MADURO & CURIEL'S BANK

Kralendijk, November 30, 2023

Re: Comments to the consultation round on the gradual APR decrease

To whom it may concern,

With reference to the consultation round to the proposed regulation amendment to lower the APR from 22% to 19% in 3 years, it is prudent to take the following points into account:

- The current max APR limit already impacts short term (2 years term or lower) loans to a certain group of clients (on work contract or temporary residency permits as they are unable to obtain requested amount of financing; a further reduction of the max APR limit may result in this target group not even being eligible anymore for small / short term loans. The unintended consequence will be that lowering of the APR will become an impediment to enhancing financial inclusion of the still vulnerable income groups in the society as they will be unable to obtain financing. like the ones mentioned above.

- Afore problem will also affect granting of credit cards, where now only higher limits can be granted to assure compliance with the max APR limit. The consequence of this is that if customers do not qualify for a high limit then they are unable to attain a credit card and those that do qualify do not have the option to take a lower limit which leads to higher exposures. Having a credit card nowadays is not a luxury but a necessity for making payments (especially online) and a large group of customers will be deprived of having this facility which we believe is not the intention of lowering the max APR.

- The Caribbean Netherlands is a different market than European Netherlands. For example the scale, investments can be spread in European Netherlands over a large volume compared to us, while in the Caribbean Netherlands the same level of full fledge banking services must be provided based on lower volume. Higher investments, higher costs, no economy of scale, which jeopardizes the financial institution's profitability.

- Afore reflects in the overall pricing system in the Caribbean Netherlands, not only with interest pricing / banking fees. Emphasis is made on the fact that when the market in the Caribbean Netherlands is benchmarked against the Dutch market (or even the European market) for the purpose of APR calculation, that this is done properly, i.e. the input parameters should be fully comparable, taking into account market differences

- The retail risk assessment comprises of different other tools, the TDSR, the NTHP, extensive assessment and verification of "bestendigheid" of client's income and the assessment of the AFM maximum amount; In the majority of cases, clients meet all these metrics comfortably and even the AFM max is ok.

- Retail delinquency rates are very low (<5%) so we do not see any substantial repayment problem under our clients, which in our view is an indication that the current APR rate is not causing debt. When customers enter financial distress and are unable to pay their debts accordingly, the Bank observes its duty of care towards its customers, enters into agreements with them and lowers the interest rates as needed to ensure the customers can pay off the outstanding balances in a responsible manner. Therefore, lowering the APR upfront to avoid financial distress/lessen the burden, in our opinion, is not the ideal strategy. The amount of customers that enter distress is very low and therefore repricing just for this group is not a practicable solution. For those customers that do encounter issues, these are dealt with individually and tailor-made concessions on APR are made accordingly.

- Seeing the extensive assessment being done to grant a retail credit, and the low delinquency rates, we do not see a further reduction of the APR at this time necessary. It is suggested that proper research is conducted by the authorities first, c.q. collect more data to assess if the current APR rate contributes to debt problems and poverty. The afore, as the beleidskompas document also indicates that the exact extent (and no figures) of the credit rates' contribution to the existing debt and poverty problems in the Caribbean Netherlands is unknown, but it is merely only assumed that credit overextension is relatively common in the Caribbean Netherlands, whilst the explanatory notes also indicates that financial institutions are adhering to the max 22%, but unfortunately comparison to European Netherlands is made in the consideration of the APR reduction proposal.

- We reiterate the role of metrics like the TDRS and/or the AFM max lending model versus the APR. These metrics are in place to ensure that customers are not financially over extended or as we see in Dutch – to avoid overextension.
  These metrics are used to determine if someone is eligible for financing and avoid overextension and we at MCBB comply with these guidelines.

- The APR is the total cost expressed in a % -in simple terms, the costs that customers need to pay yearly (interest and fees) for borrowing money.
  Lowering the APR can lower the monthly payments allowing customers to get financing easier and pay less every month (lower TDSR), but it does not in any way avoid overextension. Important to consider is that in our markets, customers will come back to borrow if they still have space as per the metrics TDSR and/or the AFM max lending model. Lowering the APR will allow for more lending capacity with those with good income and fixed jobs and can and will lead to more borrowing and higher exposures. One can therefore argue that lowering the APR will lead to just the opposite or this segment of customers, which is more borrowing and therefore not achieving the objective the lowering of the APR is being proposed for. In our opinion there is no direct correlation between lowering the APR and avoiding overextension.

We hereby make ourselves available for further elaboration on the aforementioned points and do reiterate our suggestion to conduct (further) research.

Yours sincerely,

Maduro & Curiel's Bank (Bonaire) N.V.
Signed on behalf of Management Team