



Parliament of Sint Maarten

Staten van Sint Maarten

To the Hon. Minister of Finance
Mr. A.M.R. Irion
Administration Building
Philipsburg

UV/267/2019-2020

Philipsburg, April 24, 2020

Re: Questions from MP R. Brison concerning the Central Bank

Hon. Minister Irion,

Herewith I submit to you questions posed by Member of Parliament, Mr. R. Brison pursuant to article 62 of the Constitution and article 69 of the Rules of Order of the Parliament of Sint Maarten.

The letter is self-explanatory.

Yours truly,

R. Brison
President of Parliament



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Rolando Brison

Member of Parliament

Minister of Finance
Government Building
Philipsburg St. Maarten

Philipsburg April 21 2020

Re: Letter to Central Bank from Member of Parliament Rolando Brison

Dear Honorable Minister,

In accordance with article 69 of the Rules of Order, I have various questions related to an entity that falls under your responsibility, the Central Bank of Curacao and St. Maarten. These questions have been formulated in the attached letter to the Central Bank of Curacao and St. Maarten, in which I am asking if the Central Bank is prepared to provide solicited advice to the government on the points mentioned in said letter, in accordance with Article 5 of the Central Bank Ordinance among other issues.

The attached letter should be differentiated from this one in that the attached letter is being sent not in my role as president of parliament, but as a Member of Parliament. My role as President in this case is only to ensure you receive the attached letter from "MP Rolando Brison" (in other words, I am not speaking on behalf of Parliament in the attached letter).

Kind Regards,

MP Rolando Brison

President of Parliament



MP Rolando Brison

Parliament of Sint Maarten

Central Bank of Curacao and St. Maarten
% Mr. Jose Jardim
Curacao

Philipsburg April 21th 2020

Re: Urgent action needed by Central Bank of Curacao and St. Maarten

Dear Mr. Jardim,

I am writing you, through the Minister of Finance and in accordance with Article 62 of the Constitution of St. Maarten, in my capacity as Member of Parliament and Leader of the UP Party to urgently insist that the Central Bank of Curacao and St. Maarten takes urgent action for the people of St. Maarten in its most dire time of need. Having examined very carefully the legislation of the Central Bank and looked at the books and state of our monetary union, I have come to the conclusion that the central bank can and must do more for St. Maarten.

In examining as to what the role of Central Banks should be during this disastrous socio-economic time for St. Maarten, I came across the paper of Kenneth Rogoff, the Harvard economist who in 2008 co-authored a seminal history of financial collapses (2008 being the last time the world has ever come even close to the economic disaster we face now). He concluded that Central Banks are the single best tools available to each country to help get them out of world wide crisis such as plagues, wars and natural disasters. One quote from that paper struck me profoundly :

" the whole point of not relying on debt excessively in normal times is precisely to be able to use debt massively and without hesitation in situations like this."

I have for many years witnessed as a citizen, and then observed even closer since being elected 2 years ago, time after time, the stringent financial restrictions placed on our country that prevents our ability to expand, innovate and handle urgent matters such as our prison and healthcare system: all in the name of maintaining good debt ratios, balanced budgets and sound financial planning. But as is exemplified in the quote above: such a keen approach to balanced budgets and debt mitigation should no longer be the focal point when we are talking about the very survival of tens of thousands of lives in time of disaster. Mr. Jardim, we are at war. We are war with the coronavirus, and while the initial bombardment is clearly one of health, we both know that the radioactive fallout looming is the economic damage that will be gripping our country.

It has become obvious over the past few days that depending on the Netherlands for financial assistance is fraught with hazards and nary a certainty. But we already know this from our experience with hurricane Irma. The CFT has been effectively sidelined (as it should be in this crucial time), having also suffered a tremendous blow to its prestige when recently the Antillian members (in my opinion correctly) distanced themselves from its latest advice to the Kingdom Government, complaining that their input was shoved aside. In addition, we learned that the Curacao government is planning a 100 million bond issue to finance its corona related deficit.

My question is: What about St. Maarten? What is the central bank prepared to do for our people whose extremely high interest rates and customary 1% license fees has contributed to the lucrative banking sector and financial position of the central bank, both of which you are charged with overseeing?

I have discovered in the Central Bank Ordinance the right and responsibility of the Central Bank to provide solicited advice to St. Maarten as prescribed by Article 5 of the Regulation of the Joint Central Bank of St. Maarten and Curacao¹ (hereinafter: Central Bank Ordinance). I have thus in accordance with Article 62 of the constitution², asked the Minister of Finance to request of you to react with an action plan on crucial actions the Central Bank should take post haste to assist St. Maarten. I have taken the liberty and identified **6 action points** that I believe should receive immediate solicited advice from the Central Bank. If the Minister would be so obliged to forward this letter to you to further explain and motivate the reasoning for this solicitation, then I encourage you to take swift action on providing the solicited advice the following points:

1) A National/Development Bank for St. Maarten

The central bank must immediately and without prejudice pre-approve a bank license for country St. Maarten to establish a national bank. In this way, we can make use of our tax and economic structure to channel funds and financial support through this bank, incentivize the repatriation of much needed liquidity from around the world back to St. Maarten and thereby stimulate the economy.

Immediate action needed: the government of St. Maarten should receive a letter of no objection from the central bank on this concept, after which the country can begin its formal application procedure for the banking license as prescribed by law within TWO weeks of receipt of this letter.

2) Reserve requirement and super-low interest rates for commercial banks

The central bank needs to explore using a lower reserve requirement as well as super low interest rates (1% or less) offered to commercial banks, to incentivize them passing their super low rates to the local community. The reserve requirement should come with very strict conditions to the banks, which include for example having to give out those loans at a max rate of 3 to 4% for the 1% being offered by the CBCS, the banks truly postponing mortgages and the banks complying with the "right to basic bank account" upcoming legislation.

Immediate action needed: Present a plan to the government on how to make use of the reserve requirement and super low rates to create a better banking and lending atmosphere in St. Maarten within TWO weeks of receipt of this letter.

¹ The Bank provides solicited and unsolicited advice to the Countries on matters in its areas of competence or which affect those areas.

² Every Member of Parliament has the right to put questions to ministers.

3) Central Bank must insist on unconditional, fully postponed mortgages from banks

While the commercial banking sector seems to offer some sort of vague relief for mortgages, often times the fine print of this relief turns out to be much less of an incentive than it may appear to be on the surface. What commercial banks should be doing is very straight forward: a full-interest-free postponement of mortgage payments and interest collection for a period of at least 6 months.

Immediate action needed: The Central Bank must, within the scope of its supervisory role, formally instruct all banks that in order to receive the relief in point 2, they MUST confirm in writing to the central bank that they will provide unconditional fully postponed mortgages for at least 6 months to all local accounts. This instruction should be sent to all commercial banks within TWO weeks of receipt of this letter.

4) Banker of last resort – Bond issuance and liquidity support from government

Our Central Bank is authorized to buy and sell bonds in accordance of Article 10 paragraph 8 of the central bank ordinance. The Central Bank should therefore advise government how to use this tool to raise the funds it needs via our Central Bank. As a possible alternative to only relying on the Netherlands loaning us the funds, our own Central Bank can step UP and provide all the funds the country needs.

The Central Bank can also explain how it will manage our dollar reserves and should not hesitate to enter into discussions with its colleagues at the Eastern Caribbean Central Bank and the Central Bank of Barbados to see what strategies they are employing to meet their countries foreign reserves needs. It shall also explore dollarization and engage with the US Federal Reserve on Federal Reserve bonds.

Immediate action needed: Present the Government with 3 scenarios for bond issuances in a lowest, median and maximum bond issuance possible for St. Maarten within 2 weeks of receipt of this letter.

5) Immediate right to bank accounts and Consumer protection laws

Everyone and every entity must be given immediate access to basic bank accounts: that is, accounts separated from the international network, that can be used for local transactions. As you are aware, this is nothing new, as even the Netherlands the right to a basic bank account is nothing new. One constant complaint from the local public as well as international investors is their treatment by banks. These actions over the years have caused great detriment to our country and will prevent people from receiving aid from the government stimulus plan as they would need bank accounts in order to access and withdraw the funds. And how are employers supposed to pay employees without having access to bank accounts in this crisis time? The banks have continuously pointed to the central bank and your instructions as to the reasoning for them having such unfair regulations for opening bank accounts, and this should be clarified. The central bank must set the local commercial banks straight in their role as supervisor of the banks.

Immediate action needed: Clarify to banks the position of the central bank in allowing them to open at the very least, basic bank accounts separated from the international banking system to facilitate local transactions. And review the Consumer Banking Protection law (Attached), provide legal support for the law so that it can be passed by parliament with an endorsement from the Central Bank.

Clarity must also be given clearly to the public as to what the current central bank guidelines are to the requirements for opening a bank account – this to prevent the situation where banks currently blame central bank regulations for their obtuse policies for bank account openings.

6) Making Central Bank Expertise available to government and parliament

Central bank has some of the best (and highest paid) experts of any organization within the monetary union. This technical resource should as much as possible be made available for the government to make use of the urgent technical tasks required to be conducted related to COVID-19 economic recovery. This is afforded clearly to each country of the monetary union through article 5 of the Central Bank Ordinance allowing countries to receive solicited or unsolicited advice. This action represents the first of such solicited advices. Some specific examples:

- Creating the business plan for the development bank of St. Maarten
- “Noodregelingen” that need to be urgently implemented to allow more effective execution of economic stimulus and relief and updated emergency banking regulations (such as the right basic bank accounts)
- Creating the country’s COVID-19 budget amendment
- Advising on new economic policies for the Ministries of TEATT and Finance
- Assisting members of parliament with initiative laws related to finance and economy

In the interest of transparency, I wish to point out to you that I have on behalf of the United Peoples Party of St. Maarten expressed to the Minister of Finance that if the Central Bank does not immediately address the above action points with vigorous action and certainty, the faction of the UP party will be calling on the Government of St. Maarten to exercise every option available to it to see these items complied with for the benefit of our citizens. Measures should include, though not limited to, asking board members and directors to make their positions available to those who are more able and willing to make sure St. Maarten does not fall into further social and economic dismay that could be readily prevented by the central bank. Such would have be done in accordance with the relevant articles related to the dismissals (article 25 paragraph 6³ of the Central Bank Ordinance regarding dismissal of board members, and article 20 paragraph 3⁴ regarding dismissal of the board of directors).

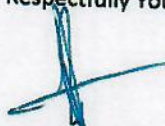
To be clear, **it is not the role of Members of Parliament to move or remove members of the Bank**, and I am in no way insinuating that parliament can and will handle any such dismissals. It is however our role as granted to us by our highest country law, our constitution, to hold our Ministers, including the Minister of Finance, accountable. The constitution also allows us, by motion of parliament, to request the government to take action in the form of National Decrees. As a member of Parliament, I would not hesitate to use my right of tabling a motion and seeking the support of my honorable colleagues to defend my country in its most trying time ever.

³ In special cases, the members referred to in paragraph 4 may be suspended or prematurely dismissed by the Countries by motivated national decree.

⁴ On the recommendation of the Supervisory Board, the President and the directors may be suspended or prematurely dismissed by the Countries by motivated national decree.

It is my opinion that St. Maarten cannot afford any more excuses: the very survival of our country and its people will depend on swift action and a solution-oriented attitude rather than a defeatist attitude from the Central Bank who's role has never been more crucial. Any excuses as to why you cannot execute these points despite it being legally and feasibly possible should be met with swift by our Country, and St. Maarten simultaneously should consider its options in leaving the monetary union. St. Maarten deserves action from our Central Bank and not excuses.

Respectfully Yours,



Rolando Brison

Member of Parliament
Chairman of Parliament
Leader of the United People Party – St. Maarten

