands Antilles know a cash money and cheques culture. Laborers are paid by cheque or in cash, which means, that on paydays many small entrepreneurs are walking around with a lot of cash in their pockets. As an additional result the desks of the banks are overcrowded for many hours to pay out the cheques, making the access to other bank products difficult.

The biggest problem in getting financed for SME's can be found in the lack of collateral.

The SME can find assistance in writing a business plan, a marketing plan or other, often by the financial institutions required documents, but characteristic for the sector is lack of collateral, especially for starting entrepreneurs.

The wages on Bonaire are generally quite low and life is expensive.

This means that it is very difficult to save money as a preparation to establish a business in the future. On the other hand the interest paid on deposits is very low and therefore not very encouraging to make savings for the future.

As a result it is also very difficult to create equity or property to serve as collateral for the financing institutions.

A second threat is the common interest rate.

Many financial institutions translate a part of the financial risk in a higher interest rate, which means, that the costs of loans are sometimes extremely high and the risk will increase for both the bank and the entrepreneur.

Banco di Caribe developed last year the PECHI-plan. This plan should make financing SME business easier and more accessible.

A fixed interest rate (9%), a maximum of ANG 150.000,=, a grace period of 4 months and a professional guidance are some of the softer rules of the game.

For Bonaire the plan will even get an extension.

A joint venture between CKB, Banco Di Caribe, Cactus Accounting Services and one of the business advisors of CBK will be established to enable the plan to function even better for the SME and the bank and will increase the positive development of small business on Bonaire.

Implementation of a giro system can make paying wages much easier and safer and will keep the bank counters more and better accessible for other services. A system using limited credit cards and / or PIN cards can easily be developed to avoid the risk of creating unwanted debts by current account customers. A second advantage will be, that the money will stay "in house" by the bank making margins more attractive.

A comprehensive development of financial products for the SME market is recommended. Products like equity reinforcement facilities, guaranteed loans (at

lower interest rates), scheduled guidance and more will increase the chances and decrease the threats for SME's.

An intensive cooperation between CKB, the Government, external consultants and the banking world can lead to the development and implementation of these products. An extended amount of examples of this kind of products can be found on the Dutch financial market for SME.

A very often-heard complaint is the time-consuming processing of loan and credit requests. Periods of many weeks and even months are mentioned for the banks to take their final decision. Streamlining the process is more than highly recommended.