

Aruba

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Aruba

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment Offshore Finance Centre

Major Investment Areas:

Agriculture - products:

aloes; livestock; fish

Industries:

tourism, transshipment facilities, banking

Exports - commodities:

live animals and animal products, art and collectibles, machinery and electrical equipment, transport equipment

Exports - partners:

Colombia 39.4%, Venezuela 29.3%, US 13%, Netherlands Antilles 4.1% (2012)

Imports - commodities:

machinery and electrical equipment, crude oil for refining and reexport, chemicals; foodstuffs

Imports - partners:

US 46.4%, Netherlands 11.5%, UK 5.4% (2012)

Investment Restrictions:

Information unavailable

Contents

Section 1 - Background	3
Section 2 - Anti – Money Laundering / Terrorist Financing	4
FATF status	4
Compliance with FATF Recommendations	4
Key Findings from latest Mutual Evaluation follow-up (2014).....	4
US Department of State Money Laundering assessment (INCSR).....	5
Reports.....	8
International Sanctions.....	10
Bribery & Corruption.....	11
Section 3 - Economy	12
Banking.....	12
Section 4 - Government	14
Section 5 - Tax	15
Methodology and Sources	16

Section 1 - Background

Discovered and claimed for Spain in 1499, Aruba was acquired by the Dutch in 1636. The island's economy has been dominated by three main industries. A 19th century gold rush was followed by prosperity brought on by the opening in 1924 of an oil refinery. The last decades of the 20th century saw a boom in the tourism industry. Aruba seceded from the Netherlands Antilles in 1986 and became a separate, autonomous member of the Kingdom of the Netherlands. Movement toward full independence was halted at Aruba's request in 1990.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Aruba is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Aruba was undertaken by the Financial Action Task Force (FATF) in 2009. According to that Evaluation, Aruba was deemed Compliant for 2 and Largely Compliant for 7 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 4 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation follow-up (2014)

In February 2014, the FATF recognised that Aruba had made significant progress in addressing the deficiencies identified in the 2009 mutual evaluation report and could be removed from the regular follow-up process.

Key measures that have been taken by Aruba are:

- Amending the Criminal Code to designate terrorist financing as an independent offence.
- Enacting the State Ordinance for the Prevention and Combat of Money Laundering and Terrorist Financing (AML/CFT State Ordinance). The AML/CFT State Ordinance remedies many important deficiencies and inconsistencies identified during the 2009 assessment in relation to preventive measures and the allocation of supervisory duties of the Central Bank of Aruba and the financial intelligence unit of Aruba, the Meldpunt Ongebruikelijke Transacties.
- Regulating the freezing of funds and other assets of persons and institutions deemed to be related to terrorism and terrorist financing through the introduction of the State Decree Combating Terrorism and Terrorist Financing.
- Adopting State Ordinances, Decrees, Ministerial Regulations, and other mechanisms to implement the obligations set out in the AML/CFT State Ordinance and the State Decree Combating Terrorism and Terrorist Financing.
- Conducting an AML/CFT National Risk Assessment.

Aruba is categorised by the US State Department as a Country/Jurisdictions of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Aruba is not considered a regional financial center. Because of its location, Aruba is a transshipment point for drugs from South America bound for the United States and Europe, and for currency flowing in the opposite direction.

Aruba is an autonomous country within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including signing international conventions.

In 2016, Aruba, Sint Maarten, the Netherlands, and Curacao signed an MOU with the United States for joint training activities and sharing of information in the area of criminal investigation and law enforcement. One priority area is interdicting money laundering operations. The MOU activities are ongoing.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Bulk cash smuggling represents a risk due to the location of Aruba between North and South America. Money laundering is primarily related to proceeds from illegal narcotics trafficked by criminal organizations and occurs through real estate purchases and international tax shelters. Real estate firms and tax trust companies are subject to KYC provisions and FIU reporting obligations. There is no significant black market for smuggled goods on Aruba.

The Free Zone Aruba NV (FZA) is a government-owned limited liability company which manages and develops the free zones. Service companies can set up business outside of the designated customs-controlled free zones. All companies with free zone status are reviewed and controlled by the FZA, which has an integrity system in place to deter illegal activities, including smuggling and money laundering. Financial services, banks, and insurance companies are not permitted to operate in the free zones. There are 13 casinos and online gaming is allowed, subject to KYC and FIU reporting requirements.

KEY AML LAWS AND REGULATIONS

KYC laws cover banks, life insurance companies and insurance brokers, money transfer companies, investment companies and brokers, factoring and leasing companies, trust and company service providers, car dealers, casinos, lawyers, civil notaries, accountants, tax advisors, realtors, and dealers in precious metals, stones, and other high-value objects.

The Kingdom may extend international conventions to the autonomous countries within the Kingdom, though the respective parliaments must approve the conventions for them to become law. The Kingdom extended the application to Aruba of the 1988 UN Drug Convention in 1999 and the UNTOC in 2007. With the Kingdom's agreement, each autonomous country can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, as long as these MOUs do not infringe on the foreign policy of the Kingdom as a whole.

The 1983 MLAT between the Kingdom of the Netherlands and the United States applies to Aruba and is regularly used by U.S. and Dutch law enforcement agencies for international

drug trafficking and money laundering investigations. The 2004 U.S.-Netherlands Mutual Legal Assistance Agreement, incorporating specific U.S.-EU provisions, was not extended to Aruba.

Aruba is a member of the CFATF, a FATF-style regional body, and, through the Kingdom, the FATF.

AML DEFICIENCIES

Fraud is a crime, licensing is now required for a variety of businesses, and counterfeiting and piracy of products are predicate offenses to money laundering.

The Kingdom has not yet extended the application of the UNCAC to Aruba.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Aruba is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. Aruba does not have a suspicious transaction reporting system but rather a broader unusual transaction reporting system. Service providers are required to report large cash transactions of U.S. \$14,000 or more, wire transactions of U.S. \$278,000 or more, other unusual transactions, and transactions suspected to be related to money laundering or terrorist financing.

The State Ordinance for the Prevention of and Combating Money Laundering and Terrorist Financing (AML/CFT State Ordinance) includes rules for the identification and verification of client and the reporting of unusual transactions to prevent and combat money laundering when providing certain services. Non-regulated financial service providers (including investment brokers and factoring and leasing companies) and DNFBPs (including lawyers, civil notaries, tax advisors, accountants, jewelers, high-value goods dealers, and casinos) must also comply with the requirements of the AML/CFT State Ordinance and must register with the Central Bank of Aruba. In the reporting period, there were numerous prosecutions for money laundering along with five convictions. The FIU held awareness-raising events for regulated entities.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Aruba does not conform with regard to the following government legislation: -

States Party to United Nations Convention Against Corruption - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Aruba is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Aruba is considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017 (introduction):

The Dutch Caribbean consists of the six entities of the former Netherlands Antilles: Aruba, Curacao, Sint Maarten, Bonaire, St. Eustatius, and Saba. In 2010, the Netherlands Antilles dissolved as a political unit. Curaçao and Sint Maarten acquired the same “autonomous country” status within the Kingdom of the Netherlands as Aruba, which became an autonomous entity in 1986. The three smallest islands, Bonaire, St. Eustatius and Saba, became part of the country of the Netherlands.

Aruba and Curacao are located 30 to 40 miles north of Venezuela and continue to serve as northbound transshipment points for cocaine originating from Colombia and Venezuela. Cocaine is primarily transported via fishing boats and inter-coastal freighters for transshipment to the United States, other Caribbean islands, Africa, and Europe. Sint Maarten, the Dutch half of the island of the same name (the French side is called Saint Martin), is located in the Eastern Caribbean and is a transshipment hub for cocaine, heroin, and marijuana destined for Puerto Rico and the U.S. Virgin Islands as well as Europe.

Aruba’s police force, the Korps Politie Aruba (KPA), continues to evolve into a regional leader in the fight against narcotics trafficking and international criminal organizations. The KPA is at the forefront in collecting and sharing intelligence with regional law enforcement partners. Despite systemic problems of prison overcrowding and insufficient resources, the KPA continues to investigate trafficking organizations effectively. The Organized Crime Unit of the KPA

conducted several successful investigations in 2016, which led to the seizure of over 1,130 kilograms (kg) of cocaine and 63 kg of marijuana and the arrest of multiple subjects.

US State Dept Trafficking in Persons Report 2016 (introduction):

Aruba is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act’s minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Aruba is a source and destination country for women, men, and children subjected to sex trafficking and forced labor. Venezuelan women are vulnerable to trafficking in Aruba’s commercial sex trade and foreign men and women are vulnerable to forced labor in the service and construction industries. Chinese men and women working in supermarkets, Indian men in the retail sector and domestic service, and Caribbean and South American women in domestic service are also at risk of forced labor. A 2013 international organization report identified women in Aruba’s regulated and unregulated prostitution sectors, domestic workers, and employees of small retail shops as populations most vulnerable to trafficking. This report also noted some children may be vulnerable to sex trafficking and to forced labor in Chinese-owned supermarkets and restaurants.

The Government of Aruba does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government drafted a new national anti-trafficking action plan for 2015-2019, formalized standard operating procedures to guide front-line responders in the proactive identification of trafficking victims and their referral for care, and appointed a deputy national anti-trafficking coordinator. The government screened potential trafficking victims, identified one potential victim, initiated one investigation, and sought to uphold a conviction; but did not initiate any new prosecutions or secure any new convictions during the reporting period.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	89

Section 3 - Economy

Tourism, petroleum bunkering, hospitality, and financial and business services are the mainstays of the small open Aruban economy.

Tourist arrivals have rebounded strongly following a dip after the 2008 global financial crisis. Tourism now accounts for a majority of economic activity. Over 1 million tourists per year visit Aruba, with the large majority of those from the US. The rapid growth of the tourism sector has resulted in a substantial expansion of other activities. Construction continues to boom with hotel capacity five times the 1985 level.

Aruba is heavily dependent on imports and is making efforts to expand exports to achieve a more desirable trade balance. Almost all consumer and capital goods are imported, with the US, the Netherlands, and Panama being the major suppliers.

Aruba weathered two major shocks in recent years: fallout from the global financial crisis, which had its largest impact on tourism, and the closure of its oil refinery in 2009. However, tourism and related industries have continued to grow, and the Aruban government is working to attract more diverse industries. Aruba's banking sector withstood the recession well, and unemployment has significantly decreased.

Agriculture - products:

aloes; livestock; fish

Industries:

tourism, petroleum transshipment facilities, banking

Exports - commodities:

live animals and animal products, art and collectibles, machinery and electrical equipment, transport equipment

Exports - partners:

Colombia 28.2%, Netherlands Antilles 18.1%, US 14.3%, Netherlands 10.1%, Mexico 6.5%, Venezuela 6.3%, Panama 4.1% (2015)

Imports - commodities:

machinery and electrical equipment, refined oil for bunkering and reexport, chemicals; foodstuffs

Imports - partners:

US 55.4%, Netherlands 11.2% (2015)

Banking

All credit institutions are subject to the stipulations laid down in the State Ordinance on the Supervision of the Credit System (SOSCS) which require all banks operating in or from Aruba to be licensed. The Central Bank of Aruba (CBA) is entrusted with the execution of this State Ordinance.

All four commercial banks operating in Aruba are also supervised on a consolidated basis by the Bank van de Nederlandse Antillen (the central bank of the Netherlands Antilles).

The supervision of credit institutions (primarily banks), insurance companies (life and non-life), money transfer companies and company pension funds has been given by various State Ordinances to the Central Bank of Aruba (CBA). As for credit institutions and insurance companies a licensing system is used with the CBA as the sole licensing and supervisory authority. Money transfer companies are subject to a registration system with subsequent supervision by the CBA. Credit institutions, insurance companies and money transfer companies may only act as such after authorisation from the CBA via licensing or registration respectively.

Section 4 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:


















civil law system based on the Dutch civil code

International organization participation:

Caricom (observer), FATF, ILO, IMF, Interpol, IOC, ITUC (NGOs), UNESCO (associate), UNWTO (associate), UPU

Treaty and non-treaty withholding tax rates

Aruba has signed **27 agreements** (3 DTC and 24 TIEA agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Antigua and Barbuda	TIEA	30 Aug 2010	2 Dec 2010	Yes	Yes	
Argentina	TIEA	30 Sep 2013	not yet in force	Unreviewed	Yes	
Australia	TIEA	16 Dec 2009	17 Aug 2011	Yes	Yes	
Bahamas, The	TIEA	8 Aug 2011	1 Sep 2012	Yes	Yes	
Bermuda	TIEA	1 Sep 2009	1 Dec 2011	Yes	Yes	
Canada	TIEA	20 Oct 2011	1 Jun 2012	Yes	Yes	
Cayman Islands	TIEA	20 Apr 2010	1 Dec 2011	Yes	Yes	
Curaçao	DTC	28 Oct 1964	1 Jan 1965	Yes	No	
Denmark	TIEA	10 Sep 2009	1 Jun 2011	Yes	Yes	
Faroe Islands	TIEA	10 Sep 2009	1 Oct 2011	Unreviewed	Yes	
Finland	TIEA	10 Sep 2009	1 Jun 2011	Yes	Yes	
France	TIEA	14 Nov 2011	1 Apr 2013	Yes	Yes	
Greenland	TIEA	10 Sep 2009	1 May 2012	Unreviewed	Yes	
Grenada	TIEA	28 May 2012	not yet in force	Yes	Yes	
Iceland	TIEA	10 Sep 2009	1 Jan 2012	Yes	Yes	
Mexico	TIEA	18 Jul 2013	not yet in force	Unreviewed	Yes	
Netherlands	DTC	28 Oct 1964	1 Jan 1965	Yes	No	
Norway	TIEA	10 Sep 2009	1 Aug 2012	Yes	Yes	
Saint Kitts and Nevis	TIEA	11 Sep 2009	19 Oct 2011	Yes	Yes	
Saint Lucia	TIEA	10 May 2010	1 Jan 2012	Yes	Yes	
Saint Vincent and the Grenadines	TIEA	1 Sep 2009	21 Mar 2011	Yes	Yes	
Sint Maarten	DTC	28 Oct 1964	1 Jan 1965	Yes	No	
Spain	TIEA	24 Nov 2008	27 Jan 2010	Yes	Yes	
Sweden	TIEA	10 Sep 2009	2 Jun 2011	Yes	Yes	
United Kingdom	TIEA	5 Nov 2010	1 Jan 2012	Yes	Yes	
United States	TIEA	21 Nov 2003	13 Sep 2004	Yes	Yes	
Virgin Islands, British	TIEA	11 Sep 2009	1 Apr 2013	Yes	Yes	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD](#) [PKF International](#))

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