

# OVERVIEW: SABA'S BANKING SITUATION

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Public Entity Saba

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## 1. Introduction

Saba Island, located in the Caribbean, is a special municipality of the Netherlands. Saba is known for its magnificent nature and is an excellent diving destination. Saba measures 13 km<sup>2</sup> in size and has about 2,000 inhabitants. The four villages on the island are named: The Bottom (the capital), Windwardside, St. John's, and Zion's Hill.

Since 10/10/2010 Saba is officially a special municipality of the Netherlands. With this transition came some significant changes, for government, businesses and residents. This had some impact on the banking situation on Saba. Now, more than 10 years later, the current banking systems is considered abysmal by many. In this document multiple stakeholders and users of the current system are asked about their experiences, and what steps need to be taken to improve the current system. In addition, the developments of the last years will be shown.

The document concludes by listing all current challenges and suggesting some solutions, both for short and long term.

## 2. Timeline and historical situation

Before 10/10/2010. Saba's banking and financial situation comprised 3 different banks and 2 money transfer offices. The two banks were: Windwards Islands Bank (WIB), First Caribbean Bank (FCB) and the Royal Bank of Canada (RBC). The money transfer offices on Saba were: MoneyGram and Western Union. Since Saba was a part of the Netherlands Antilles, the regulation and supervision were done by them. The currency was, and still is, the United States Dollar (USD). Saba is mainly a cash-based economy.

When in 10/10/2010 Saba, along with Bonaire and St. Eustatius, decided to become a special municipality of the Netherlands, a lot changed. Sint Maarten chose to become a sovereign nation within the Kingdom of the Netherlands and this meant that of the SSS-islands, the two smallest islands were now under Dutch (banking) supervision, while the biggest island, Sint Maarten, chose to be independent. This created a difficult situation for both Saba and Sint Eustatius, because their populations were too small to have an actual bank stationed there, and the 'banks' on the island were regional offices from the banks on Sint Maarten. This now meant that those offices were subject to different supervision systems, since their regional offices and banks were in different countries. This put a lot of administrative pressure on the regional offices, heightening the costs and therefore decreasing the profit margins in an already limited market.



In the last years, at first, First Caribbean Bank and later in 2017 WIB chose to leave the island. The WIB stating "Saba's population is too small; the revenue is insufficient and the general costs are just too high"<sup>1</sup> Leaving the population with only RBC as a valid banking option. The money transfer offices also decided to leave, presumably because the additional administrative burden that came under the new Dutch supervision. This was a serious setback for the many workers on the island with family abroad, because it took away the accessible opportunity to transfer money off island. It also made the RBC the only bank and therefore, the monopolist on the island. It took away any incentives for the RBC to work more efficient, innovative or lower the rates of banking. After the during the transition of WIB off island, the Public Entity decided to keep the ATM of WIB in the Bottom operational, since that is the only ATM in the Bottom and the other ATM is located in Windwardside, which is a 10-minute drive and would be the only source for withdrawing cash on the whole island. This was unacceptable, since that would mean that as soon as the ATM in Windwardside would run out or break down, the whole island would lose its access to cash, in a cash-based economy.

The Dutch government (BZK) decided to fund the costs for this additional ATM (100.000 USD a year) for a single year. After that, the Public Entity had to finance this ATM, which they still do.

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<sup>1</sup> Samenvatting PwC Rapport Onderzoek bancaire dienstverlening BES-eilanden

After the Windwards Islands Bank left, the banking situation on Saba seemed to deteriorate quickly. From the population, complaints were directed towards the Public Entity and the RBC about the service, opportunities, communications and rates of banking on Saba. As a result, Price Waterhouse Coopers investigated the situation and wrote a report in the first half of 2019, that was sent to the Chamber of Representatives in the Dutch Parliament on June 3th, 2019<sup>2</sup>. The goal of this report was to find ways to provide a sufficient amount of banking on the BES-islands.

In his response to this report, the minister of Finance stated<sup>3</sup>:

“Een belangrijk aspect in de gesprekken met lokale partijen is het elektronisch betalingsverkeer, omdat juist innovaties en digitale mogelijkheden kansen biedt voor inwoners om toegang te hebben tot het betalingsverkeer. In de Werkgroep Betalingsverkeer Caribisch-Nederland worden signalen over het functioneren van het elektronisch betalingsverkeer besproken. Deze komen vooral van inwoners en ondernemers op de BES en gaan bijvoorbeeld over hoge kosten voor girale transacties, hoge rentes voor krediet en beperkte mogelijkheden tot online bankieren en betalen. Voor zover deze signalen niet al door lokale partijen en autoriteiten worden opgepakt, beoordeel ik per geval op welke manier de overheid een bijdrage kan leveren. Ik werk hierbij nauw samen met lokale partijen en autoriteiten, met mijn ambtsgenoten van Binnenlandse Zaken en Koninkrijksrelaties en van Economische Zaken en Klimaat en met DNB en de Autoriteit Financiële Markten. Ik informeer uw Kamer eind dit jaar over de voortgang.”

“An important aspect in the discussions with local parties is electronic payments, because innovations and digital options offer opportunities for residents to have access to payment systems. Signals about the functioning of the electronic payment system are discussed in the Caribbean-Netherlands Payment System Working Group. These mainly come from residents and entrepreneurs on the BES and concern, for example, high costs for non-cash transactions, high interest rates for credit and limited options for online banking and payments. Insofar as these signals are not already being picked up by local parties and authorities, I assess on a case-by-case basis how the government can make a contribution. I work closely with local parties and authorities, with my colleagues from the Interior and Kingdom Relations and from Economic Affairs and Climate, and with DNB and the Netherlands Authority for the Financial Markets. I will inform your House about the progress at the end of this year.”

Clearly indicating that the problems are known at the ministry during that time. The next chapters will pick up on the situation 2 years after this statement was issued by the minister.

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<sup>2</sup> 32 013 nr. 214 Toekomst financiële sector [brief aan de minister van Financiën]

<sup>3</sup> 32 013 nr. 214 BRIEF VAN DE MINISTER VAN FINANCIËN

### 3. Personal experiences and challenges

For this overview, multiple stakeholders and users of the banking system in Saba were interviewed. To secure the objectiveness of the interview, the questions asked to the participants were strictly limited to their views on the Saban banking system, without nudging them or creating any sort of bias<sup>4</sup>. With the institutions that were interviewed (DNB, AFM etc.) the nature of the interview was more of a debatable kind, reflecting on the situation but acknowledging some of the problems upfront. The persons that were interviewed were:

Position	Date of interview
Chair Saba Business Association	29 <sup>th</sup> of April
Civil servant who came from abroad (EU)	11 <sup>th</sup> of May
Former member Chamber of Commerce	19 <sup>th</sup> of May
Sr. Policy Advisor OLS	24 <sup>th</sup> of May
Civil servant who came from abroad (NL)	11 <sup>st</sup> of June

The stakeholder institutions that were interviewed were:

Institution	Position	Date of interview
De Nederlandse Bank	Sr. Economist	25 <sup>th</sup> of May (only email)
Autoriteit Financiële Markten	Sr. Policy Advisor	10 <sup>th</sup> of June
Ministerie EZK	Sr. Policy Advisor	5 <sup>th</sup> of June

#### 3.1 The Saba Business Association (SBA)<sup>5</sup>

As the chair of the Saba Business Association, the representative was able to give both insights of entrepreneurs and private banking on Saba. The remarks on the current system were:

- ❖ The advanced banking services can only be provided by the RBC at this moment, and are done insufficiently. Depositing cash, cashing out a cheque and opening a bank account can only be done by the RBC-office in Windwardside and there is no alternative whatsoever.
- ❖ Their banking processes are extremely slow (wiring money, wiring money to your credit card, opening a bank account, requesting a pay terminal).
- ❖ Application for a credit card can take months to a year so many residents, further stimulating the need for cash services.
- ❖ The RBC charges high fees for nearly every service they provide (see chapter 4: Facts and figures).
- ❖ The service provided is inefficient and most of the times unclear
- ❖ The communication towards customers is extremely weak/non existent

<sup>4</sup> Semi-transcripts of interviews are available upon request

<sup>5</sup> Many of the remarks made about private banking were also heard during the interviews with the other participant of this short study, but excluded from their list to improve readability.

- ❖ If you want your business to bank online, this will cost you a substantial fee as well
- ❖ Only RBC cheques are accepted at the RBC bank, defeating the whole purpose of cheques.
- ❖ There is a WIB ATM at the Bottom but the branch has been closed for some years. There are no facilities on island for WIB customers to bank cash from their businesses.
- ❖ The businesses are not permitted to open a bank account in the European Netherlands to overcome some of the online banking issues.
- ❖ When you have a savings account, the bank limits the amount of deposits you can make to your account

### 3.2 A government employee who came from abroad (EU)

A civil servant coming from abroad almost 1,5 year ago, gave remarks on the experiences with opening a bank account, using a credit card and learning to know the banking system during the pandemic.

- ❖ The banking system is fragile, and Corona has only further weakened this.
- ❖ Some residents used to go to Sint Maarten for their banking, but due to the corona pandemic, they were forbidden to go for some time. Basically, halting them from banking during that period of time. Also, the persons that restock the ATMs on Saba come from Sint Maarten and with all problems due to the outbreak, for some time it was not possible to withdraw cash on the island, since both ATMs were broken/out of cash.
- ❖ The organizations on Saba require you to have a local bank account to be paid digitally. If you haven't got a bank account, you are paid in cash. Opening a bank account can take a long period of time for some, forcing them to handle large amounts of cash.
- ❖ Aside from that, a problem occurs for expats that come to the island and wish to make purchases on online stores like Amazon, Etsy, Ebay etc. This requires you to have a credit card. And to be eligible for a credit card, you must have been on the island for at least 2 years, and be in the same position for at least 2 years. Requirements that no expat can fulfill.
- ❖ Therefore, expats have no choice to keep their old banking account on, and wire the money of their local bank account to their 'old' bank account, being forced to pay substantial fees (international fee, exchange costs) just to be able to make basic credit card payments. On top of the costs of keeping their old bank account in place, just for this occasion.
- ❖ Digital credit card solutions like Revolut could be an outcome for this problem. But since RBC has a Headquarter in Trinidad and Tobago, this is on the banned list and Revolut does not accept any money transfers from the RBC to their cards.
- ❖ Furthermore, this person indicated that the service of RBC's office in Windwardside is seriously lacking and that some of the questions are simply ignored.

### 3.3 Former employee at the Chamber of Commerce

This former employee at the Chamber of Commerce, at this moment holds the position of island council member at Sint Eustatius. As an expert on this matter, his remarks focus mainly on the loans (hypotheken).

- ❖ This person elaborated on the situation of the region-offices of the banks for Sint Eustatius and Saba. For Sint Eustatius, the only bank that is still operational is the WIB. Due to the complicated nature of the supervision of both regulation authorities of Sint Maarten and the Netherlands. Furthermore, the fact that the USD is the currency bring additional requirements.
- ❖ Because there are no Dutch banks on the islands, all residents of Saba and Sint Eustatius are 'forced' to have a foreign bank account, instead of a Dutch bank account. This only complicates the situation further.
- ❖ Currently, there's a pilot in Bonaire about the national 'Hypotheekgarantie'. The problem with this pilot is, that this guarantee can only be given by a Dutch bank, which excludes the use of it in Saba and Sint Eustatius automatically.
- ❖ The interest on loans is 4x higher than in the European Netherlands. Making it nearly impossible to take a loan for a house.
- ❖ It is not possible to take a loan after turning 65. This is possible in the Netherlands as long as you are employed, but refused in the Caribbean Netherlands. It is not clear what is causing this, but it severely limits older Saban/Statians in making these decisions.

### 3.4 An employee of the Public Entity Saba (OLS)

This person is the senior policy advisor on this subject for many years within the Public Entity of Saba. His remarks were:

- ❖ Many of the problems clearly started when the WIB left the island in 2017. Now that RBC was the only banking partner for the OLS, the need for change, adaptations or cooperation went away from the side of the RBC. The conversations with WIB are very professional and punctual, but the RBC often forgets.
- ❖ He did indicate that the MCB bank on Curacao considers to launch a small initiative on Saba, to provide Sabans with Hypotheekgarantie. However, this idea already lingers for quite some time and has not resulted in any serious conversations. However, if this would become serious project, it would help the people of Saba a lot. Necessity seems to be missing from the side of WIB...

### 3.5 A civil servant who just moved to Saba (from NL)

This person has been on the island for only a month now, but could clearly indicate how the process of setting up a bank account goes and what hiccups she encounters.

- ❖ She is in the midst of opening a bank account, for which she needs a Saban ID. She needs to apply to the IND for this ID, even though she is a Dutch citizen. This ID 'beschikking' is supplied by them and should be submitted to the CENSUS. The bank account is also needed to become insured. So, in the meantime, she is not locally insured and needs a temporary insurance on the island. All this takes weeks, to months to get arranged.
- ❖ In the meantime, if she wants to withdraw money from her Dutch bank account, the costs are 7,50 USD per transaction.



### 3.6 De Nederlandse Bank (DNB)

The DNB emailed his remarks on this matter:

- ❖ They are familiar with all the existing problems on the banking situation on the island.
- ❖ They are seriously concerned with the current banking services and the practical problems for both private and commercial banking.
- ❖ Opening a BES bank to fight the current problems could be an option, but only after all alternatives have proven to be useless. They don't think that point has been reached yet.
- ❖ Acceptable banking for acceptable fees is the main objective.

### 3.7 Autoriteit Financiële Markten (AFM)

Although the interview with the AFM was a pleasant one, the predecessor of him retired not that long ago and the present contact person needed more time to get familiar with the situation on Saba. As a result, that interview did not generate useful material for the overview.

### 3.8 Ministerie van Economische Zaken en Klimaat (EZK)

The senior policy advisor indicated that EZK is an intervention ministry, that only tries to stimulate markets. The main ministry responsible for the banking system is the Ministry of Finance.

- ❖ The need for change is felt at EZK
- ❖ Multiple signals reached the ministry about the concerning banking situation
- ❖ Ministry of Finance should be actively situated to start change
- ❖ The concerning signals that reached EZK were: bad service provided, high fees charged, loans are nearly impossible to get and have a high interest rate, mainly impacting the lower social classes that cannot buy houses with their current finances.
- ❖ EZK is working on a guarantee-system for companies and startups in the BES. For unclear reasons, these things don't seem to work so good for Sint Eustatius and Saba.
- ❖ Digital transformation should be way to address these problems.
- ❖ EZK tries to implement a digital wallet to allow Ideal-transactions on the BES.
- ❖ Regardless of what solution is chosen, pilots are needed.
- ❖ The time is now for the Ministry of Finance to act.

## 4. Facts and figures

### 4.1 Financial supervision on the BES<sup>6</sup> (in Dutch)

Toezichtsgebied	Relevante wet- en regelgeving	Zelfstandige instellingen BES	Groot bijkantoor BES met buitenlandse 'moeder'	Klein bijkantoor BES met 'moeder' CUR of SXM
<b>Prudentieel</b>	Wfm BES Pensioenwet BES	DNB	DNB	<b>CBCS (via 'moeder')</b>
<b>Integriteit</b>	Wfm BES / Wwft BES Sanctiewet 1977	DNB	DNB	DNB
<b>Gedrag</b>	Wfm BES	AFM	AFM	AFM

Bovenstaande tabel laat zien dat de CBCS als toezichthouder verantwoordelijk is voor het prudentieel toezicht op financiële ondernemingen met een zetel op Curaçao of Sint Maarten en de bijbehorende bijkantoren op één van de BES-eilanden. DNB heeft zorgen over het functioneren van de CBCS, zo blijkt uit haar Toezicht Vooruitblik: "Voor het toezicht op financiële instellingen die actief zijn op Bonaire, Sint Eustatius en Saba (BES- eilanden) is DNB afhankelijk van een goed functionerende en integere Centrale Bank van Curaçao en Sint Maarten (CBCS). Dit is een punt van aanhoudende zorg."<sup>4</sup>

### 4.2 Costs of private banking compared to European Netherlands

The average income per capita in Saba is roughly 28.100 euros<sup>7</sup>. In the Netherlands that's 42.100 euros.<sup>8</sup> Keeping differences for higher costs of living on Saba aside, that means that on average Saban families have roughly 33% less income than the average Dutch family. In addition, their banking costs are substantially higher.

#### Costs of private banking

Banking service	Saba (RBC) <sup>9</sup>	European Netherlands (ING) <sup>10</sup>	% difference (€/ \$ 1.20/1)
Regular bank account	\$120 p/year	€ 23,40 p/year	76.6%
Savings account	\$5 p/month	Free	100%
Wiring to another local bank	\$5.59 p/transaction	Free	100%
Wiring to RBC SXM, Curaçao or Bonaire	\$3.35 p/transaction	Free within EU	100%
International wiring	25\$ + 1/8%	€ 6 + land specific costs	unclear
Visa card	\$50 p/year	€ 18,60 p/year	55%
Withdrawal at RBC ATM on SXM, Curaçao or Bonaire	\$0,56 + the exchange rates per trans	Free	100%
Withdrawal at local non-RBC ATM	\$1,12 + the exchange rate per trans	Free	100%

<sup>6</sup> Samenvatting PwC Rapport Onderzoek bancaire dienstverlening BES-eilanden

<sup>7</sup> CBS BES 2019 (Euro/Dollar 1:1,20)

<sup>8</sup> CBS NL 2018

<sup>9</sup> <http://www.rbcroyalbank.com/caribbean/sxm/documents/fees-and-service-saba.pdf>

<sup>10</sup> [https://www.ing.nl/media/ING\\_Kostenoverzicht-betaalproducten-particulieren\\_tcm162-181999.pdf](https://www.ing.nl/media/ING_Kostenoverzicht-betaalproducten-particulieren_tcm162-181999.pdf)

### 4.3 Costs of commercial banking compared to European Netherlands

#### Costs of commercial banking

Banking service	Saba (RBC)	European Netherlands (ING)	% difference
Online banking	\$35 p/month	€ 9,90 p/month	66%
Pay terminal	\$40 p/month + 4% of all transactions	2% of all transactions	\$40 + 2% of all transactions
Wiring to local bank	\$ 3.50	Free	100%

One of the businesses on the island was kind enough to share their (anonymized) data on their banking costs, showing the percentage of banking costs over a period of 2 years. It is important to know that this business chose not to use online banking due to the high costs this would bring (an additional 35\$ per month<sup>11</sup>). For a comparison, the costs are displayed if the owners would have chosen to use business banking.

#### Actual costs of Anonymized business

Year	Banking Charges	As a % of operating costs	As a % of turnover
2018	\$ 3.999,00	3.41%	1,57%
2019	\$ 4.593,00	3.50%	1,58%

#### Costs if anonymized business used online banking at RBC

Year	Banking Charges	As a % of operating costs	As a % of turnover
2018	\$ 4.839,00	4.12%	1.90%
2019	\$ 5.433,00	4.14%	1.87%

Showing that the use of online banking at RBC is not stimulated at all due to their high banking fees, as well as the high fees for the use of pay terminals. On Saba, pay terminals cost \$40 per month + 4% of transactions, in the Netherlands the companies like Zettle<sup>12</sup> offer it for €0 per month and less than 2% of transactions.

Online banking for businesses in the Netherlands costs less of 1/3 of the fee (ING bank ondernemerspakket is € 9,90 per month).

<sup>11</sup> <http://www.rbcroyalbank.com/caribbean/search.html?q=fees&subsite=Saba>

<sup>12</sup> <https://www.zettle.com/nl/betalingen/pinapparaat>

## 5. Conclusions, questions and possible solutions

### 5.1 Conclusions

Although the average Saban family earn less than 66% of an average Dutch family, yet they have no choice to bank at RBC and face substantial higher banking costs, abysmal customer service and far less opportunities than those in the European Netherlands. Due to RBC being the only banking player and all other banks and money transfer offices disappearing of the island, there is no competition and no incentive whatsoever at RBC to improve their services. In addition, the online banking is exceptionally expensive, discouraging the use of digital banking and keeping Saba the cash-economy, it so desperately wants to escape. Businesses are badly hurt by RBC's services, it's virtually impossible to get a loan, due to extremely high interest rates and no 'hypothekgarantie'. Expats cannot get a credit card during their stay and Cheques of other banks are denied. The situation on Saba cannot continue like this and changes must be made to ensure a sustainable and future-proof banking system for its residents, expats and businesses.

### 5.2 Questions

- Can we set clear goals about what needs to be achieved for the banking system on Saba? And would Min Fin, DNB, AFM and BZK subscribe to that?
- Can short term measures be combined with a long-term strategy to steer towards a more sustainable and digital banking system on Saba?
- Can a solution be found to allow digital credit cards like Revolut to be used by RBC bank account holders?
- Can the procedure of requesting a Saban ID to open a bank account be revised?
- Can the WIB be invited to do banking on a temporary base on Saba, where they visit the island once in every 2 week or so.
- Could this be combined with their long-time ambition that they want to offer a Hypotheekgarantie?
- Can ways be found to lower the costs of banking at least partly or subsidize a part of the costs for the Saban community? By negotiating with the RBC?
- Can Dutch banks be invited to do their banking here? Instead of SXM banks.
- Can Saba get portable pay terminals that are not strictly linked to RBC?

### 5.3 Possible solutions

- Let BZK fund the ATM in the Bottom until a more permanent solution is found
- Use the released funds at the OLS to stimulate and improve digital banking for both residents and companies on Saba
- Persuade Revolut to allow transactions from Saba's RBC bank accounts to their cards
- Invite Dutch banks to come to the island, possibly with a financial stimulation

- Invite WIB banks to come to the island on a weekly basis to provide services, possibly with a financial stimulation
- See if a Dutch ID can be used as well to open a bank account on Saba
- Make a long-term plan with clear goals and deadline, making sure that everything is written down so that if nothing happens, we have a compelling argument to request the Rijksoverheid to start a BES bank on the island or take other drastic measures.
- See if Zettle or other mobile pay terminals can be adapted to work with RBC's bank accounts as well. (Zettle replied that they currently only operate in continental Europe).