



CENTRALE BANK VAN ARUBA

I Seminar International of Remittances

ARUBA

Collection and compilation practices, and other issues on remittances

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Economic Policy Department

Consists of:

- **Analysis and Policy Unit**
 - Produces relevant information and submits expert advices on financial matters to the Minister of Finance
 - Collects and analyzes financial and economic data published in monthly, quarterly and annual reports
 - Formulates and implements measures to, inter alia, regulate bank credit and liquidity, thereby contributing to financial stability for the well-being of the people of Aruba



Economic Policy Department (continued)

Consists of:

- **Statistical Reporting Unit**
 - Produces data on Money and Credit and Balance of Payments
 - Collects and reproduces data on Real Sector and Government Finance



Importance of the remittances for Aruba

- Substantial flows of financial resources
- Economic effects of migration
- Adequate statistics
- Enhancing Aruba's credibility



Concept and definition used

- Migrants stay for a year or more in Aruba are included under “*workers’ remittances*”
- Migrants stay for less than one year in Aruba are included under “*compensation of employees*”
- Migrants moved their financial claims and liabilities etc. are included under “*migrants transfers*”
- Nonmigrants’ remittances (studies and health-related purposes) are included under “*travel*”



Methodology used in data collection etc.

Legal framework

- State Ordinance Foreign Exchange Transactions (SOFET)
 - For collecting the balance of payments information
- State Ordinance on the Supervision of the Money Transfer Companies (SOSMTC)
 - For collecting supervisory data



Methodology used in data collection etc. (continued)

(Based on the SOFET)

- Commercial (foreign exchange) banks (4)
 - Monthly basis
 - Reports include incoming and outgoing transfers (cash transfers)
- Money Transfer Companies (MTCs) (6)
 - Quarterly basis, using model report form designed by the CBA
 - Reports include incoming and outgoing transfers through their foreign correspondents (transaction basis)



Methodology used in data collection etc. (continued)

Guidelines for executing transactions via MTCs (among others):

- Only transactions related to goods and services, as well as specific income transactions and current transfers may be executed via MTCs. *It is not permitted to execute capital transactions and exchange activities.*
- Individual transaction may not exceed Afl. 5,000 (USD 2,800)
- Daily buying and selling rates quoted by the CBA must be applied
- Payments to residents must be settled in Afl.



Methodology used in data collection etc. (continued)

(Based on the SOSMTC)

On quarterly basis (among others):

- Cash flow statement
- Number of unusual transactions reported to MOT (Disclosure Office)
- Outstanding transfer amount not yet paid by (foreign) correspondent
- Income statement



Problems related to remittances data

- BOP only registers transfers effectuated via the foreign exchange banks and the MTCs
- Transfers via couriers are not included in BOP

No estimations are being made



Ways of improvements and recommendations

- State Ordinance on the Supervision of MTCs came into force as of August 2003
 - **MTCs must be registered at the CBA to initiate their activities**
 - **MTCs must be exempted to conduct money transfer activities via their local agent.**
 - **MTCs should submit additional (supervisory) reports to the CBA**
 - **MTCs should also submit their annual report to the CBA**
- CBA publishes a list of all registered MTCs regularly
- Reviewing and updating the existing guidelines and instructions related the BOP reporting requirements in due course



Money transfer companies in Aruba

- Quick scan survey in 1999 (for results see paper)
- MTCs are supervised by the CBA
- To execute money transfers MTCs should comply with the regulations of the State Ordinance Foreign Exchange Transactions
- Only registered and exempted MTCs can execute transactions through their foreign correspondent



Money transfers in 2004

- Number of MTCs decreased from 13 in 1999 to 8 in 2004 (as per September 2005, the number of MTCs is 6)
- Approximately 255,000 outgoing and 15,000 incoming transfers were executed in 2004 compared to 21,000 outgoing and less than 1,000 incoming transfers in 1999
- Reported turnover (incoming and outgoing transfers) amounted to Afl. 112 million in 2004 compared to Afl. 41 million in 1999
- Reported turnover as a percentage of the GDP increased from 1.3 in 1999 to 2.9 in 2004
- Outgoing remittances as a percentage of total outgoing current account payments increase from 1.7 in 1999 to 3.7 in 2004



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Money transfers in 2004

	<u>1999</u>	<u>2004</u>
1. Number of MTCs	13	8 1/
2. Number of outgoing transfers	21,000	255,000
3. Number of incoming transfers	< 1,000	15,000
4. Amount of reported turnover transfers 2/	Afl. 41 mln	Afl. 112 mln
5. Reported turnover in % of GDP	1.3	2.9
6. Outgoing remittances in % of current account balance	1.7	3.7

1/ As of September 2005 the number is 6

2/ Refer to both outgoing and incoming transfers



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Thank you for your attention