



**CENTRALE BANK**  
CURAÇAO & SINT MAARTEN

## **Building Resilience Through Unity: Caribbean Collaboration on Climate, Cyber, and Cross-Border Payments**

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Good morning, fellow central bankers, distinguished guests, colleagues, it is an honor to open this conference, it is also an honor to be sharing the stage with Mr. Tombini a friend and close colleague when we were both working at the IMF. I would also like to congratulate central banking and the global director Michelle Godwin for organizing this timely conference here in Rio de Janeiro.

As Rio de Janeiro is a city known for cultural diversity, innovation, and resilience. These are all qualities that resonate with the theme of this year's meetings: *international collaboration in a new era of global shocks and innovation*.

In recent years, global challenges have tested our ability to adapt, from geopolitical tensions and supply-chain disruptions to cyber incidents and the growing costs of climate change. These shocks have demonstrated that resilience implies readiness. How prepared are we to adapt, and transform in the face of uncertainty. The global economy and financial markets have - for now - hold up remarkably well in the face of uncertainty. It is for this reason that the title of our Financial Stability Report (FSR) this year was *stability amid global uncertainty*. But it is clear we should brace for more impact. The IMF's global financial stability report marks that the ground is shifting beneath the seemingly tranquil surface. Valuations of risk assets appear stretched and concentration risks in certain segments have reached historic highs.

As President of the *Centrale Bank van Curaçao en Sint Maarten* (CBCS), and this year's chair of the CARICOM Governors' Group, I speak from the perspective of small, open, and interdependent economies that are inherently vulnerable to shocks. For the Caribbean, resilience is more than a policy objective. It is existential and a crucial element in any strategy on sustainable development.

### Resilience as a strategy

Across the Caribbean, the past decade has shown that sound macroeconomic management is the first line of defense. Jamaica stands out as an example. It's high public debt level of over 140% GDP has been brought back to around 65% by the combination of a strong fiscal framework and an independent central bank targeting inflation. However overall debt levels are still high for the roughly 15 million people in Caricom member countries. Although debt has come down to pre-pandemic levels as economic growth has bounced back. In several instances debt to gdp is still around 80% or more.

In Curaçao and Sint Maarten fiscal positions are stable, debt-to-GDP ratios are trending downward since COVID, and external reserves are covering nearly five months of imports. Inflation is moderating and financial soundness indicators remain solid. These are the fruits of a prudent fiscal framework and a fixed exchange rate regime with an independent central bank.

Yet as the global landscape evolves, resilience must go beyond strong policy fundamentals. It must rest on what I call the A-B-C of resilience:

- Agility: the capacity to respond quickly and redirect policy in times of disruption.
- Buffers: the financial strength to absorb shocks.
- Capability or operational resilience: having the systems, governance, and human capital that ensure operational continuity under stress.

Buffers and agility have improved markedly across the Caribbean. Banking systems are well-capitalized and liquid, with an average capital adequacy ratio (CAR) above 20% and asset quality improving. Non-performing loans (NPLs) are contained below 5 percent, and the banking sector has the ability to manage credit risk effectively. However, there is significant heterogeneity in the region that mask vulnerabilities in specific sectors and countries.

Central banks in the region have strengthened agility, enhancing crisis-management frameworks, expanding stress-testing capabilities, and improving coordination between monetary and fiscal authorities to respond more swiftly and decisively to shocks.

As central banks our core mandate is to ensure our financial system can withstand shocks. For financial stability we must continuously invest in the monitoring of systemic risk, apply our macroprudential policy toolkit appropriately and have strong crisis management frameworks in place.

Agility and buffers require our continuous attention and vigilance, however as a central bank in a small open economy I feel the third component, *capability*, keeps me up at night as often. For central banks in the Caribbean, operational preparedness of the financial system increasingly revolves around three priorities: Climate, Connectivity, and Cybersecurity, which you could call the three Cs of Caribbean operational resilience.

### C1: Climate resilience

Last month, Hurricane Melissa made landfall in Jamaica causing catastrophic damage on the western part of the country. Its rapid intensification, fueled by abnormally warm waters, caused severe flooding and coastal damage. Even islands far from the storm's path, experienced unusually high waves and strong swells. This serves as a reminder that our vulnerabilities are shared.

In Curaçao, water scarcity and coral bleaching already affect tourism and fisheries which are two vital economic sectors. In Sint Maarten, the memory of Hurricane Irma (2017) remains vivid, reminding us how quickly progress can be undone and how long it takes for small island economies to recover.

Fortunately, we see across the Caribbean remarkable examples of leadership in climate resilience:

- Dominica's determination to become the world's first climate-resilient nation after Hurricane Maria.
- Barbados' leadership on debt-for-climate swaps.
- Jamaica's pioneering use of catastrophe bonds and disaster-risk financing.
- Saint Lucia's sustained investment in renewable energy.

Since the Paris Agreement, the central banking community has invested heavily in understanding and managing climate-related financial risks. Central banks have developed climate-scenario analyses, stress tests, and disclosure frameworks, and assessed transition risks linked to the shift toward net zero. Our task is to translate this knowledge into action.

The objective is to ensure that balance sheets of financial institutions become less vulnerable to climate risk. Accounting for climate risk – both physical and transition risk – should gear investments towards projects, capital goods and activities that are more climate resilient.

Central bank governors from the CARICOM took an important step to advance green finance - or investments to reduce climate risks - at the beginning of the year when they signed a cooperation agreement with the Worldbank/IFC to work on a green taxonomy for the CARICOM countries. The taxonomy will help companies and financial institutions in the Caribbean to design bankable climate projects by standardization of definitions and by exploring sectors and investment opportunities with a high potential for reducing emissions and - more importantly – increasing resilience.

The Caribbean Economic Research Team (CERT) has produced reports on climate risk analysis and

strategies to strengthen regional climate risk assessments. While at the CBCS, we aim to integrate climate risk assessments into our financial stability framework, in particular via climate stress testing. Climate resilience in Curacao and Sint Maarten - and in the wider Caribbean - is not about environmental policy perse but about sound financial management. Financial institutions that account for climate resilience are stronger and more creditworthy.

The high climate vulnerability of Caribbean countries makes it unlike that private investment alone can ensure adequate resilience. That's why the Bridgetown initiative of prime minister Mia Mottley to reform the global financial architecture is so important. Emergency access to finance and liquidity through Catastrophe bonds and private insurance might well become prohibitively expensive for climate vulnerable countries. Institutions such as the International Monetary Fund (IMF) and the World Bank must therefore be made ready to scale up their liquidity support in case of natural disasters in climate vulnerable countries. The COP-30 that is being held at this very moment in Belem, Brazil, will hopefully agree on concrete steps to scale up climate finance.

But climate resilience is only one of the factors threatening our capability to absorb shocks and ensure financial stability. A resilient economy must also remain connected domestically, regionally, and globally.

## C2: Connectivity resilience

Connectivity is the basis for modern, inclusive, and resilient economies. Larger economies might take this for granted. For small and open economies like those in the Caribbean this is top-of-mind and a constant fight. As smaller countries have more "foreign land". Imports in the US being closer to 10-15%, whereas imports in Curacao are more than 90% of GDP.

Connectivity is a key consideration for the payment system where correspondent banks are quick to de-risk institutions, countries or even the region as a whole. Every day, thousands of transactions link our islands to the wider Caribbean, South America, North America, and Europe. Yet cross-border payments remain too often fragmented, costly, and slow. Threatening our operational resilience.

The future we seek is one where across our region sending money is as seamless as sending a WhatsApp message. That future is approaching when instant-payment systems in individual jurisdictions become connected, reducing dependence on large international card networks while preserving global interoperability.

A key step toward this vision was taken last week in Curacao when four CARICOM countries agreed to move the CARICOM Payments and Settlement System (CAPSS), beyond the design and proof-of-concept phase toward pilot implementation. CAPSS is designed to facilitate real-time payments in local currencies, reduce transaction costs, enhance payment efficiency, and support deeper regional financial integration.

At the same time, innovation brings new challenges. Stablecoins and tokenized payments more broadly have the potential to enhance speed and inclusion of cross border payments, but if unregulated, they may undermine financial stability and the integrity of fixed exchange rate regimes.

Just as regular e-money and money market funds, stable coin providers must ensure funds are safe and transactions are monitored to prevent money laundering or terrorism financing. The lesson is clear: *innovation must advance in step with sound regulation and trust*. In reality the stable coin market has grown rapidly to over \$300 in recent years while regulation is lagging. Major banks are preparing to issue stable coins increasing risk of fragmentation and rising transaction costs. In Caribbean countries they may

increase unofficial dollarization undermining foreign exchange controls.

Ultimately, the goal should be a connected payment ecosystem, that is interoperable, inclusive, and secure. A payment system that empowers entrepreneurs and households, boosts regional trade, and reduces reliance on costly intermediaries.

We must think beyond the Caribbean. Deeper Latin American and Caribbean cooperation can accelerate progress. Engaging with regional and global initiatives, such as those by the BIS Innovation Hub and the IMF Roadmap for Enhancing Cross-Border Payments, we might be able to position our region not merely as an adopter but as a partner in shaping the future of global payment systems. A truly connected Latin American and Caribbean payments area, anchored in trust, inclusion, and shared standards, would transform how our citizens, businesses, and governments transact. This will make our region more connected and therefore more competitive and resilient.

Yet connectivity without security is a vulnerability, which brings me to our third pillar to worry about.

### C3: Cyber resilience

Today, central banks and financial institutions rely on digital systems for payments, oversight, and supervision. This digitalization drives efficiency and innovation, but it also introduces vulnerability. A single cyber incident can disrupt operations, freeze transactions, erode trust, and threaten financial stability.

In short, cybersecurity is a core pillar of financial stability and trust. As financial systems become more digital and interconnected, cyber threats are growing more sophisticated, global, and rapidly evolving. Artificial intelligence, deep fakes and quantum computing further exacerbate the challenge. For small, open economies like Curaçao and Sint Maarten, a single cyberattack can have disproportionate consequences, particularly if it happens during a crisis or recovery period. Imagine a regional payment processor being successfully targeted in the aftermath of a hurricane: relief funds could stall, communications could fail, and confidence could evaporate.

The question is not *whether* incidents will occur, but *when*. And when it happens, we must be able to recover and restore swiftly. It's about surviving what's gets through. Globally, cyber risk ranks among the leading threats to financial stability. The financial sector is now one of the three most-attacked industries worldwide. The Latin American and Caribbean region has recorded the fastest growth in reported cyber incidents by no less than a 25 percent annual increase over the past decade, according to the World Bank (2024). Financial institutions are under a cyber siege. Despite this surge, the region remains among the least protected, scoring only 10.2 out of 20 on the World Bank's cybersecurity-preparedness index.

The ongoing digital transformation of finance presents opportunities and challenges in equal measure. Greater reliance on third-party providers, cloud services, and emerging technologies such as Artificial Intelligence (AI) has expanded the attack surface. Technological advances have amplified these risks, while the costs of building cyber resilience have increased, adding operational pressure on financial institutions.

Recognizing these realities, the 65<sup>th</sup> CARICOM Governors meeting spend half a day last week on a cybersecurity masterclass, learning and discussing experiences and lessons learned. As cybersecurity is no longer an IT problem, it is a board room imperative. Whereas cyber security is often dealt with on an institutional level, failure has ramifications on a national level when payment systems are compromised or even on a regional level with cross border systemic risks.

The CBCS is reinforcing its digital infrastructure, strengthening regulatory oversight, and guiding supervised institutions in managing cyber risks.

In 2024, the CBCS adopted its IT Security Strategy 2025–2027, a roadmap for sound governance and management of IT environments within financial institutions, ensuring secure operations and resilience. The CBCS has also provided hands-on training based on the Critical Security Controls of the Center for Internet Security (CIS) and the U.S. National Institute of Standards and Technology (NIST), focusing on business-continuity management and recovery from cyber incidents through real-life simulations.

This approach strikes a balanced path that encourages institutions to embrace the potential of AI and digital innovation while recognizing and mitigating their risks. It emphasizes collaboration, information sharing, and collective learning across jurisdictions and sectors, as cyber risk cannot be managed in isolation. While we are critically aware of these interdependencies, effective collaboration across institutions remains difficult in practice.

We know that even the most advanced systems are only as strong as the people who operate them. That is why capacity-building and human capital remains central. We should invest in a new generation of Caribbean cyber specialists, data analysts, and digital-policy professionals who can defend, innovate, and lead.

### Resilience through unity

Cybersecurity, Climate, and Connectivity are critical pillars of a resilience framework in the Caribbean. They are interconnected. A climate disaster can knock out power, communications, and payments. A cyber attack can paralyze relief efforts or compromise critical data. A resilient, connected payment system can accelerate disaster response, even when offline capabilities are utilized in the event of connectivity failure. Operational preparedness means ensuring that these systems reinforce one another, protecting our citizens, our economies, and the trust that underpins financial stability.

Resilience is not only about bouncing back, it is about moving forward stronger, smarter, and together. Financial stability is more than ever about operational resilience - or capability - in the Caribbean. We should continue to focus on monitoring traditional systemic risk and utilizing our macro-prudential toolkit to ensure adequate capital and liquidity buffers. However, cybersecurity, climate and connectivity should receive as much attention as potential systemic risks to financial stability.

As small central banks it is crucial to cooperate on these issues. The central banks of the CARICOM countries have a structure in place to guide and deepen that cooperation. That is also the objective of Central Banking and this conference. To share experiences, encourage mutual learning and true collaboration. I believe this is extremely valuable and I hope this conference will create further momentum to work together among central banks and turn our shared vulnerabilities into shared opportunities, or perhaps even better, shared strengths.

Thank you.

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