NYENRODE BUSINESS UNIVERSITEIT

FINANCIAL SECTOR STRATEGIC REVIEW CURAÇAO & SINT MAARTEN

RESEARCH COMMISSIONED BY THE CENTRAL BANK OF CURAÇAO AND SINT MAARTEN

Pathways for a Future-Proof Financial Sector

LEADERSHIP,
ENTREPRENEURSHIP,
STEWARDSHIP

Prof. Dr. André Nijhof (Nyenrode)
Prof. Dr. Willem Schramade (Nyenrode)
Dr. Guido Rojer (University of Curaçao)

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MANAGEMENT SUMMARY FINANCIAL SECTOR STRATEGIC REVIEW

This document, the Financial Sector Strategic Review (FSSR), commissioned by the Centrale Bank van Curaçao en Sint Maarten (CBCS), aims to contribute to a more future-proof financial sector for Curaçao and Sint Maarten. The research study on which it is based was launched in October 2024 and sought to help the monetary union's financial sector capitalize on new trends and opportunities over the next decade, driven by digitalization, artificial intelligence, evolving regulation, and internationalization.

The research methodology followed a structured three-phase approach, using a multi-method strategy based on secondary data analysis, 24 interviews with stakeholders, and feedback from a sounding board. Six core trends were identified that are transforming the global financial sector: Digitalization and Fintech, Artificial Intelligence & Machine Learning (AI/ML), Cybersecurity & Post-Quantum Threats, Sustainability & Environmental, Social, and Governance (ESG) Financing, Reinsurance of Risks & Increased Premiums, and Evolving Demographics & Shifting Investment Landscapes. Any strategy for a financial sector should observe these trends.

In response to these trends and to guide the financial sector, the FSSR proposes four distinct strategic pathways for the monetary union of Curaçao and Sint Maarten, each with a unique strategic orientation:

Strategy 1: Increased resilience with a focus on stability, continuity, and gradual improvements in existing operations, prioritizing controlled adaptation.

Strategy 2: Strengthening Digital Financial Infrastructure with a focus on cost leadership and operational excellence.

Strategy 3: Green Finance & ESG Leadership with a focus on positioning the monetary union as a financial center for sustainable finance, ESG, and climate resilience.

Strategy 4: Regional Wealth Preservation & Pension Innovation with a focus on establishing the islands as safe and innovative jurisdictions for long-term wealth and pension management, particularly in response to demographic shifts.

These strategies are included in a benchmarking analysis comparing Curaçao and Sint Maarten with Barbados, Cayman Islands, Jamaica, Trinidad and Tobago, the Eastern Caribbean Currency Union (ECCU), and The Bahamas. This analysis aims to support strategic choices by showing how competing financial sectors position themselves.

The results indicate that Curaçao and Sint Maarten, along with the ECCU, primarily focus on “Business as Usual” (Strategy 1). Barbados, Trinidad and Tobago, and the Cayman Islands prioritize “Regional Wealth Preservation & Pension Innovation” (Strategy 4), while The Bahamas and Jamaica focus on “Strengthening Digital Financial Infrastructure” (Strategy 2). The only strategic pathway that has not yet been adopted by a comparable financial sector is Strategy 3: Green Finance & ESG.

The FSSR report also highlights the need for structural changes in the financial sector to support these strategies, including strengthening anti-money laundering frameworks, upgrading regulatory systems, adapting to digital transformation, addressing expertise shortages, rebranding, and fostering public-private partnerships. By carefully considering the preferred strategic pathway, local actors can make an informed decision that will shape the future resilience, competitiveness, and growth of the financial sector in Curaçao and Sint Maarten.

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1. INTRODUCTION

The Centrale Bank van Curaçao en Sint Maarten (CBCS) launched the Financial Sector Strategic Review (FSSR) project in October 2024. With the input of this strategic review, CBCS wishes to contribute to building a more resilient and future-proof financial sector.

BACKGROUND

In the monetary union of Curaçao and Sint Maarten, a well-functioning, stable, and sustainable financial sector is a prerequisite for economic growth and national self-reliance. Over the next decade, the financial sector will increasingly face new trends and opportunities thanks to digitalization, artificial intelligence, evolving regulation, and internationalization. By positioning itself strategically, the financial sector of the monetary union can capitalize on these changes and maximize future opportunities. The characteristics of the financial sectors of Curaçao and Sint Maarten are described in the next section.

RESEARCH AIM

The research project aimed to identify trends and strategic pathways for the financial sector by means of a literature review and interviews with stakeholders in the financial sector of Curaçao and Sint Maarten. This would promote not only an awareness of the main global trends impacting financial services, but also the creation of a shared vision on the future of the financial sector and the identification of opportunities for the functioning of the financial sector of both islands. This would take the form of strategic pathways and a road map.

PROJECT PLAN

The FSSR project started with a kick-off conference in October 2024. This event served as a platform for stakeholders to share their insights on the optimal characteristics and structure of the future financial sector of Curaçao and Sint Maarten. After the kick-off, the research commenced in two different phases. The first phase involved desk research: the benchmarking of similar recalibrations of financial sectors and map developments in Curaçao and Sint Maarten. In the second phase, 24 interviews were held with stakeholders in the islands' financial sector.

The research team consisted of two professors from Nyenrode Business University (André Nijhof and Willem Schramade), a team member from Nyenrode Business University (Sacha Spoor), and a team member from the University of Curaçao (Guido Rojer). Throughout the project, the research team was advised by a sounding board consisting of a group of experts who offered guidance and who shared local insights. A CBCS project team provided organizational and logistical support for the research team and provided feedback on the draft report.

2. CURRENT FINANCIAL SECTOR LANDSCAPE

The financial sector of Curaçao and Sint Maarten, collectively forming a monetary union, is characterized by its significant size relative to the economy, a concentrated market structure, and an increasing focus on resilience against a backdrop of evolving global and local risks. The two islands' financial sector encompasses over 300 financial institutions, with a total asset base for domestic institutions (banks, life insurance, non-life insurance, and pension funds) estimated at Cg. 26.8 billion ($ 14,8 billion). In fact, this sector is a main part of the economy, representing 301% of the monetary union's gross domestic product (GDP) in 2023[1]. The banking sector is dominant, with domestic commercial banks holding Cg. 13.9 billion in assets ($ 7,71 billion) at the end of 2023, equivalent to 156% of GDP. International banks also hold a substantial Cg. 104.1 billion in assets ($ 57,7 billion). Domestic commercial banks account for 50% of the financial sector's total assets, followed by pension funds (30%), life insurance companies (12%), and non-life insurance companies (2.3%)[2]. The Centrale Bank van Curaçao and Sint Maarten (CBCS) has operated as the common central bank for these two autonomous countries since 2010, tasked with promoting monetary and financial stability, integrity, and the safety and accessibility of payment transactions.

The financial sector of Curaçao and Sint Maarten, regulated and supervised by the Centrale Bank van Curaçao en Sint Maarten (CBCS), comprises a diverse range of institutions. The CBCS oversees all financial institutions operating within this monetary union. It is responsible for the control and regulation of the financial services sector, including banking, insurance businesses, and pension funds. Its main objectives include maintaining the stability of the Caribbean guilder and ensuring the efficient functioning of the financial system in the monetary union[3].

The financial sector's largest sub-sector, both in terms of assets and employment, is the banking sector. The domestic banks rely heavily on interest income from maturity transformation. Curaçao is host to international banking institutions that conduct business primarily with non-residents, with limited direct linkages to the local economy and exemptions from foreign exchange controls[4].

The local insurance sector consists mainly of life and non-life institutions. Also, captive insurance is part of the activities of some reinsurance companies. Furthermore, the financial sector consists of investment institutions such as mutual funds, hedge fund administration providers, and pension funds[5].

The structure of the financial sector for Curaçao and Sint Maarten combined is as follows:

- By the end of 2023, there were 398 registered entities under the supervision of the CBCS. This number rose to 418 by the end of 2022 and fell to 412 by the end of 2021.
- A total of 47 local financial institutions were covered in the Financial Stability Report (FSR) for 2024, a decrease by one from 2023 due to a local bank ceasing operations in 2024. These 47 institutions primarily consist of local banks, insurance institutions, and pension funds.

1 Centrale Bank van Curaçao en Sint Maarten (2024)

2 Centrale Bank van Curaçao en Sint Maarten (2024)

3 Centrale Bank van Curaçao en Sint Maarten (2023)

4 Centrale Bank van Curaçao en Sint Maarten (2023)

5 Centrale Bank van Curaçao en Sint Maarten (2024)

- In 2024, there were 7 banks operating in the monetary union (MCB, RBC, BdC, Orco, Vidanova, APC Bank, and Republic), a decrease from 8 domestic banks as reported for 2021 and 2022.
- The sector includes international banks with total assets amounting to Cg 104.1 billion at the end of 2023.
- In 2022, there were 10 life insurance companies and 19 non-life insurance companies. Reinsurance companies, along with captive insurance companies.
- There were 12 pension funds operating in the monetary union in 2023, a number consistent with 2021 and 2022 data.
- The CBCS also supervises other entities such as credit unions, money remitters, trust offices, asset managers, securities intermediaries, investment funds and their administrators, insurance brokers, micro-credit institutions, and the local securities exchange.
- The Dutch Caribbean Securities Exchange (DCSX) provides a platform for listing and trading fixed income, equity, investment funds, and structured products. It is focused on small and medium-sized enterprises (SMEs) and investment funds[6].

DIFFERENTIATING BETWEEN SINT MAARTEN AND CURAÇAO

Although Curaçao and Sint Maarten form a monetary union, it is important to consider the distinct characteristics that typify the financial sectors of Curaçao and Sint Maarten:

First, the **drivers of economic performance and growth differ significantly**. For Curaçao, the nominal GDP figures for 2024 are Cg 6,320.1 million ($ 3,506 million) with a real GDP growth rate of 5.0%. For Sint Maarten the GDP for 2024 was Cg 2,562.4 million ($1,421 million) with a real GDP growth rate of 3.0%[7]. Sint Maarten's economy is highly dependent on tourism and major reconstruction projects, which can lead to more volatile growth patterns. For instance, in 2022, Sint Maarten's real GDP expanded by 9.7%, notably boosted by a strong surge in stay-over and cruise tourism and significant construction projects, such as the airport's rebuilding. However, this concentration also makes Sint Maarten particularly vulnerable to external shocks and natural disasters. Curaçao's economy, while also tourist-driven, appears slightly more diversified, with contributions from real estate and utilities sectors. In 2022, Curaçao's real GDP grew by 6.8%. Curaçao's pension sector, for example, is significantly larger and more developed relative to its economy, accounting for approximately 90-91% of the monetary union's pension sector assets. The financial services sector in Curaçao is well-established and diversified, and it forms one of the pillars of the economy alongside tourism and construction. For Sint Maarten, financial services are much less prominent: its economy is heavily dependent on tourism (stay-over, cruise, leisure), accounting for about 80 % of GDP. For Curaçao, this figure is approximately 30 %[8].

Secondly, the **market size of the financial sectors differs significantly**. Compared to Curaçao, Sint Maarten generally faces higher non-performing loan (NPL) ratios and slower loan growth. In 2022, Sint Maarten's NPL ratio climbed to 11.2%, with corporate NPLs standing at 6.9% and household NPLs standing at 4.3%. In 2024, Sint Maarten's gross NPL-to-total loans was 6.5%, higher than Curaçao's 5.9%. Banks in Sint Maarten report fewer local investment opportunities, with mortgages increasingly financed by foreign funds and houses often purchased with cash, which can decelerate lending. Curaçao's banking sector has shown a more robust lending environment, with its NPL ratio dropping to 8.1% in 2022 and further improving to 5.9% in 2023 and 2024. Loan growth in Curaçao has been primarily driven by household and commercial mortgages. Sint Maarten is highly dollarized—in 2020, 58 % of deposits and 66 % of loans w in US dollars. In contrast, Curaçao has much lower dollarization—around 12 % of deposits and 9 % of credit in 2020.

6 NES-groep (2019)

7 Centrale Bank van Curaçao en Sint Maarten (June 2025)

8 Centrale Bank van Curaçao en Sint Maarten (June 2025)

Regarding the focus on US dollars in Sint Maarten, the Netherlands Antillean Guilder (Cg) and its successor, the Caribbean Guilder (Cg), are officially linked to the US dollar at a fixed exchange rate of 1 USD = 1.79 Cg/Cg across the entire monetary union. While this link applies universally, Sint Maarten's heavy reliance on US tourism and its proximity to the US Virgin Islands and other dollarized economies lead to a more pronounced practical emphasis on US dollar transactions within its local economy, although the formal monetary policy is uniform across the union. The CBCS also facilitates clearing and settlement in both Cg and US dollars for both countries.

Thirdly, the conditions for **operational efficiency and profitability in the financial sector are more challenging in Sint Maarten**. Due to the exposure to hurricanes, the storm peril insurance premiums are significantly higher in Sint Maarten than in Curaçao. Curaçao's banking sector generally demonstrates better profitability and cost control compared to Sint Maarten. In 2022, Curaçao's Return on Assets (ROA) grew to 2.0%, while Sint Maarten's declined to 0.6%. The non-interest expenses-to-gross income ratio for Sint Maarten's banking sector was higher (81.6% in 2022) and deteriorated compared to Curaçao's (66.6% in 2022), indicating weaker cost control and potentially higher service fees in Sint Maarten. This trend of lower profitability and efficiency in Sint Maarten's banking sector continued into 2023 and 2024, with its ROA standing at 0.6% in 2023 and 0.4% in 2024, while Curaçao's ROA was 2% in 2023 and 2.3% in 2024. Also, the open borders with the French part of the Sint Maarten Island, create easy financial transfer between the US dollar-oriented part of the island and the Euro-oriented French part of the island.

Therefore, while both Curaçao and Sint Maarten share monetary and regulatory structures through the CBCS, their financial sectors differ markedly. Curaçao functions as an international financial hub with diverse services, fintech, and capital markets. In contrast, Sint Maarten's financial sector remains more limited, closely tied to its tourism-driven economy and characterized by higher dollarization and a smaller fintech footprint.

3. METHODOLOGY

The methodology of the FSSR study is based on a structured approach consisting of secondary data analysis, interviews, and feedback from a sounding board. The study aimed to explore how the financial sector in Curaçao and Sint Maarten can grow and build a sustainable foundation for the future. It also acknowledged global trends such as digital and sustainability transformations while leveraging the local advantages of the islands. The study was based on the premise that the strategic location, stable political and legal structures, and existing capabilities of local financial institutions in Curaçao and Sint Maarten offer a promising position to explore pathways for a vibrant financial sector amidst global digital and sustainability transitions. Its methodology is detailed below.

SECONDARY DATA ANALYSIS

The objective of the secondary data analysis was to generate an overview of current practices related to the pathways for increasing added value in the financial sector. This was done to identify which pathways are already being explored by local financial institutions and how these pathways are charted, thus providing concrete examples that empower the sector and demonstrate the ongoing transition. The main data sources for the secondary data analysis are academic articles on the global functioning of the financial sector, sector reports on the financial sector of Curaçao and Sint Maarten, and websites and annual reports issued by financial institutions located in Curaçao and Sint Maarten. The analysis has yielded an overview of the global trends that influence the financial sector (Section 4) and optional strategic pathways for the financial sector of Curaçao and Sint Maarten (Section 5).

INTERVIEWS

The objective of the interviews was to identify the advantages and disadvantages of the distinct strategic pathways from the perspective of various stakeholders. This helps to assess the desirability of different pathways towards a more robust and future-proof financial sector and to identify obstacles that need to be overcome. In this way, the interviews form an addition to the overview of the strategic pathways (Section 5). The sample encompasses 24 interviews, approximately half of which were held with representatives of financial institutions such as domestic banks, international banks, and insurance and pension funds. The other half of the interviews was held with clients, data providers, and other stakeholders. To guarantee confidentiality and traceability, all data collected was treated and stored according to Nyenrode's Data Management Protocol.

SOUNDING BOARD

The objective of the sounding board was to identify possible omissions in relation to the functioning of the financial sector of Curaçao and Sint Maarten. The reason for this lies in the fact that the two forms of data collection detailed above carry a risk of being disconnected from local context (secondary data) or being too fragmented (interviews). To mitigate these risks, six experts from Curaçao and Sint Maarten were invited to join the sounding board and to discuss the draft version of the FSSR report. Their conclusions were treated as advice to the research team. It was then the responsibility of the research team to check the results reported by the sounding board and to offer guarantees that the FSSR would be an independent study conducted under the authority of Nyenrode Business University. The list of sounding board members can be found in Annex 1.


KONING DER NEDERLANDEN
WILLEM - ALEXANDER
CURAÇAO

4. GLOBAL TRENDS IN THE FINANCIAL SECTOR

The global financial sector is currently undergoing deep transformations driven by technological innovation, stricter regulatory demands, and growing sustainability and security concerns[9]. These transformations impact the functioning of the financial sector in Curaçao and Sint Maarten. Therefore, this chapter examines key international trends identified through systematic reviews and meta-studies. It highlights those that are most relevant to Curaçao and Sint Maarten and explains their significance. The six global trends that were identified are the following:

A – Digitalization and Fintech
B – Artificial Intelligence and Machine Learning
C – Cybersecurity and Post-Quantum Threats
D – Sustainability and ESG Financing
E – Reinsurance of Risks & Increased Premiums
F – Evolving Demographics & Shifting Investment Landscapes

A. DIGITALIZATION AND FINTECH

Digitalization and Fintech represent a deep transformation in the financial services industry, largely driven by a fundamental shift in the way we live, based as it is on emerging technologies such as the Internet of Things and advanced materials. This shift is also referred to as Industry 4.0 or the Fourth Industrial Revolution[10], resulting in an increasing reliance on digital transactions[11]. A digital transformation is described as a "process that aims to improve an entity by triggering significant changes to its properties through combinations of information, computing, communication, and connectivity technologies"[12]. A major disruption within the digital transformation is the emergence of Fintech applications, or Financial Technology in full. Fintech encompasses technologically enabled innovations that can lead to new business models, applications, processes, and products, significantly impacting financial markets and institutions[13]. Fintech uses software, algorithms, and applications for both desktop and mobile devices to augment or streamline tasks such as depositing checks, moving money between accounts, and paying bills or applying for financial aid. Fintech also facilitates concepts such as peer-to-peer lending and crypto exchanges[14]. This trend is referred to as tokenisation where distributed ledger technologies (blockchain) facilitate digital coins and crypto exchanges. Tokenisation is defined as "the process of generating and recording a digital representation of traditional assets on a programmable platform"[15]. These developments result in a shift towards a more customer-centric approach, with digital-only banks gaining popularity. Furthermore, the COVID-19 pandemic has accelerated the adoption of digital banking solutions[16]. Key aspects of this trend include the widespread adoption of mobile banking and payment services, which allow customers to access financial services from their smartphones, thus making finance more accessible and conve-

9 Barroso & Laborda(2022)

10 Lasi et al (2014)

11 Bao & Phan (2022).

12 Vial (2019).

13 Barroso & Laborda (2022)

14 Barroso & Laborda (2022)

15 Bank for International Settlements (2024)

16 Khalatur et al (2022)

nient[17]. This creates new business models based on the concept of “banking-as-a-service”, facilitating payments, lending, and insurance through third-party platforms[18]. Furthermore, the digital transformation in finance involves the integration of innovative digital technologies into traditional financial companies, with data use and analysis becoming critical catalysts for future development[19] [20]. This constant innovation, while posing potential threats to market structures based on traditional forms of financial services, also opens up significant financial opportunities.

B. ARTIFICIAL INTELLIGENCE & MACHINE LEARNING

Artificial intelligence (AI) and machine learning (ML) are revolutionizing the financial sector thanks to their ability to process large amounts of data and to generate predictions with high accuracy[21]. A primary application is the integration of ML and AI into fraud detection systems: this enhances financial cybersecurity by enabling real-time analysis of large datasets and adapting to evolving threats, something that traditional rules-based systems struggle with[22]. Beyond fraud, AI and ML are crucial for risk management, including the refinement of credit scoring and the detection of early indicators of risk[23]. Generative AI models are also emerging to automate compliance reports and client communications, which helps to cut costs and potentially improve customer satisfaction. The financial industry can benefit from AI’s strong predictive performance, which is increasingly vital for decision-making in various financial settings[24]. However, due to the sensitive customer data there are issues around privacy and confidentiality when using AI. Furthermore, the “black-box” nature of some AI systems results in difficulties with Know-Your-Customer (KYC) procedures to comply with regulatory transparency requirements linked to anti-money laundering and counter-terrorism financing (AML/CTF Act). Still, a new development is the advent of Explainable Artificial Intelligence (XAI), which complements AI-based suggestions with transparent explanations to ensure they are discrimination-free and well-founded[25]. This creates trust and helps meet regulatory transparency requirements in highly regulated financial domains. According to the academic literature on the topic, the future of predictive analytics and data mining in financial services is expected to be significantly influenced by the continued merging of AI and ML technologies[26] [27].

C. CYBERSECURITY & POST-QUANTUM THREATS

Cybersecurity is a vital concern for the financial sector, especially given the increasing frequency and sophistication of cyber threats globally[28]. Safeguarding financial systems against these threats is a top priority for regulators, policymakers, and industry stakeholders worldwide. Financial cyber threats are becoming increasingly sophisticated, often leveraging advanced techniques such as AI and ML to evade detection and exploit system

17 Murinde, Rizopoulos & Zachariadis (2022)

18 Broby (2021)

19 Murinde, Rizopoulos & Zachariadis (2022)

20 International Monetary Fund, & World Bank (2005)

21 Weber, Valerie & Hinz (2024)

22 Jain, Prajapati & Dangi (2023)

23 Jain, Prajapati & Dangi (2023)

24 Weber, Valerie & Hinz (2024)

25 Jain et al. (2024)

26 Weber, Valerie & Hinz (2024)

27 Jain et al (2024)

28 Bello et al. (2023)

vulnerabilities[29]. There is a clear trend towards adopting proactive cyber-defence and incident-response planning through international standards such as NIST CSF and ISO 27001. Targeted intrusions by state-sponsored or organized criminal groups aiming to steal funds are another significant threat, progressively reaching deeper levels of financial infrastructure[30]. The widespread shift to cloud services, while offering numerous benefits, also introduces complex security concerns that necessitate in-house expertise[31]. Additionally, the rise of disinformation campaigns and "deepfakes," often spread via social media, poses a major cyber threat to financial services, as they can be used for market manipulation by exploiting perceptions of fear and speculation[32]. Looking ahead, researchers warn that quantum computing could break current encryption methods within five to ten years, making quantum-safe cryptography a critical area for financial institutions to develop a migration roadmap aimed at preempting future data breaches and regulatory penalties[33] [34]. The importance of cybersecurity continues to grow as financial institutions face rising threats and the need for secure services becomes even more critical.

D. SUSTAINABILITY & ESG FINANCING

The financial sector is becoming more and more aware of its role in sustainable development and the Sustainable Development Goals (SDGs) set by the United Nations for 2030. An estimated $5 to $7 trillion of global investments are needed annually to achieve the SDGs, with a significant portion expected to come from investors, which thus presents a substantial market opportunity for the financial industry[35]. There is a growing trend towards incorporating climate-related risks into financial risk management and regulation, as evidenced by an increase in climate-related financial disclosures and sustainability disclosure regulations[36]. Also IMF stimulates countries in the Caribbean to develop policy frameworks that incorporate the risk and cost of natural disasters in macro frameworks and debt sustainability analysis in order to build capacity to access insurance and financial markets to manage climate risks[37]. Businesses and the financial industry are currently primarily addressing SDGs related to decent work, responsible consumption, production, and climate action. Some banking sectors have moved beyond mere risk assessments to embrace opportunities by developing sustainable asset management and investment products such as socially responsible investment (SRI) funds and green loans. Green bonds are expanding rapidly, enabling investors to finance environment-related SDGs while maintaining comparable financial returns, and these bonds are seen as effective tools for addressing climate change[38]. The concept of the "sustainability case for banking" encourages banks to identify key sustainability issues such as the SDGs and then develop financially attractive products and services to address them proactively[39] [40]. This holistic approach requires standardized and integrated reporting that connects impacts on the SDGs with financial figures to ensure transparency and evaluate benefits and risks.

29 Javaid (2024)

30 Nish, Naumaan & Muir (2020)

31 Vepanambattu Subramanyam (2021)

32 Nish, Naumaan, & Muir (2020)

33 Murinde, Rizopoulos & Zachariadis (2022)

34 Nish, Naumaan & Muir (2020)

35 Weber (2018)

36 Zhou, Endendijk & Botzen (2023)

37 CARTAC (2025)

38 Weber (2018)

39 Jones, Hillier & Comfort (2017)

40 Nijhof & Jeurissen (2010)

E. REINSURANCE OF RISKS & INCREASED PREMIUMS

Natural disaster and catastrophe insurances fulfill a crucial function in society by spreading risk for households and businesses in disaster-prone areas and supporting economic recovery through loss compensation[41]. A significant portion of these natural disaster risks, which can be too large for primary insurers' own asset structures, are reinsured through global reinsurance companies, thus further spreading risks geographically and across financial markets[42]. However, the increasing frequency and intensity of weather-related natural disasters, amplified by climate change, directly impact the insurance sector. When reinsurance companies face large losses from insured physical assets and infrastructure, they may need to increase premiums for recapitalization or even risk insolvency[43]. This can lead to a reduction in the overall risk diversification capacity of the (re) insurance market and make optimal coverage unaffordable for consumers in severe climate change scenarios. This may cause a collapse of insurance in affected regions. Studies indicate that severe natural disasters generally reduce the profitability, underwriting capacity, and stability of insurers, compelling remaining firms to raise rates to adapt[44]. This challenge is exacerbated because traditional backward-looking risk assessments may not adequately reflect the continuously changing drivers of risk, such as climate change. Consequently, there is a growing trend towards incorporating forward-looking computational modelling and climate-related

Table 1: *Overview of the key characteristics of the distinct strategies for the monetary union of Curaçao and Sint Maarten.*

Strategy Title	Core Focus	Number of Trends Addressed	Strategic Orientation
Strategy 1: Business as Usual	Stability, continuity, and gradual improvements in operations, focusing on controlled adaptation.	Trends A, D, and F	Defensive: Stability and Incremental Growth
Strategy 2: Strengthening Digital Financial Infrastructure	Cost leadership, operational excellence, and building a resilient, digital financial infrastructure.	Trends A, B, and C	Offensive: Cost Leadership & Innovation
Strategy 3: Green Finance & ESG Leadership	Positioning as a regional hub for sustainable finance, ESG, and climate resilience.	Trends A, D, and E	Offensive: Sustainable Differentiation
Strategy 4: Regional Wealth Preservation & Pension Innovation	Establishing a safe and innovative jurisdiction for wealth and pension management, focusing on demographics.	Trends B, E, and F	Niche Market Strategy: Long-term Stability

41 Zhou, Endendijk & Botzen (2023)

42 Zhuang, Gunatilake & Niimi (2009).

43 Khalatur et al. (2022)

44 Khalatur et al. (2022)

risks into financial risk management and regulation for financial sector organizations[45]. This proactive approach is vital as unexpected catastrophes have been shown to reduce earned premiums and may lead to market exits. Ultimately, safeguarding the ability of both primary insurers and reinsurers to manage these escalating physical risks is crucial for maintaining financial stability and ensuring continued access to essential insurance services[46].

F. EVOLVING DEMOGRAPHICS & SHIFTING INVESTMENT LANDSCAPES

Pension funds have long discussed how to adequately provide for old age in scenarios where traditional superannuation schemes, which rely on returns from invested savings, may prove insufficient[47]. This concern is heightened by the ageing global population, the weakening of solidarity between generations and the resulting higher expectations that retirees place on their pension funds[48]. While pension funds increasingly often incorporate environmental, social, and governance (ESG) factors into their risk management systems and pursue green investments, these actions, while important, are often a response to, rather than a structural solution of, this unique challenge. The underlying risk for pension funds is often framed as longevity risk combined with the adequacy of long-term investment returns to match continuously growing and extending liabilities. This necessitates robust and often innovative approaches to asset allocation and risk management that go beyond merely adhering to ESG mandates[49]. Furthermore, as key institutional investors, pension funds also face the broader financial sector challenge of ensuring an adequate supply of risk capital to fund new ideas and new firms, which is vital for sustained long-term economic growth that could, in turn, support their investment returns[50]. Ultimately, ensuring the solvency and reliability of pension funds in providing retirement security amidst these demographic and financial shifts presents a critical and distinct ongoing challenge[51].

To conclude, international literature has highlighted the rapid changes driven by technological, regulatory, and sustainability considerations. These are global trends that disrupt the entire financial sector. However, there is no one-size-fits-all solution to address these global trends, which means that country-specific developments become relevant. The next section will discuss these trends in relation to the specific characteristics of the monetary union of Curaçao and Sint Maarten.

45 Javaid (2024)

46 Weber (2018)

47 Peetz & Genreith (2011)

48 Khalaturet al. (2022)

49 Schoenmakers & Schramade (2019)

50 Peetz & Genreith (2011)

51 Zhuang, Gunatilake & Niimi (2009)

5. STRATEGIC PATHWAYS FOR THE FINANCIAL SECTOR OF CURAÇAO AND SINT MAARTEN

In its quest for stability and growth, the financial sector of Curaçao and Sint Maarten faces both trends and opportunities, which necessitates a multi-faceted strategic approach. A strong strategy requires selecting a specific path to strengthen the capabilities of the monetary union of Curaçao and Sint Maarten. This builds on the previously mentioned starting point for the current FSSR report: the strategic location, stable political and legal structures, and existing capabilities of local financial institutions in Curaçao and Sint Maarten offer a promising position to explore pathways for a vibrant local financial sector amidst global digital and sustainability transitions. This section presents four distinct strategic approaches as a response to the global trends mentioned in the previous section. These options reflect a variety of strategic orientations[52] — continuity and incremental growth, cost leadership and innovation, customer intimacy, and niche specialization — while aligning with the identified global trends (A–F). The defining characteristics of the four strategies are presented in Table 1 below.

STRATEGY 1: BUSINESS AS USUAL

The Business as Usual strategy is primarily based on stability and continuity of existing operations. Its objective is to maintain the current trajectory of financial, economic, and institutional operations with a focus on gradual improvements in key sectors, ensuring stability and the continued functioning of the monetary union without undertaking large-scale reforms[53]. This strategy could fit with the sector's culture as expressed in several interviews:

> "Curaçao has not been a tax haven since 2000, but the necessary paradigm shift to move to a different type of financial services has still not occurred (Interview P)."

> "The financial sector is not changing a lot. You see more of the same. If anything, I see more paperwork and bureaucracy (Interview O)."

The strategy focuses on addressing key trends such as digitalization and financial technology (fintech), but at a slower and more controlled pace. Digital innovations significantly affect the security of the financial sector and transform financial services[54]. While the integration of new technologies is acknowledged, the strategy emphasizes taking measured steps to avoid disruptions:

> "As a sector, we need to learn to use current solutions. Stop procrastinating; don't want everything to be different and rethink everything. Everything is already there, and that's what we need to start from (Interview I)."

Similarly, sustainability and environmental, social, and governance (ESG) financing will be pursued within existing frameworks, ensuring that these trends are addressed without overhauling the current system. The reinsurance and risk management landscape will be improved through enhancements to existing policies while prioritizing stability over radical change. Natural disasters and climate change risks generally lower insurer profitability and risk-sharing capacity, as well as bank stability, and understanding these impacts is crucial for the

52 Porter (1985)

53 Bakar & Sulong (2018)

54 Khalaturet al. (2022)

incorporation of climate-related risks into financial risk management[55]. Lastly, the shifting demographics and evolving investment preferences will be addressed through gradual adjustments, allowing for more time to adapt to these long-term changes. Sint Maarten and Curaçao experience the global trend in reinsurance and the increase of insurance premiums quite differently. Hurricane Irma, which struck Sint Maarten in 2017, caused $2.7 billion in damages, and 8 years later the island is still dealing with the consequences. Another major hurricane will affect once again all sectors in Sint Maarten, and therefore the "business as usual" approach to global trend E is not an viable option. In addition, existing storm peril insurance premiums are significantly higher in Sint Maarten than in Curaçao; as such, they impact individuals, businesses, and the economy alike.

To maintain economic stability, the focus in this strategy lies on stable monetary policies with the aim to preserve the current exchange rate and fiscal policies that minimize large-scale economic disruptions. Curaçao has also adapted its preferential tax regimes to align with OECD requirements to tackle base erosion and profit shifting, providing context for its fiscal policies[56]. This is complemented by incremental technological upgrades, where improvements to digital banking and financial systems will occur gradually, thus avoiding the need for a full-scale transformation and related skill development:

> "In order to comply with Know-Your-Customer (KYC) procedures, financial institutions in Sint Maarten and Curaçao often rely on hiring non-locals to bring in specific expertise. It is hard for small islands like Sint Maarten and Curaçao to keep up with all these requirements and educate their personnel. The KYC system is designed for developed countries but runs into its limits for small islands like Curaçao and Sint Maarten (Interview A)."

To overcome the problems for small island states, it is crucial to strengthen existing partnerships. This involves continuing current regional and international cooperation in trade, investment, and financial services rather than pursuing a major expansion or diversification of these partnerships. The strategy also involves placing a sustainability focus within current frameworks, promoting sustainable practices across financial systems and sectors without committing to large-scale initiatives such as green bonds or ESG-specific taxation. Finally, reinsurance mechanisms will continue to be used to protect against natural disasters and external economic shocks, maintaining the current strategy without seeking drastic changes. This strategy fits in with the current situation, according to the next two interviewees:

> "We must embrace reality. The financial sector on small islands is often 10 to 20 years behind what is possible in the West. Therefore, we should not try to be ahead of the curve (Interview K)."

> "Extreme weather conditions result in a higher risk of claims due to hurricanes (Sint Maarten), fires (Curaçao), and flooding. To be able to bear these risks, local insurance companies need reinsurance. However, due to the uncertainty linked to weather conditions, it is increasingly difficult to find reinsurance (Interview H)."

The primary benefit of this approach is stability, as it minimizes innovation risks and avoids disruptions that could result from sudden or overwhelming reforms. It ensures that businesses and citizens are not subjected to volatile shifts. In addition, this strategy offers cost efficiency, with improvements that are incremental and that require fewer resources compared to more aggressive strategies. This fits in with the dependency of local banks on their correspondent bank:

> "The strategy of most banks is determined from the parent country, and therefore there is little vision for the islands. That's why it's difficult to do truly innovative things with these kinds of banks (Interview P)."

55 Zhou, Endendijk & Botzen (2023)

56 Deloitte (2018)

> "In Sint Maarten, banks don't work together. Most of them are owned by international parents. Sint Maarten is too small to outsource digitalization to a separate company (Interview F)."

It also provides cautious adaptation, which allows for flexible responses to global trends, so that future developments can be integrated seamlessly as the situation evolves, without the need for major overhauls.

However, there are potential downsides. The gradual approach may miss opportunities for innovation or fail to address the global trends indicated in the previous section (global trends A to F). Furthermore, this strategy may seem attractive for the short term, but might fail in the long run because financial institutes in Curaçao and Sint Maarten could be outcompeted by more proactive competitors or regions.

Also, this strategy has no answer to the problem – as indicated by several interviewees – that it is hard to find enough local investment opportunities:

> "The 60-40 rule means that financial institutions have the obligation to allocate a minimum of 60% of their assets to local investment opportunities. However, at present it is hard to find enough opportunities on Sint Maarten, and on Curaçao almost everything is invested in tourism, resulting in excess liquidity and lower returns on investments (Interview U)."

Curaçao's government has faced challenges when it comes to rapidly responding to new opportunities. This is due to factors such as internal divisions, the influence of the Dutch-controlled kingdom government, and linguistic hurdles, all of which have impacted its competitive advantage as an offshore financial centre[57]. There is also the risk of growing complacency, where the union could remain stagnant as it fails to evolve with global or regional shifts, potentially leaving it behind in the long term.

STRATEGY 2: STRENGTHENING DIGITAL FINANCIAL INFRASTRUCTURE

This second strategy is primarily based on cost leadership and operational excellence. The objective is to create a modern, low-cost, and resilient financial infrastructure that supports digital payments, fintech integration, and inclusive access to financial services. This is urgently required, according to one of the interviewees:

> "A problem now is bad customer service and communication problems. Customer service issues are big, this needs addressing. The industry is trying to do more digitally but it's not going well. Communication infrastructure is not good – technology has to work perfectly if you want people to do everything digitally (Interview F)."

This strategy builds upon the ongoing digitalization that is rapidly transforming global financial systems, with fintech playing a central role in the shift towards more efficient, accessible, and transparent financial services. Cloud computing and business process re-engineering are identified as the future of digital transformation in financial systems[58]. Collaboration between banks and fintechs is considered essential for the successful development of the sector and long-term survival in the financial industry[59].

> "Fintech in Curaçao is primarily focused on the local retail market. They should be more internationally oriented and adopt international developments. The wheel has already been invented: connecting with other players doing good things worldwide. Increased collaboration with fintech is also important (Interview P)."

> "New payment systems are emerging. This is desirable because supermarkets, for example, often have multiple payment terminals. One per bank (Interview K)."

57 Morris (2009)

58 Vepanambattu Subramanyam (2021)

59 Barroso & Laborda (2022

> "The costs of financial transactions in ATM machines or the transfer of money are relatively high. Cashing money from ATM requires one extra dollar. Sometimes even 2 or 3 dollars, both for tourists and for residents. And for international transactions costs are even substantially higher (Interview O)."

As financial systems evolve, digital payment solutions, blockchain technology, and decentralized finance are reshaping how transactions are made, thus reducing reliance on traditional banking infrastructure. Fintech enables faster, more secure transactions and provides access to financial services for individuals and businesses that were previously underserved:

> "Due to the KYC process, potential clients need to upload many documents. This creates a barrier and lengthens the process for customers. Next to that, it's not possible for everyone to comply. For example, if someone still works in the cash economy, they have no paycheck and therefore it is not possible to open a bank account. This also hinders access to other financial services like mortgage and liability insurance for motor vehicles (Interview G)."

The trend towards digital financial services is especially impactful in emerging markets such as the monetary union of Curaçao and Sint Maarten, where it can drive financial inclusion and access. Empirical evidence indicates that financial sector development plays a vital role in supporting economic growth and reducing poverty[60]. This strategy also encompasses the integration of artificial intelligence (AI) and machine learning (ML) into the financial sector to enhance operational efficiency and improve decision-making processes. Text-based chatbots are implemented in the financial sector using machine learning to enhance customer relations and address external challenges[61]. These technologies are also employed in compliance tasks such as anti-money laundering (AML) and counter-financing of terrorism (CFT), where they can detect suspicious behaviour and automate regulatory reporting. Curaçao has taken significant steps towards meeting international standards set by organizations such as the Financial Action Task Force (FATF) for AML and CFT[62]. By leveraging AI/ML, financial institutions can improve security, streamline operations, and serve customers better. Establishing shared cybersecurity protocols at the regional level can help build a collective defence against evolving threats[63]. In this context, it is noteworthy that CBCS has already published guidelines for financial institutions to manage cybersecurity risks.

This strategy requires the construction of a fintech sandbox in a semi-controlled environment where innovative financial technologies can be tested without the usual regulatory burdens. The function of such a fintech sandbox is that innovative financial technologies can be tested under temporary or modified regulatory conditions. Fintech sandboxes allow governments to encourage local startups to experiment with new solutions in areas such as payments, lending, and insurance while maintaining oversight and mitigating potential risks[64]. Currently, CBCS has specific conditions for Payment Service Providers in the legislative process, which could make market entry more attractive for companies like PayPal.

> "To accelerate fintech, it's necessary to bring parties together and force them to collaborate. DNB regularly visits the Caribbean. Discussions are held on the possibility of establishing a central fintech association. CBCS can play an important role in this: common goals, common interests, identifying best practices, etc. This must then be enforced through legislation (Interview I)."

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60 Zhuang, Gunatilake & Niimi (2009)

61 Wube et al. (2022)

62 NES-groep (2019)

63 Nish, Naumaan & Muir (2020)

64 Barroso & Laborda (2022)

This approach promotes collaboration between regulators and innovators, facilitates the identification of potential risks and benefits of new technologies, and lowers entry barriers for local entrepreneurs. Ultimately, a fintech sandbox can lead to a more dynamic, competitive, and inclusive financial ecosystem. With the help of AI, these systems analyze large amounts of transactional data, identify anomalous patterns, and flag potential risks. The application of AI in finance includes thematic clusters such as financial distress, algorithmic trading, forecasting, and fraud detection[65]. By automating compliance tasks, institutions can reduce human error, improve regulatory adherence, and reduce operational costs. Additionally, by preparing for the transition to post-quantum cryptography, regional partnerships can ensure that encryption standards remain secure in the face of emerging quantum computing capabilities. A regional approach allows for more coordinated responses to cyber incidents, ensuring that national and international systems remain protected from evolving threats. Furthermore, one characteristic of this strategy is that it requires specialized skills for innovative products and services. Attracting or educating the right human capital base is therefore crucial. Curaçao and Sint Maarten need to provide favourable conditions to attract highly educated professionals, including easing immigration policies and work permits.

> “A better immigration policy is crucial for the financial sector’s expertise. We must ensure that certified individuals can find employment here more quickly, thus bringing more knowledge to the country. This is important for the financial sector in general and for AI in particular. This way, we can foster local development (Interview B).”

Curaçao experiences “brain drain” primarily due to economic/financial reasons, such as a lack of job opportunities and diversity of economic activity, which leads highly educated individuals to seek opportunities abroad[66]. Therefore, “brain drain” of higher-educated individuals seeking opportunities abroad needs to be addressed. Also, the local academic curriculum needs to be updated to include specialized training in high-demand fields, such as the areas of finance and digital technologies. Strategic incentives, such as competitive salaries, career development programmes, and innovation grants should be introduced to recruit and retain top talent on the islands.

A main benefit of this strategy is increased efficiency, transparency, and resilience. By adopting digital payment systems, AI/ML technologies, and robust cybersecurity measures, the financial system can become more efficient, transparent, and resilient. Digitalization reduces manual processing, enabling faster transactions and better tracking of financial flows. AI in the financial services industry is noted for its benefits in areas such as enhancing decision-making and operational efficiency [67]. This was also emphasized in interviews:

> “Better digitalization helps meet international standards. There used to be many Dutch institutions in Curaçao, and there was a functioning ecosystem. That’s no longer the case, and that’s why we now have to solve it digitally (Interview P).”

AI can improve decision-making by offering data-driven insights, while advanced cybersecurity measures protect against cyber threats, making the system more resilient to disruptions. Overall, these technologies create a more streamlined and secure financial environment for businesses and consumers alike[68].

Furthermore, the expansion of digital payment systems and fintech solutions can help bridge the gap for individuals in the informal part of the economy where people may lack access to traditional

65 Weber, Carl & Hinz (2024)

66 The Fund for Peace (2020)

67 Avramovic (n.d.)

68 Barroso & Laborda (2022)

banking services[69]. By providing digital alternatives, people in these areas can gain access to financial services such as payments, loans, and insurance, which helps promote financial inclusion. This can be especially transformative in developing economies, where access to digital finance could support entrepreneurship and poverty reduction.

While the outlined strategy offers significant benefits, there are several drawbacks to consider. First of all, despite enhanced cybersecurity measures, the increased reliance on digital financial systems raises the risk of cyberattacks and data breaches:

> "Criminals also use digital technology. So, the more financial services are digitalized, the greater the chance of cyberattacks. This is a permanent and costly arms race with high fixed costs that are hard to bear for the relatively small financial institutions on the islands (Interview S)."

Cybersecurity has been recognized as a promising strategy to strengthen the financial sector's resilience and to evaluate cyber risks[70]. The Internet of Things (IoT) introduces new cybersecurity issues for critical cyber infrastructure, often referred to as the "Internet of Threats"[71]. As more sensitive financial data is stored and transmitted electronically, hackers could target these systems, potentially compromising consumer privacy. Furthermore, the deployment of AI systems could also raise concerns about data privacy, especially if they involve the collection of vast amounts of personal and financial information. Data collection and processing raise security restrictions and privacy threats for fintech firms[72]. Secondly, while digital inclusion is one of the primary goals, there is also a risk that the digital divide could widen further. In areas where internet connectivity or digital literacy is low, people may be excluded from accessing the benefits of digital financial services. Moreover, older generations or those with limited technological experience may struggle to navigate new digital payment platforms or AI-driven systems. Thirdly, developing regulatory frameworks to support these technologies could be challenging. Fintech innovations often evolve faster than regulatory bodies can keep up with, leading to potential gaps in governance and oversight. Corporate governance is critical to the proper functioning of financial institutions and the financial sector, emphasizing the responsibility of the governing body for sound governance arrangements[73]. Additionally, the deployment of AI for fraud detection and compliance may raise issues related to transparency, accountability, and fairness, particularly if these systems unintentionally introduce bias or errors. For this reason, regulators in many countries demand greater transparency and explainability of decisions in the financial sector by requiring Explainable AI (XAI) rather than AI-based systems[74].

STRATEGY 3: GREEN FINANCE & ESG LEADERSHIP

The third strategy is primarily based on customer intimacy and sustainable differentiation. Its objective is to position the monetary union as a regional hub for sustainable finance and ESG-aligned capital, leveraging small island vulnerabilities, such as climate, economic, and financial vulnerabilities, into global investment interest. One of the interviewees emphasized that ESG is much broader than just CO_2:

> "Greater transparency about business operations could be a catalyst for improvement. See for example the EU's Corporate Sustainability Reporting Directive. But issues such as good employment practices and investing in society are much more material than, for example, CO_2 emissions (Interview K)."

69 Zhuang, Gunatilake & Niimi (2009)

70 Bello, Folorunso & Ejiofor (2023)

71 Bello, Folorunso & Ejiofor (2023)

72 Barroso & Laborda (2022)

73 Doornbosch (2022)

74 Weber, Carl & Hinz (2024)

The main foundation for this strategy is the trend towards sustainability and ESG financing. This trend focuses on the increasing emphasis on sustainability and environmental, social, and governance (ESG) considerations in financial decisions. However, this trend is not equally adopted globally. Especially the US has a strong ESG pushback movement[75]. Still, incorporating environmental criteria into credit risk management is a focus for banks[76]. This includes a growing demand for investments that align with sustainability goals and foster climate resilience.

> "The monetary union of Curaçao and Sint Maarten can be attractive for financial institutions to try out innovations. They can implement innovations here on a small scale—maximum 200,000 customers—and later implement them in much larger markets (Interview K)."

The trend towards reinsurance and risk management also fits in with this strategy. It highlights the need for innovative solutions to mitigate climate-related risks and focuses on risk management strategies, such as reinsurance, to protect vulnerable economies and infrastructure from the effects of climate change.

> "To get a sense of the importance of the insurance sector in case of emergencies, just consider what happened after hurricane Irma hit Sint Maarten in 2017. The island set up a National Recovery Program Bureau (NRPB) with $550 million. After five years of this programme, less than 250 million guilders had been allocated. However, insurance companies paid more than 1 billion guilders within 6 months after hurricane Irma had passed. Therefore, the insurance sector plays a crucial role in supporting recovery after extreme weather events (a key societal function), while at the same time also posing significant risks for re-insurers who are responsible for covering a major share of these payments (Interview H)."

Applying this strategy involves the establishment of a Caribbean ESG Bond Market. The strategy aims to develop a Caribbean ESG (environmental, social, and governance) bond market to promote green infrastructure, clean energy, and resilient building investments. This will attract both local and international capital to fund sustainable projects in the region. A promising development in this respect is the sharp increase to a global market of $ 50 billion in the issuance of Catastrophe Bonds – so-called Cat Bonds - due to climate risks[77]. Cat bonds are high-yield debt instruments issued to investors, offering relatively elevated returns in exchange for the risk of losing the principal if a predefined catastrophic event occurs that impacts the insurer. This mechanism allows insurers to transfer part of the risk associated with major events—such as hurricanes and floods—to capital markets.

> "ESG is promising. Curaçao and Sint Maarten do in fact have wind and solar energy. Pilot projects are already being carried out. If you can also connect with the financial sector there, that has potential (Interview M)."

By creating or supporting a climate reinsurance pool, the initiative seeks to help Caribbean nations hedge climate-related risks. The pool will work closely together with international organizations to provide financial protection against climate impacts such as hurricanes, rising sea levels, and extreme weather events. A crucial element of the strategy is to create a taxonomy tailored to the unique characteristics of small-island economies. This will serve as a framework for classifying sustainable investments and ensure alignment with the United Nations' Sustainable Development Goals (SDGs). This can even result in financial instruments to share risks between small island economies.

> "Hurricanes, fires, and flooding cannot be prevented, but the government's permit system can make sure that rebuilding houses and

75 Ioannu (2025)

76 Weber (2018)

77 Financial Times (2025)

restoring infrastructure is done in such a way that it is climate-proof. Also, insurance companies can stimulate climate-proof building by developing and implementing climate adaptation policies. By increasing the difference in insurance premiums for clients with lower or higher construction safety measures, the insurance sector can stimulate the design of climate-proof buildings. Therefore, the CBCS or a different institution should develop general guidelines that indicate how insurance companies should apply climate adaptation policies in their product portfolio. Consequently, risks will decrease, and it will be easier to obtain reinsurance for the insurance companies within the monetary union of Curaçao and Sint Maarten (Interview E)."

The future of equivalence in the EU financial sector is increasingly influenced by considerations beyond mere rules and supervision, such as EU financial stability risks and market integrity[78]. The taxonomy will encourage the private sector to adopt sustainable practices. Another element in this strategy is to foster innovation in green finance by offering incubation programmes to support startups in the fintech sector that are driven by sustainability and ESG principles. These programmes will help create a thriving ecosystem for digital startups focused on environmental sustainability.

By promoting sustainable finance initiatives, the strategy will attract international institutional investors, impact investors and development banks who are focused on funding projects that align with global ESG standards. This will result in an inflow of capital into the region and reverse a trend from the past:

"In a transparent world, multinational companies focus on de-risking. With the current profile, these multinationals often classify financial organizations in Curaçao and Sint Maarten as too risky. Therefore, organizations such as ING, ABN Amro, and CIBC-FCIB have disinvested from Curaçao and St-Maarten, thus making it more difficult for local financial organizations to provide the financial services needed for the economy (Interview L)."

Also, the economic literature supports the role of National Development Financial Institutions (NDFIs) in addressing market failures and promoting financial sustainability[79]. The strategy positions the monetary union as a pioneer in climate finance, using geographic risks as strategic leverage. By leading the way in climate resilience and sustainable investments, the union can attract further attention and investment from global stakeholders. Prioritizing sustainability and green finance will also build trust with younger, sustainability-conscious citizens and investors. This will not only attract investments, but also foster a sense of community and commitment to long-term environmental and social goals.

However, one drawback of this strategy are its high initial costs. Developing a robust ESG bond market, a climate reinsurance pool, and a sustainable investment taxonomy requires significant upfront investments, both in terms of financial resources and expertise. This may strain the budgets of smaller island nations with limited resources. This strategy's success depends heavily on cooperation between multiple stakeholders, including governments, international organizations, private sector players, and local communities. Coordinating these efforts across different islands and jurisdictions can be challenging and may hinder progress. Success depends on global market conditions, including fluctuations in interest rates, international demand for ESG investments, and the broader economic landscape. Economic downturns or changes in international policy could impact the flow of capital into the region. Furthermore, developing and implementing a new ESG framework and reinsurance pool could face resistance from local industries or governments that prioritize short-term economic gains over long-term sustainability goals. Political instability or changes in leadership could also affect the continuity of the strategy.

78 Busch (2024)

79 Gutierrez & Kliatskova (2021)

STRATEGY 4: REGIONAL WEALTH PRESERVATION & PENSION INNOVATION

The fourth and final strategy is primarily based on a niche market strategy. Its objective is to establish Curaçao and Sint Maarten as safe, innovative jurisdictions for long-term wealth and pension management, particularly in response to demographic shifts. Curaçao's private sector is currently increasing efforts to specialize and target family wealth offices as an important niche market segment for fiduciary services[80].

> "I see the monetary union of Curaçao and Sint Maarten as a platform for investments, where we can leverage the advantages of knowledge, the Dutch Kingdom, and stability. And not focused on large funds, because that requires investments beyond feasible levels, but rather on funds from wealthy individuals (Interview M)."

This strategy is mainly based on evolving demographic trends and investment dynamics: populations are ageing and investment patterns are changing, which influences financial strategies and future planning.

> "Banks support the economy of Sint Maarten a lot; they have stepped up to the plate to support the key pillars of the economy. For example, the hospital was fully paid for by banks instead of government. Or take the airport, the first set of funds for the new airport came from the banks. Why? There are not many opportunities to invest when you have high liquidity, you cannot send all this money to Europe (Interview F)."

The reinsurance sector is becoming more critical, particularly in terms of mitigating risks associated with environmental, economic, and geopolitical factors. Furthermore, the use of artificial intelligence (AI) and machine learning (ML) in asset management is revolutionizing predictive modelling, allowing for better decision-making and more accurate forecasting. The area of machine learning for financial forecasting examines advancements, challenges, and implications of AI-driven predictions in financial markets[81].

> "We used to have the holding company in Curaçao, but it was empty. What we want is for the holding company to also bring its assets to Curaçao. Or for them to come and gain knowledge about fintech. Or for them to send their people and live in Curaçao. That's what we want to achieve (Interview with M)."

This strategy, focused as it is on wealth and pensions, requires the launch of pension reforms with AI-enhanced forecasting tools[82]. By creating regional pension pooling mechanisms or cooperative funds, diversification can be enhanced and fees reduced, which benefits all participants. It also requires offering tax-efficient wealth management solutions. Aimed at the Caribbean diaspora and retirees, these solutions should be designed to optimize returns while minimizing tax liabilities. This is possible with AI-driven tools, so that personalized retirement planning services can be offered, which in turn fosters greater citizen engagement and enhances individuals' preparedness for retirement. This digital infrastructure can also be used for other niche markets:

> "Crypto is digital. Online casinos are also digital. There are opportunities there. We're a small island, so we don't have a large consumer market. That's why everything online is an opportunity (Interview M)."

The main benefit of this strategy is that it creates enhanced financial security for ageing populations, helping them maintain a comfortable standard of living in retirement. It attracts regional investors seeking stability and long-term value.

> "Ageing also affects Curaçao in particular as more retirees encounter a pension gap, and inflation

80 NES-groep. (2019)

81 Jain et al. (2024)

82 European Central Bank (2023)

> drives up the cost of living, thus further exacerbating their ability to consume (Interview J)."

By offering more stable and diversified investment opportunities, this strategy will appeal to regional investors seeking long-term value and risk mitigation. The expansion into pension funds, wealth management, and cooperative financial models diversifies the union's economic base, reducing its reliance on the tourism industry. Furthermore, the tourism sector can contribute to this if tourists are perceived in a different way:

> "It's important to use tourism differently. Many tourists are wealthy. By developing propositions for them, they can be approached and enticed to invest, generate new ideas, and utilize their knowledge. Curaçao and Sint Maarten really need to think and work differently (Interview P)."

Also for this strategy, its high initial implementation costs form a main drawback. The launch of AI-driven tools, pension reforms, and the establishment of regional pooling mechanisms will require significant initial investment, both in terms of technology and human resources.

> "Moreover, it brings jobs to the communities in Curaçao and Sint Maarten. The prerequisite is that we improve our knowledge. Therefore, we need to invest in training. This also benefits the ecosystem (Interview M)."

While AI can play a key role in the enhancement of predictive modelling and asset management, there is the potential for over-reliance on technology, which may lead to errors or misjudgments if the models are not continually updated and reviewed. Regulatory and legal challenges are also present: the implementation of large-scale pension reforms and cooperative financial structures may face significant regulatory hurdles across different regions. There could also be resistance from existing institutions that benefit from the current system. While these strategies aim to enhance financial security, there is a risk that they could disproportionately benefit wealthier individuals or regions with better access to resources, potentially leaving others behind.

To conclude, an overview of the activities, benefits, and drawbacks per strategy is presented in Table 2.

Table 2: *Summary of activities, benefits, and drawbacks per strategy*

Strategy	Main Activities	Benefits	Drawbacks
1. Business as Usual	• Maintaining current monetary policies and fiscal stability • Gradual improvements • Incremental sustainability efforts	• Stability • Cost efficiency • Cautious adaptation • Minimized risk	• Missed innovation • Complacency risk • Slow pace
2. Digital Financial Infrastructure	• Investments in digital payment infrastructure • Construction of fintech sandbox • Integration of AI/ML for fraud detection • Regional cybersecurity frameworks	• Increased efficiency • Greater financial inclusion • Enhanced resilience • Lower transaction costs	• Cybersecurity risks • Widening digital divide • Regulatory lag • Privacy concerns
3. Green Finance & ESG Leadership	• Development of a Caribbean ESG bond market • Construction of a climate reinsurance pool • Creation of a sustainable investment taxonomy • Support for green fintech	• Attraction of international investors • Sustainability leadership • Global attention • Building trust with younger generations and investors	• High initial costs • Cooperation challenges • Economic sensitivity • Political risk
4. Regional Wealth Preservation & Pension Innovation	• Regional pension pooling • Tax-efficient wealth management • AI-driven personalized retirement planning • Solvency risk prediction with AI/	• Enhanced financial security • Attractive to regional investors • Diversified economic base • Long-term growth	• High implementation costs • Regulatory challenges • Potential inequality • Over-reliance on AI

6. BENCHMARKING

In order to choose the proper strategy for the monetary union of Curaçao and Sint Maarten, it is important to know how comparable financial sectors position themselves. This part of the FSSR report introduces a benchmark of the monetary union of Curaçao and Sint Maarten with other relevant sectors. Based on the suggestions formulated by the interviewees and the available secondary data, it was decided to include a comparison of the monetary union of Curaçao and Sint Maarten with five other financial sectors: Barbados, Cayman Islands, Jamaica, Trinidad and Tobago, the Eastern Caribbean Currency Union (ECCU), and The Bahamas.

BENCHMARK INCLUSION CRITERIA

The above-mentioned financial sectors were selected for benchmarking because of their frequent mention as regional peers, their shared characteristics as small island developing states in the Caribbean, and the availability of detailed information regarding their financial systems within the provided documents. Including these diverse examples allows a comprehensive assessment of common vulnerabilities, policy approaches, and financial development stages within the Caribbean context. More specifically:

- **Barbados** is included as a relatively well-developed financial system with a significant offshore sector, offering insights into a more mature but also concentrated financial landscape.
- **Jamaica** and **Trinidad and Tobago** are included as larger Caribbean economies with documented experiences of financial challenges, reforms, and varied levels of financial market development and inclusion.
- The **Eastern Caribbean Currency Union (ECCU)** provides a perspective on a multi-country monetary union with a fixed exchange rate peg, sharing institutional and supervisory challenges relevant to Curaçao and Sint Maarten.
- **The Bahamas** offers a case of a Caribbean financial centre with strong financial market depth but also specific challenges in credit access and collateral requirements.
- **Cayman Islands** are recognized as a financial centre in global finance with a significant number of offshore banks and other financial institutions that exclusively provide services to non-residents.

The benchmark results for the financial sectors in the selected small island states are summarized in Table 3 at the end of this section.

FINANCIAL SECTOR CHARACTERIZATION

1. Curaçao and Sint Maarten (Monetary Union)

The introduction to this FSSR report already indicated the main characteristics of the financial sectors of Curaçao and Sint Maarten. The monetary union's financial sector demonstrated remarkable resilience and a recovery of financial buffers in 2023, with a solid and upward-trending Aggregate Financial Stability Index (AFSI) that remained well above the early warning benchmark. The Banking Stability Index (BSI) peaked in 2023, driven by strong bank capital positions and declining non-performing loan (NPL) ratios. Macro-financial prospects improved with thriving tourism and construction activities, boosting credit growth, especially in mortgages. Inflation decelerated and stabilized in 2023, reaching 3.5% for Curaçao and 2.1% for Sint Maarten[83]. Real GDP growth climbed in Curaçao from 4.2% in 2023 to 5.0% in 2024, while GDP growth in Sint Maarten was 3.8% in 2023 and 3.0% in 2024[84]. The domestic banking sector is considered resilient despite identified vulnerabilities and external shocks.

A strong point is that the banking sector's Capital Adequacy Ratio (CAR) improved to 22.3% in 2023,

83 Centrale Bank van Curaçao en Sint Maarten (2025)

84 Centrale Bank van Curaçao en Sint Maarten (June 2025)

significantly exceeding the 10.5% minimum regulatory requirement and the 15% FS benchmark. Stress tests indicate that the sector can withstand moderate scenarios. Also, non-performing loan (NPL) ratios declined in the banking sector to below 7% in 2023, with Curaçao standing at 5.9% and Sint Maarten standing at 8.2%[85]. A decrease in the number of bankruptcies also signals reduced credit risk from the corporate sector. Banks maintained ample capital buffers and sufficient liquidity in the system in 2023, and risk exposure related to liquidity decreased over the year. A cyber risk roadmap has been devised to fortify institutions, with efforts to strengthen business continuity management systems and planned guidelines for cyber security.

However, a weak point is that NPLs remain noticeably higher compared to other Caribbean countries and international benchmarks. Banks' profitability is deemed fragile and vulnerable to developments in asset quality, interest margins, and surging operational expenses, with profitability indicators scoring lower in 2023 compared to the previous year. Furthermore, geopolitical tensions, global financial conditions, cybercrime, and climate change are highlighted as pronounced risks affecting the financial system. The CBCS noted high non-interest expenses-to-gross-income ratios, particularly in Sint Maarten, indicating efficiency issues[86]. The sector is heavily reliant on correspondent banking relationships (CBRs), which are threatened by de-risking pressures due to low transaction volumes and AML/CFT risks. Credit growth has picked up, especially in Curaçao, driven by mortgages[87].The narrowing contribution base for pension funds increases their reliance on investment income, posing potential cash flow constraints. Longevity risk and the limited availability of long-term investment opportunities are also noted challenges. A "60/40 rule" for investments guides pension funds to invest domestically, which can pose challenges due to a lack of viable local investment opportunities.

Finally, Curaçao and Sint Maarten primarily apply Strategy 1: Business as Usual. This strategy focuses on stability, continuity, and gradual improvements in operations, with a controlled adaptation to trends. The two islands' main focus lies on maintaining stability (Business as Usual), with a moderate approach to wealth preservation and pensions. This aligns with the "Defensive: Stability and Incremental Growth" orientation of Strategy 1.

2. The Bahamas

The Bahamian financial system is overseen by three key regulators: the Central Bank (supervising banks, credit unions, money transmission businesses, and payment service providers), the Securities Commission (regulating investment funds, non-deposit-taking lenders, and capital markets), and the Insurance Commission (overseeing insurance companies). As of the end of 2024, the banking sector's balance sheet was valued at $127.1 billion, with international exposures accounting for $108.0 billion (85%)[88]. Domestic licensees (10 commercial banks and 10 trust entities) held the remaining $19.1 billion, with $12.1 billion in domestic assets. Loans and advances constituted the largest portion of domestic assets at 56.4%. Credit unions represent the second-largest group of deposit-taking and loan-granting institutions, with 8 local credit unions. The domestic insurance sector consists of 30 insurers (11 life, 19 non-life)[89]. The securities industry has a market capitalization of 74.7% of GDP. Total visitor arrivals expanded to 11.2 million in 2024, underpinning domestic economic activity.

The Bahamas is recognized for its significant offshore financial centre and generally high levels of financial development within the Caribbean. It ranks among the top four in the Latin America and Caribbean region for financial market depth, driven by debt issuances from public, financial, and corporate

85 Centrale Bank van Curaçao en Sint Maarten (2025)

86 Centrale Bank van Curaçao en Sint Maarten (2024)

87 Centrale Bank van Curaçao en Sint Maarten (2022)

88 Central Bank of the Bahamas (2025)

89 Central Bank of the Bahamas (2025)

nonfinancial sectors[90]. The Bahamas surpasses the Latin American and Caribbean average in financial institution access and efficiency, characterized by a high number of ATMs and bank branches per capita and high credit-to-GDP ratios. However, despite this, it faces challenges in credit access for firms[91].

The Bahamas' domestic financial system remained sound, stable, and robust in 2024 for both the current assessment and the projected outlook, with risks within the financial sector being well contained[92]. The Banking Stability Index (BSI) strengthened in 2024 to 2.45 (from 1.75 in 2023), indicating low risk to the sector. The Aggregate Financial Stability Index (AFSI) continued to normalize to 105.5 in 2024 (although this was slightly down from 108.3 in 2023 due to global uncertainties), reflecting improvements in the domestic economy. No new financial stability concerns arose within the banking system during 2024. Real GDP grew by 3.4% in 2024, extending the 3.0% rise from the previous year[93].

A strong point of the country's financial sector is that commercial banks consistently maintained robust capital buffers and satisfactory provisioning levels, with their average capital to risk-weighted assets ratio fluctuating between 29.4% and 38.5%, well above the regulatory minimum of 17.0% and the international benchmark of 8.0%. Stress tests confirm the resilience of domestic systemically important banks (DSIBs) to sudden shocks, thus requiring no capital injection. Domestic banks' credit quality indicators improved in 2024, with total private sector loan arrears contracting by 16.4% ($92.2 million) to $469.5 million[94]. The non-performing loan (NPL) ratio decreased to 5.5% in 2024 from 6.6% in 2023. Credit unions also showed considerable improvements in credit quality. Domestic banks' profitability strengthened significantly in 2024, with net profits expanding by 26.7% to $509.9 million[95]. Sustained efforts by commercial banks, payment service providers, and the Central Bank have led to gains in electronic payment usage, supported by public outreach campaigns and progress toward a fast payment system (FPS). The Central Bank is currently augmenting efforts to enforce international risk-based supervisory standards, strengthening crisis management through legislative reforms, establishing a Financial Stability Council for a coordinated national approach, and implementing Basel I and III prudential standards.

However, a major weak point is the exposure to climate risks. The country's geographic vulnerability to natural disasters, potentially leading to widespread loan defaults and eroded liquidity buffers, poses a growing and immediate threat to the banking sector. In addition, cybersecurity risk is increasingly critical due to reliance on digital infrastructure, exposing banks to threats such as data breaches and ransomware attacks[96]. In 2024, banking liquidity contracted as the expansion in domestic credit outpaced the rise in the deposit base. The securities industry is not heavily featured in financial stability assessments due to data availability constraints, although it currently poses no material systemic risk.

To conclude, The Bahamas primarily applies Strategy 2: Strengthening Digital Financial Infrastructure. The country demonstrates a strong focus on wealth management and pensions, including investing in digital infrastructure. While wealth management (Strategy 4) is mentioned, the emphasis on building digital infrastructure is also evident. The sustained efforts by commercial banks, payment service providers, and the Central Bank have led to gains in

90 Wong (2017)

91 Beck & Mooney (2021)

92 Central Bank of the Bahamas (2025)

93 Central Bank of the Bahamas (2025)

94 Central Bank of the Bahamas (2025)

95 Central Bank of the Bahamas (2025)

96 Central Bank of the Bahamas (2025)

electronic payment usage and progress toward a fast payment system (FPS). This aligns with the core focus of Strategy 2 on cost leadership, operational excellence, and building a resilient, digital financial infrastructure to support digital payments and fintech integration.

3. Barbados

Barbados has a relatively well-developed financial system characterized by a large offshore sector and a dominant onshore banking system. The Central Bank of Barbados regulates commercial banks and finance companies, while the FSC regulates credit unions, insurance companies, mutual funds, and occupational pension plans. The financial system in Barbados is diverse, with total assets expanding by 4% to reach 226.4% of GDP at the end of 2023. Commercial banks are the dominant holders of assets in the financial sector, holding 50.7% of total financial system assets and representing 114.7% of GDP[97].

As of the end of 2023, the financial system included 6 commercial banks, 4 finance companies, and 27 credit unions. The insurance sector comprised 20 companies (6 life and 14 non-life), holding 14.1% of total financial system assets and 34.3% of GDP. The mutual funds sector consisted of 19 funds, with assets representing 9.9% of total financial system assets and 22.5% of GDP. The occupational pension sector, with 245 plans, accounted for 9.8% of total financial system assets and 22.1% of GDP. Credit unions served approximately 240,000 members in 2023[98].

Barbados' domestic financial sector demonstrated robust health and sustained stability in 2023, supported by domestic economic expansion and a resilient financial ecosystem. The Aggregate Financial Stability Index (AFSI) improved in 2023, averaging 0.64 (up from 0.62 in 2022), driven by steady global economic growth, reduced US stock market volatility, better non-performing loan ratios, and stronger capital positions of local banks. The Central Bank Act explicitly establishes financial stability as a core mandate of the Bank, recognizing the need for macroprudential considerations in policymaking.

A strong point of Barbados' financial sector is the increase in capital levels throughout 2023, with regulatory capital growing by 17.9% for commercial banks and by 5.2% for finance companies. The Capital Adequacy Ratio (CAR) for commercial banks improved to 20.9% at the end of2023, and for finance companies this was 20.7%, both well above the minimum requirements[99]. Stress tests indicate that commercial banks and finance companies are generally resilient to economic stress, and the overall financial sector remained resilient across all climate scenarios. The NPLs of commercial banks and finance companies declined by approximately 13%, thus improving NPL ratios. Commercial banks' profitability improved in 2023, with Return on Average Assets (ROAA) standing at 1.8% and Return on Equity (ROE) standing at 15.7%. This was driven by a decline in provisions for bad debts and reduced taxation, along with increased net interest income from foreign currency loans, deposits, and investments. Banks increasingly rely on non-interest income (fee income) to stabilize profitability, which now accounts for 33% of total income. Barbados' payment system and infrastructure remained robust and resilient in 2023, thus facilitating the smooth and efficient functioning of the financial system. The launch of real-time payment (RTP) capabilities by BACHSI in February 2023 led to a noticeable shift away from traditional electronic payments. Barbados has enhanced its cyber risk supervisory frameworks, with the Bank issuing a technology and cyber risk management (TCRM) guideline and a major cyber incident reporting template (M-CIRT). Barbados successfully exited the Financial Action Task Force (FATF) 'grey list' in 2023, reflecting its commitment to combatting financial crime.

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97 Central Bank of Barbados (2024)

98 Central Bank of Barbados (2024)

99 Central Bank of Barbados (2024)

However, a primary concern is the potential slowdown in the global economy, which could decrease tourist arrivals, thus dampening domestic economic activity and possibly worsening businesses' debt burden. Also, geopolitical tensions and rising energy and food prices pose risks of higher imported inflation and of widened domestic current account deficits. Furthermore, as a small island developing state (SIDS), Barbados faces heightened vulnerability to physical climate risks such as extreme weather events, a situation which threatens capital stock and the macroeconomy[100]. The country's "protection gap" due to uninsurance and underinsurance remains another concern, and securing adequate reinsurance coverage is becoming increasingly difficult for insurers due to regional vulnerabilities. Profitability for finance companies and credit unions declined in 2023[101]. While banks and finance companies recorded certain improvements, credit unions' stock of NPLs increased in 2023, primarily due to their significant exposure to the lower-to-middle-income demographic. The general insurance industry consistently struggled with underwriting losses due to persistent core inflation and rising operating and claims settlement costs, forcing rate hikes. Pension coverage continued to decline in 2023. The sector's reliance on local mutual funds with high exposure to international equity markets makes it vulnerable to volatility resulting from a global economic slowdown.

To conclude, Barbados primarily applies Strategy 4: Regional Wealth Preservation & Pension Innovation. This strategy aims to establish a safe and innovative jurisdiction for long-term wealth and pension management, focusing on demographics. The Barbadian financial system includes a significant "occupational pension sector", and while challenges exist, the continued regulation and focus on these areas indicate an orientation towards managing and potentially innovating in this niche.

4. Jamaica

Jamaica's financial system is heavily dominated by banks and has a history of financial crises[102]. While some improvement in overall financial development was seen between 1995 and 2013, Jamaica still lags behind Barbados and The Bahamas in this regard. As of 2024, the deposit-taking institution (DTI) sector comprises eight commercial banks, two building societies, and one merchant bank. The credit union sector is substantial, with total assets growing by 10.2% ($18.3 billion) to $198.8 billion in 2024[103]. Additionally, there are 65 licensed microcredit companies, covering almost 94% of the sector's assets. The Bank of Jamaica (BOJ) is in the process of assuming full supervisory responsibility for credit unions, which numbered 24 at the end of 2024, a change that will significantly expand the supervised DTI population.

Jamaica's domestic financial conditions remained stable during 2024, despite an estimated 0.9% economic contraction due to Hurricane Beryl and other adverse weather events. The Bank of Jamaica's (BOJ) composite measure of financial stability and key health indicators (capital adequacy, liquidity, profitability, and asset quality) stayed well within prudential norms. Risks to financial stability eased, supported by a moderation in inflation (which remained within the BOJ's 4.0-6.0% target range) and interest rates. Stress tests consistently indicated resilience within the banking sector. The BOJ's Macro Financial Index (MaFi) improved at the end of September 2024, remaining well below the financial crisis threshold.

A strong point of Jamaica's financial sector is that the deposit-taking institutions (DTIs) maintained capital adequacy ratios (CAR) above the regulatory benchmark and demonstrated broad resilience to hypothetical market, credit, and liquidity risk shocks.

100 Central Bank of Barbados (2024)

101 Central Bank of Barbados (2024)

102 Worrell, Cherebin & Polius-Mounsey(2001)

103 Bank of Jamaica (2025)

Regulatory capital improved by 1.2% ($2.9 billion) in 2024, and CARs remained above the 10.0% prudential minimum in stress tests[104]. Asset quality, measured by the ratio of non-performing loans (NPLs) to total loans, was 2.5% in 2024 and remained fairly stable. Key financial health indicators, including liquidity and profitability, remained generally stable, with Return on Equity (ROE) at 15.8% and Return on Assets (ROA) at 2.0% in 2024. The roll-out of JAM-DEX® (Central Bank Digital Currency) continued. Significant progress was made to list Government of Jamaica (GOJ) domestically-issued securities on the Jamaica Stock Exchange (JSE) fixed income trading platform. The JamClear®-RTGS platforms were successfully upgraded to comply with the new ISO 20022 MX standard, and the Fintech Regulatory Sandbox continued to facilitate innovation. Jamaica made significant strides in implementing the Twin Peaks model of financial sector regulation, with the BOJ assuming prudential supervision and the Financial Services Commission (FSC) focusing on market conduct. Progress was also made on implementing the Basel III framework and publishing revised regulatory standards, including minimum ABM service-level standards, an updated fitness and propriety standard, and a standard of sound practice on the management of cyber risks. Jamaica was also removed from the Financial Action Task Force (FATF) 'grey list'[105].

However, a weak point is the economic downturn that Jamaica experienced in 2024, primarily due to adverse weather events. IMF reports real GDP growth for Jamaica of 2.6% in 2023 and -0.8% in 2024[106]. Despite growth in private sector credit in 2024, performance remained below pre-pandemic levels. While significant progress is currently being made, the transition of credit unions to full prudential oversight by the BOJ indicates historical gaps in their regulatory frameworks. Older sources noted that a significant proportion of households (over 30%) resorted to informal borrowing channels, and small and medium-sized enterprises (SMEs) faced major constraints in accessing credit. These constraints included high intermediation costs, high collateral requirements, and high interest rate spreads[107].

To conclude, Jamaica appears to be applying aspects of Strategy 2: Strengthening Digital Financial Infrastructure. The island focuses on the continued roll-out of JAM-DEX® (Central Bank Digital Currency) and the facilitation of innovation through its Fintech Regulatory Sandbox. These initiatives align with the objective of Strategy 2 to create a modern, low-cost, and resilient financial infrastructure that supports digital payments, the integration of fintech, and inclusive access to financial services.

5. Trinidad and Tobago

Trinidad and Tobago's financial sector is diverse, with commercial banks, non-bank financial institutions, insurance companies (long-term and general), and occupational pension plans as key components. As of 2023, the banking sector's assets grew to $179.1 billion[108]. The long-term insurance sector recorded $45.8 billion in total assets, and the general insurance sector climbed to $7.4 billion. Occupational pension plans held $58.1 billion in total assets. The financial sector's asset mix is predominantly comprised of investments (46.6% of aggregate exposures), followed by loans (33.2%), and liquid funds (10.7%). The primary debt market issued debt at a total face value of $14.8 billion in 2023.

The domestic financial system in Trinidad and Tobago remained stable in 2023, despite global and domestic challenges. The overall risk to financial stability was assessed as "moderate", with early warning indicators showing some moderation of systemic risks. The Aggregate Financial Stability Index (AFSI) increased from 84.3 in 2022 to 89.8 in 2023,

104 Bank of Jamaica (2025)

105 Bank of Jamaica (2025)

106 International Monetary Fund. (2025, April)

107 Wong (2017)

108 Central Bank of Trinidad & Tobago (2024)

reflecting an improvement in financial stability thanks to better domestic economic conditions[109]. The Banking Stability Index (BSI) also showed moderate improvement in 2023, with the financial sector continuing to be profitable, liquid, and adequately capitalized. Economic activity was relatively steady, with inflation averaging 4.6% and the unemployment rate falling to 4.1% in 2023.

A strong point of Trinidad and Tobago's financial sector is that commercial banks and non-bank financial institutions remained well-capitalized and profitable in 2023. The banking sector's regulatory Capital Adequacy Ratio (CAR) stood at 18.0% in 2023, well above the 10% minimum requirement. Profitability was boosted by increased interest income from loan growth. The banking sector's non-performing loan (NPL) ratio improved to 2.8% in 2023, reflecting a decline in NPLs and a growing loan portfolio[110]. The business sector NPL ratio also fell to 4.0%. Stress tests conducted in December 2023 indicated that the commercial banking sector was generally resilient to various shocks, thanks to robust capital buffers and adequate provisioning levels. It showed satisfactory results for foreign exchange and credit risk shocks. Financial institutions focused on improving operational resilience through greater use of digital technologies. The Central Bank is currently enhancing its capacity for supervising digital payments and fintech firms, engaging with 81 entities through its Joint Regulatory Innovation Hub. The Central Bank implemented Basel Pillar II leverage ratios and capital buffers, issued a cybersecurity best practices guideline for financial institutions, and a guideline for recovery planning. Work is also underway to develop a comprehensive payment systems and services bill.

However, a weak point is the high sovereign debt concentrations in the banking and insurance sectors. Sovereign exposure increased in 2023 due to lower fiscal revenues and greater government borrowing, posing a "moderate" risk to financial stability. The banking sector saw its ratio of liquid assets-to-total assets contract from 19.8% in 2022 to 16.3% in 2023, and liquidity stress tests showed slightly shorter survival horizons compared to the previous year, indicating an increased contribution of liquidity to financial stability risk[111]. Cyberattacks are an increasing concern, exacerbated by geopolitical turmoil and growing digitalization. The financial industry is particularly vulnerable, with Trinidad and Tobago experiencing a surge in cyberattacks in 2023. Climate-related shocks, such as those associated with El Niño, can worsen fiscal conditions and exacerbate debt sustainability challenges, leading to higher climate-related insurance costs and posing a risk to financial stability. The ratio of active pension plan members to pensioners declined to 1.6 in 2023, increasing reliance on investment income for benefit payments. There is also a limited availability of long-term investment opportunities for pension plans.

To conclude, the island country of Trinidad and Tobago primarily applies Strategy 4: Regional Wealth Preservation & Pension Innovation, focused on long-term wealth and pension management. The financial sector includes occupational pension plans as key components with substantial assets. Furthermore, the identified pension fund challenges, such as declining active members and reliance on investment income, suggest a need for innovation and effective management in this area, aligning with the objectives of Strategy 4.

6. Eastern Caribbean Currency Union (ECCU)

The ECCU, comprising eight member countries, has a long history of monetary and financial stability thanks to its fixed exchange rate. The ECCU is composed of the nations of Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and the British territories of Anguilla and Montserrat[112]. IMF reports real GDP

109 Central Bank of Trinidad & Tobago (2024)

110 Central Bank of Trinidad & Tobago (2024)

111 Central Bank of Trinidad & Tobago (2024)

112 World Bank & International Monetary Fund (2004)

growth for ECCU of 3.7% in 2023 and 3.9% in 2024[113]. The commercial banking sector forms a significant part of the financial system, with total assets growing to EC$33.8 billion in June 2024, representing 192.2% of GDP in 2023[114]. The licenced non-bank financial institutions had total assets estimated at EC$1.36 billion in 2023. The credit union sector is also substantial, with total assets reaching EC$5.2 billion in 2023. The insurance sector operates under the Solvency I framework and is a critical component. The payment and settlement system, including the Eastern Caribbean Automated Clearing House (ECACH) and the Real Time Gross Settlement System (RTGS), functions effectively.

The ECCU's financial system remained broadly resilient during the 2023-2024 period, despite global and regional challenges such as elevated inflation, geopolitical tensions, and climate-related disruptions. The Aggregate Financial Stability Index (AFSI) rose to 0.46 at the end of June 2024, indicating improved broad financial stability in the ECCU[115]. The ECCU Banking Stability Index (BSI) improved in 2023 compared to 2022 and continued its upward trend into the first half of 2024, signalling increased banking sector resilience; all sub-indices registered improvement. Disinflationary trends continued across the ECCU, with consumer price inflation easing to 1.9% by mid-2024. A tourism-led recovery continued to drive growth.

A strong point of ECCU's financial sector is that it maintained robust capital adequacy ratios (16.8%) and high liquidity levels (55.7%), both well above the prudential benchmarks of 8.0% and 20.0%, respectively. The banking system's liquidity coverage ratio (LCR) rose to 39.3% at the end of 2023, indicating sufficient buffers. Commercial banks specifically remained stable with adequate capital and liquidity. The non-performing loan (NPL) ratio for the commercial banking sector decreased from 11.9% in 2022 to 11.2% in 2023[116]. The credit union NPL ratio also declined to 6.8% in 2023. The ECCU's payment and settlement system was assessed as safe, stable, and functioning effectively during 2023 and the first nine months of 2024, facilitating timely clearance and settlement of financial services. The Eastern Caribbean Central Bank (ECCB) has taken decisive regulatory actions to mitigate systemic risks, including the implementation of the Prudential Standard on Technology Risk Management, and it regulates the banking sector under an augmented Basel II/III framework. Strategic regulatory interventions, prudent risk management, and concerted efforts by financial institutions have reinforced financial stability across the ECCU.

However, while improving, the NPL ratio for the commercial banking sector (11.2% in 2023) remains a concern. The credit union NPL ratio (6.8% in 2023) is still above the 5.0% prudential benchmark. Cyber risks have emerged as a significant and growing threat to financial stability, with the global financial sector seeing a 30.0% increase in cyberattacks[117]. The ECCU financial sector has also recorded cyber risk events, underscoring the urgent need for strengthened cybersecurity frameworks and continued vigilance. Climate-related shocks continue to pose risks to economic stability, necessitating enhanced disaster resilience planning and green finance initiatives. Rising reinsurance costs for property insurers due to increased risks of natural disasters in the Atlantic Basin are another concern. The ECCU's aggregated stock of public debt increased slightly to $17.6 billion as at the end of June 2024. Challenges such as moderating visitor arrivals dampened the pace of economic expansion.

To conclude, the ECCU primarily applies Strategy 1: Business as Usual. The Union is noted for its long history of monetary and financial stability thanks to its fixed exchange rate. Its strong points emphasize

113 International Monetary Fund. (2025, April)

114 The Eastern Caribbean Central Bank (2024)

115 The Eastern Caribbean Central Bank (2024)

116 The Eastern Caribbean Central Bank (2024)

117 The Eastern Caribbean Central Bank (2024)

robust capital adequacy ratios and high liquidity levels, with commercial banks. This focus on maintaining existing stability, continuity, and gradual improvements, such as regulating under an augmented Basel II/III framework, aligns with the “Defensive: Stability and Incremental Growth” orientation of Strategy 1.

7. Cayman Islands

The Cayman Islands are identified as a financial centre in global financial analyses. The Cayman Islands are categorized as one of the major smaller Caribbean countries with a significant number of offshore banks and other financial institutions that exclusively provide services to non-residents. The volume of offshore business in the Cayman Islands' financial sector is “of an order of magnitude greater than for the domestic financial market”[118]. The Cayman Islands, alongside the Bahamas and Bermuda, are noted for their low-tax or no-tax regimes. Globally, offshore financial centres have seen a rising role in intermediating cross-border financial flows, with their share in global cross-border holdings doubling over the past 30 years. This trend contributes to the complexity of attributing bilateral financial holdings data[119].

Therefore, the Cayman Islands operates as a prominent international financial centre, with its financial system encompassing deposit-taking institutions, an extensive investments sector (including mutual funds), a robust insurance sector, trust and corporate service providers (TCSPs), a securities investment sector, and emerging virtual asset service providers (VASPs). Non-bank financial institutions (NBFIs) are particularly crucial, contributing nearly half of global financial assets, with global financial assets reaching USD 461.2 trillion in 2022. The banking sector's total assets, while largely cross-border, showed a decrease from USD 413.4 billion in 2018 to USD 293.8 billion in 2022 for cross-border assets, and from USD 4.2 billion to USD 1.0 billion for local positions[120]. The TCSP sector shows active growth in both unrestricted and private trust licences.

The Cayman Islands demonstrated robust economic performance in 2023, with an estimated GDP growth of 3.8% coupled with decelerating inflation and record low unemployment. The jurisdiction successfully exited from the Financial Action Task Force (FATF) ‘grey list’, thus reinforcing its position as a major player in the international financial arena and its commitment to regulatory standards. The Banking Stability Index (BSI) consistently maintained a robust average of 1.04 between 2018 and 2020, and stood at 1.14 at the end of December 2023, remaining above its three-year average and signalling relative stability, adequate buffers, and confidence within the banking sector. The Aggregate Financial Stability Index (AFSI) stands at 0.38, well above the period average, confirming the sustained solidity of financial stability[121].

A strong point is that the retail banks consistently maintained strong capital adequacy (averaging 23.1% of risk-weighted assets) and healthy profitability (Return on Equity at 9.2%)[122]. The trust and corporate service providers (TCSP) sector also demonstrates strong profitability and stable returns, driven by a wide range of evolving services and increasing demand for international structuring. The jurisdiction's robust regulatory framework continues to attract investment funds, evidenced by 98% of audit reports for mutual funds having unqualified opinions. The domestic systematically important deposit-taking institutions (DSIDTIs) framework includes a higher loss absorbency (HLA) requirement, which enhances domestic financial stability. The Cayman Islands Monetary Authority (CIMA) conducted a thematic cybersecurity review,

118 International Monetary Fund (2025)

119 World Bank Group & International Monetary Fund (2021)

120 Cayman Islands Monetary Authority (2024)

121 Cayman Islands Monetary Authority (2024)

122 Cayman Islands Monetary Authority (2024)

identified best practices and areas for improvement, and developed a cyber risk roadmap to fortify institutions. Efforts are also underway to gather precise information on ESG and climate-related funds to enhance risk management. Despite significant cross-border financial concentrations in developed countries (e.g., 58% of cross-border assets in the US in 2022), the associated risks are considered minimal thanks to the stable economic conditions, strong governance, and robust legal frameworks in these jurisdictions. Furthermore, the jurisdiction is harnessing the potential of AI to drive simulations for scenario analysis and develop new institutions and KPIs while maintaining competitiveness in the evolving financial landscape.

However, while overall non-bank financial institutions (NBFIs) are growing, some sectors such as hedge funds exhibited moderate vulnerabilities, including factors related to financial leverage, liquidity issues, interconnectedness, and currency mismatches. Data limitations also hindered comprehensive assessments for other NBFI sectors. Despite proactive measures, the growing reliance on digital infrastructure makes the banking sector a prime target for malicious actors, with cyber incidents showing a concerning upward trend. Gathering and analyzing crucial data on climate risk remains challenging due to the lack of a unified reporting standard, which hinders comprehensive risk management in this emerging area. While overall asset quality shows improvement in some areas, NPLs increased by 13% from Q4 2021 to 2022, driven by specific banks with parent companies from Switzerland, Canada, Germany, and India. Funding remained predominantly deposit-based, but total deposits have shown a decline since 2018[123].

To conclude, the Cayman Islands primarily apply Strategy 4: Regional Wealth Preservation & Pension Innovation. While this strategy uses the term “regional” when it comes to wealth and pensions, the Cayman Islands distinguish themselves in this respect with a special, global focus. The jurisdiction is characterized not only as a prominent international financial centre, but also as a financial centre in global finance with a significant number of offshore banks and other financial institutions that exclusively provide services to non-residents. Its strong regulatory framework attracts investment funds, and the trust and corporate service providers (TCSP) sector shows growth thanks to demand for international structuring. This positions the Cayman Islands as a niche market for global wealth preservation, which is consistent with the “Niche Market Strategy: Long-term Stability” orientation of Strategy 4.

BENCHMARK RESULTS

The main benchmark results are captured in Table 3 below. This table indicates the monetary and financial stability of each financial sector, its market size, its operational efficiency, and what strategy is applied. That said, it needs to be borne in mind that the indications are relative. This means that compared with the US market, all financial sectors included in this benchmark would be classified as small, but compared with the seven countries included in this benchmark, Trinidad and Tobago or the Cayman Islands, for instance, would qualify as large while Jamaica and the Eastern Caribbean Currency Union would be termed small. This is indicated in the table with ‘--’, ‘-’, ‘0’, ‘+’, and ‘++’, ranging from the lowest to the highest score within this benchmark.

123 Cayman Islands Monetary Authority (2024)

Table 3: *Financial sector benchmark results in different small island states*

	Monetary & Financial Stability	Market Size	Operational efficiency	Focus on applied strategy
Curaçao and Sint Maarten	+	+	-	Strategy 1: Business as Usual
The Bahamas	++	+	++	Strategy 2: Strengthening Digital Financial Infrastructure
Barbados	0	+	+	Strategy 4: Regional Wealth Preservation & Pension Innovation
Jamaica	+	--	+	Strategy 2: Strengthening Digital Financial Infrastructure
Trinidad and Tobago	0	++	+	Strategy 4: Regional Wealth Preservation & Pension Innovation
Eastern Caribbean Currency Union	0	--	0	Strategy 1: Business as Usual
The Cayman Islands	++	++	++	Strategy 4: Regional Wealth Preservation & Pension Innovation – **but** with a focus on global wealth preservation

Caribbean financial systems seem to be very much concerned with inward cashflows, transactions, and investments. This is also the case for Curaçao and Sint Maarten, as became evident from the interviews conducted. While technological developments enable new forms of business, they also introduce new risks that the region is ill-equipped to manage. This in itself is not a problem, but from a financial sector perspective it is left underaddressed and challenges the notion of real economic growth opportunities that the sector can facilitate, or even champion.

This benchmark provides an overview showing that conservative management has delivered results, and this position should be utilized to explore how to deal with more risk-bearing economic activities that can assist the economy and help it realize its growth potential. Attention should be directed towards financial services that support small-scale entrepreneurs, as these may help reduce revenue leakage as is seen in the hospitality industry, for instance. It is also important to gain a better understanding of the creative economy – particularly how it generates and captures value – as well as a better understanding of emerging challenges such as the silver economy linked to ageing populations. Finally, the technological dimension of financial services must be considered, since it represents a growing source of risk in light of the increasing threat of cybercrime.

7. TOWARDS AN IDEAL STRUCTURE OF THE FINANCIAL SECTOR

The financial sector in Curaçao and Sint Maarten exhibits a complex structure, rooted in its history as an international financial hub (see also Section 2). However, the four proposed strategies detailed in Section 4 have specific consequences for this structure. Therefore, this section of the FSSR report highlights the structural changes needed for the proposed strategies.

Curaçao and Sint Maarten need to take greater action to fortify their position as a cooperative jurisdiction and maintain their status on the OECD's tax transparency whitelist. This includes not only strengthening their AML/CFT frameworks and internal controls, but also improving public financial management to curb corruption. This is especially relevant for Strategy 2 and Strategy 3.

Upgrading the regulatory system and streamlining administrative procedures, including digital automatization, is crucial in order to reduce red tape and delays in service delivery, phenomena that currently hinder product development[124]. The sector must adapt to the robust digital transformation driven by artificial intelligence (AI), machine learning (ML), and blockchain technologies, all of which are reshaping business models and customer preferences. This structural change is especially relevant for Strategy 2, but also partly needed for Strategy 3 and Strategy 4.

The CBCS is actively exploring the blockchain ecosystem and has undertaken a feasibility study on issuing a digital currency to facilitate digital financial payments and reduce cash usage. New prospects have emerged to stimulate new opportunities for sector development by facilitating market entry and upgrading services, including cryptocurrency solutions on the DCSX[125]. This is relevant for Strategy 2 and Strategy 4.

There is a significant shortage of industrial and legal expertise, capacity, and access to qualified labour and talent within both public and private financial institutions. The educational system is not adapting fast enough to the increasing demand for skills in new product areas such as asset management and digital technologies. Curaçao and Sint Maarten need to create favourable conditions to attract highly educated professionals, which includes reviewing and revising immigration and work permit policies. A policy based on opening the borders for knowledge migration is deemed crucial for the growth of the international financial services sector. This is required for Strategy 2 and Strategy 3.

An increased focus is needed on the development of new niche segments with high growth potential, particularly by harnessing geographical location, multilingual populations, and cultural similarities targeted at Latin American, European, and Caribbean markets. This includes moving beyond traditional trust services and focusing on sophisticated wealth management, fund administration, and eGaming compliance services. This is a key part of Strategy 4.

Strengthening institutions' capacities and reinforcing the role of public-private partnerships can help mobilize resources and coordinate activities, ensuring private sector ownership and confidence. Currently, there is a limited common vision for promoting the industry and insufficient collaboration between public and private sectors. This change is needed for Strategy 2.

124 Deloitte (2018)

125 NES-groep (2019)

Institutions should improve the collection of reliable, high-quality, and timely financial information at both macro and micro levels to facilitate better policy decisions and risk management. This is needed for the personalized wealth management offerings in Strategy 4.

By addressing the above structural aspects and implementing the proposed changes, Curaçao and Sint Maarten will be able to strengthen their financial sector, making it more resilient, competitive, and capable of fostering economic growth and stability.

8. ROADMAPS FOR THE FINANCIAL SECTOR

The proposed strategic pathways presented in this FSSR report outline a number of strategic objectives for growth, expertise, and new prospects by capitalizing on global trends and opportunities such as digitalization, artificial intelligence, evolving regulation, and internationalization. These strategies can be translated into a roadmap by identifying the main activities required for the upcoming years. However, the design of the roadmap depends on the strategy selected. Therefore, this section describes distinct roadmaps for each of the four proposed strategies.

When applying these strategies, it is important to remember that while ambition is positive, this does not imply that the financial sectors of Curaçao and Sint Maarten must become world leaders. A realistic strategy is grounded in a clear focus and informed by good practices from around the world, collaboration with strategic partners, and attempts to create a niche of one's own within existing markets.

The four strategic pathways which form the basis of this roadmap are the following:

STRATEGY 1: BUSINESS AS USUAL

This strategy prioritizes stability, continuity, and gradual improvements in existing financial, economic, and institutional operations. Its objective is to maintain the current trajectory without undertaking large-scale reforms, focusing on controlled adaptation. The main recommendations for this strategy are as follows:

1. Continue with current stable monetary policies to preserve the exchange rate and fiscal policies that minimize large-scale economic disruptions.
2. Implement incremental technological upgrades to digital banking and financial systems, avoiding a full-scale transformation. The sector should focus on learning to use current solutions rather than trying to be "ahead of the curve".
3. Pursue sustainability and environmental, social, and governance (ESG) financing within current established frameworks without overhauling the system.
4. Improve the reinsurance and risk management landscape through enhancements to existing policies, prioritizing stability over radical change. This involves continuing to use reinsurance mechanisms to protect against natural disasters and external economic shocks.
5. Continue existing regional and international cooperation in trade, investment, and financial services rather than pursuing major expansion or diversification.
6. Respond to shifting demographics and evolving investment preferences with gradual adjustments, allowing more time to adapt to these long-term changes.
7. Continue to address trends with Know-Your-Customer (KYC) procedures, which currently often require hiring non-locals for specific expertise and can be difficult for small islands to keep up with.

STRATEGY 2: STRENGTHENING DIGITAL FINANCIAL INFRASTRUCTURE

This strategy is aimed at achieving cost leadership and operational excellence by building a modern, low-cost, and resilient digital financial infrastructure. Its objective is to support digital payments, fintech integration, and inclusive access to financial services. This can be translated into a roadmap with the following activities and recommendations:

1. Develop and invest in modern digital payment solutions, blockchain technology, and decentralized finance to reduce reliance on traditional banking infrastructure and enable faster, more secure transactions. This includes addressing high transaction costs.
2. Incorporate AI and ML into financial sector operations to enhance efficiency, improve

decision-making, and automate compliance tasks such as anti-money laundering (AML) and counter-financing of terrorism (CFT).

3. Create a controlled environment where innovative financial technologies can be tested with fewer regulatory burdens to encourage local startups and foster collaboration between regulators and innovators (fintech sandbox).
4. Establish and implement shared cybersecurity protocols at the regional level to build a collective defence against evolving threats.
5. Develop a migration roadmap to secure encryption standards in the face of emerging quantum computing capabilities, thus ensuring future data security.
6. Implement better immigration policies to attract certified individuals and highly educated professionals to share their specialized knowledge with the country. The academic curriculum needs to be adapted to equip students with skills in finance and digital technologies.

STRATEGY 3: GREEN FINANCE & ESG LEADERSHIP

This strategy emphasizes customer intimacy and sustainable differentiation. Its objective is to position the monetary union as a regional hub for sustainable finance and ESG-aligned capital, leveraging small island vulnerabilities into global investment interest. The related roadmap with key recommendations is outlined as follows:

1. Develop a Caribbean ESG Bond Market: establish a market to promote green infrastructure, clean energy, and resilient building investments by attracting local and international capital for sustainable projects.
2. Create or support a climate reinsurance pool: develop mechanisms to help Caribbean nations hedge climate-related risks while working with international organizations for financial protection against impacts such as hurricanes and rising sea levels.
3. Create a taxonomy that is specific to small-island economies to classify sustainable investments and ensure alignment with the United Nations' Sustainable Development Goals (SDGs). This includes developing general guidelines for the way in which insurance companies should incorporate climate adaptation policies into their product portfolios.
4. Offer incubation programmes to support fintech startups focused on sustainability and ESG principles, thus creating a thriving ecosystem for digital startups in environmental sustainability.
5. Actively promote sustainable finance initiatives to attract international impact investors and development banks, focusing on projects that align with global ESG standards.
6. Rebrand and aggressively market Curaçao as a centre of excellence in financial services with a high-compliance culture, counteracting negative perceptions of the island as a tax haven or money laundering jurisdiction.

STRATEGY 4: REGIONAL WEALTH PRESERVATION & PENSION INNOVATION

This pathway represents a niche market strategy. Its objective is to establish Curaçao and Sint Maarten as safe, innovative jurisdictions for long-term wealth and pension management, specifically in response to demographic shifts. The related roadmap with key activities and recommendations encompasses the following:

1. Implement a comprehensive pension reform strategy utilizing AI-enhanced forecasting tools to improve long-term solvency and provide more accurate risk profiling.
2. Develop cooperative funds or mechanisms to enhance diversification and reduce fees for pension participants.
3. Design and offer tax-efficient wealth management solutions for the Caribbean diaspora and retirees, optimizing returns while minimizing tax liabilities.
4. Utilize AI-driven tools to provide personalized retirement planning services, thus fostering greater citizen engagement and preparedness for retirement.
5. Use the established digital infrastructure to explore and develop other niche markets, such as crypto and online casinos.

6. Invest in training for the community, including notaries and accountants, to improve knowledge and strengthen the ecosystem.
7. Review immigration and work permit policies to create favourable conditions for attracting highly educated professionals in order to foster local development.
8. Develop propositions to approach wealthy tourists, enticing them to invest, generate new ideas, and utilize their knowledge in Curaçao and Sint Maarten.
9. Improve the collection of reliable, high-quality, and timely financial information at both macro and micro levels to facilitate better policy decisions and risk management, especially for personalized wealth management offerings.

9. CONCLUSION AND RECOMMENDATIONS

This Financial Sector Strategic Review (FSSR) outlined four distinct strategic pathways designed to guide the financial sector of Curaçao and Sint Maarten towards a more future-proof state. These strategies each offer a unique strategic orientation, ranging from continuity and cost leadership to customer intimacy and niche specialization.

It is crucial for the local actors within the monetary union of Curaçao and Sint Maarten to engage in a thorough debate and collectively select one of these proposed strategies. A strong strategy, by its very nature, necessitates a focused approach rather than attempts to pursue all opportunities simultaneously. The roadmaps for future activities are directly dependent on this strategic choice.

Each strategy presents its own set of strong and weak points, all of which require careful consideration:

Strategy 1: Business as Usual prioritizes stability, continuity, and gradual improvements, aiming to maintain the current trajectory with controlled adaptation. Its benefits include minimizing risks, ensuring stability, offering cost efficiency through incremental improvements, and allowing cautious adaptation. However, this approach risks missing out on innovation; it can foster complacency, and it can proceed at a slow pace, potentially causing the union to lag behind more proactive regions.

Strategy 2: Strengthening Digital Financial Infrastructure focuses on achieving cost leadership and operational excellence by building a resilient digital infrastructure. It promises increased efficiency, greater financial inclusion, enhanced resilience, and lower transaction costs. The primary drawbacks of this strategy include heightened cybersecurity risks, the potential to widen the digital divide for those with limited access or literacy, regulatory shortfalls due to rapid technological evolution, and data privacy concerns.

Strategy 3: Green Finance & ESG Leadership aims to position the monetary union as a regional hub for sustainable finance and ESG-aligned capital. This strategy's strengths lie in its ability to attract international impact investors and development banks, establish the union as a leader in sustainability, garner global attention, and build trust with younger, sustainability-conscious generations and investors. Nevertheless, it faces high initial costs, significant cooperation dynamics among diverse stakeholders, sensitivity to global economic conditions, and political risks that could hinder its continuity.

Strategy 4: Regional Wealth Preservation & Pension Innovation is a niche market strategy focused on establishing the islands as safe and innovative jurisdictions for long-term wealth and pension management. Benefits include enhanced financial security for ageing populations, attractiveness to regional investors seeking stability, a diversified economic base, and opportunities for long-term growth. Its disadvantages include high initial implementation costs for new technologies and reforms, regulatory and legal challenges, potential for increased inequality if benefits disproportionately favour wealthier individuals or regions, and a risk of over-reliance on AI systems.

Notably, the benchmarking analysis reveals that Strategy 3: Green Finance & ESG Leadership is the only strategic pathway that is not currently emphasized by the other comparable financial sectors examined. While Curaçao and Sint Maarten, along with the Eastern Caribbean Currency Union (ECCU), currently focus on "Business as Usual" (Strategy 1), and Barbados, Trinidad and Tobago, and the Cayman Islands prioritize "Regional Wealth Preservation & Pension Innovation" (Strategy 4), with

The Bahamas and Jamaica focusing on "Strengthen Digital Financial Infrastructure" (Strategy 2), none of the benchmarked peers have a clear focus on Green Finance and ESG Leadership. This presents an opportunity for Curaçao and Sint Maarten to differentiate themselves regionally and globally, leveraging their small island vulnerabilities into a strategic advantage for attracting global investment interest.

Whatever strategy is chosen, economic uncertainties and financial risks are often significant in small island economies. That's why the IMF consistently emphasizes that a strong and independent central bank is essential—one with adequate authority and access to high-quality, comprehensive information[126]. Such an institution is also crucial for the broader development of the economy.

Furthermore, a key issue concerns the integrity of the financial system, particularly regarding AML-CFT measures, the effects of digitalization in finance, and developments in the gaming industry. This integrity is a central focus for both Curaçao and Sint Maarten, as well as for the CBCS, and deserves greater emphasis. The reputational aspect is critical, as neglecting it undermines efforts in areas like green finance, technological innovation, and wealth management. It's important to recognize that these risks can significantly affect the effectiveness of broader financial initiatives.

This FSSR report also highlighted significant differences in the economies and financial sectors of Sint Maarten and Curaçao separately. Although they form a single monetary union, it is possible that Sint Maarten and Curaçao need different strategies. Therefore, it is advised to organize separate meetings in Sint Maarten en Curaçao to discuss the proposed strategies, link them to the local characteristics and developments, and select the most fitting strategy.

Furthermore, retaining and attracting local talent to Curaçao and Sint Maarten is an important part of every strategy, requiring investments in education. The global trends indicated in this report highlight changes that require different competences from managers and employees in the financial sector. Due to the nature of these competences, E-learning modules or online certificate programmes do not qualify because they are too much based on knowledge transfer. Instead, education should entail intensive and engaging courses focusing on skills development and mindset changes. Preferably, these would be courses that are concluded with an examination.

Finally, it is important that the implementation of the desired strategy is coordinated effectively, preferably in the form of cooperation between the Ministry of Economic Development and a number of organizations from the public and private sectors. This can be realized, for example, by initiating an authoritative think tank with allocated funds to initiate concrete and impactful actions.

By carefully weighing the above considerations, local stakeholders can make an informed decision about the desired strategy that will profoundly shape the future resilience, competitiveness, and growth of the financial sector in Curaçao and Sint Maarten.

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ANNEX 1
FINANCIAL SECTOR STRATEGIC REVIEW TEAM

PROJECT TEAM

- Prof. dr. ir. André Nijhof – Nyenrode Business University
- Prof. dr. Willem Schramade – Nyenrode Business University
- Drs. Sacha Spoor MBA – Nyenrode Business University
- Dr. Guido Rojer – Associate Professor of Entrepreneurship – University of Curaçao

SOUNDING BOARD

- Drs. Kenny Canword MBA – Former Managing Director at Orco Bank N.V.
- Dr. Karel Frielink – Attorney/Supervisory Director/Legal researcher
- Drs. Eric Matto – Retired Division Manager Monetary Policy, Economics, and Statistics at the CBCS
- Mr. Ronald Halman MBA – former Bank Country Manager, Sint Maarten Steering Committee Member of the Sint Maarten Trust Fund
- Dr. Stella van Rijn – Rector University of Curaçao
- Drs. Eugene B. Holiday – President Holiday Institute for Governance and Economics

CBCS WORKGROUP

- Dr. Shekinah Dare – Manager Financial Stability Division at the CBCS
- Drs. Paloma Abbad – Macro-Prudential Policy and Financial Architecture Specialist at the Financial Stability Division
- Drs. Sumaya Sinlae-Elhage – Financial Modelling and Research Specialist at the Financial Stability Division

NYENRODE BUSINESS UNIVERSITEIT, STRAATWEG 25, 3621 BG BREUKELEN
POSTBUS 130, 3620 AC BREUKELEN

INFO@NYENRODE.NL +31 (0)346 291 291