

**POINTERS FOR CHAIRMAN OF OJK'S BOARD OF COMMISSIONERS  
FOR OJK'S END-OF-YEAR PRESS CONFERENCE  
JAKARTA, FRIDAY, DECEMBER 30, 2016**

***Assalamu'alaikum warahmatullahi wabarakatuh***

Good afternoon and greetings to all of you

- Ladies and Gentlemen, Respected OJK Commissioners and
  - Delighted fellow journalists from print and electronic media
1. First of all, let us praise and give thanks to God Almighty, who has given us the opportunity to attend the end-of-year Press Conference today. This event serves as a communication platform for the Financial Services Authority (OJK) to share updates about the financial services sector in 2016 and also OJK's contribution to the sector's development in Indonesia and to support government programs.
  2. On this great occasion, we would like to thank and express our appreciation to fellow journalists who have helped the OJK share information about updates from the financial services sector and policies that we have produced to support the sector's development and protect consumer interests.

***Delighted Ladies and Gentlemen and Fellow Journalists,***

3. As we all know, the global economy has only been inching towards recovery and it is shadowed by risks of uncertainty. Those risks came from inflation seen in developed countries—except in the United States where inflation was well below target following weak domestic demands, the U.S. Government's decision to apply tighter monetary policies sooner, slower growth of China's economy—the driving force behind the global economy, and the rise of nationalist movements especially in developed countries, which tend to be more protective of themselves.
4. Throughout 2016, the World Bank and the IMF have been revising downward on global economic growth estimates. The lower projected

global growth came with declining world trade volume in 2016, confirming indications that global economic recovery is still going through a rocky path. In 2017, global economic growth is expected to be slightly lower than that of 2016.

5. In contrast to global economy slowdown, the national economy in 2016 gained better growth compared with other emerging markets. In the third quarter of 2016, Indonesia recorded economic growth of 5.02 percent yoy, a little slower from the previous quarter's growth that stood at 5.19 percent. Nevertheless, the former figure was still higher than the 4.74-percent y-o-y growth achieved in the third quarter of 2015.
6. The robust domestic economy has led to Rupiah's appreciation and strengthened the Jakarta Composite Index (JCI) throughout 2016. Local positive sentiments, in relation to economic development that has exceeded the market's expectation and the successful tax amnesty program, are considered as factors that have sustained JCI's bullish trend and stronger Rupiah's exchange rate amid higher FFR and fluctuating oil prices.
7. Further, Indonesia's financial services sector continues to be sound and stable. Also, domestic financial markets have shown good performance in general. Overall, financial services institutions remain healthy, supported by substantial capitalization and sufficient liquidity. Moreover, their intermediary services have achieved some improvements.
8. As of December 29, 2016, the Jakarta Composite Index (JCI) closed at 5,302.57, rose by 15.45 percent from last year's closing position. Its 15.45-percent growth made the JCI the second best index in Asia-Pacific and the fifth best in the world in terms of growth. In regard to number of issuers listed on the Indonesia Stock Exchange (IDX), in 2016 the IDX managed to have 16 new issuers, much better than its counterparts in Singapore and the Philippines that instead lost 10 and one issuers, respectively in the same year.
9. The mutual funds industry also has enjoyed favorable growth. Mutual funds' total NAV went up 22.66 percent to IDR 333.61 trillion. Similarly,

number and value of public offerings increased as our capital market had managed to mobilize funds through 14 initial public offerings (IPO) worth IDR 12.07 trillion, rights issues of 34 companies worth IDR 68.06 trillion, and issuance of corporate bonds by 75 companies that amounted to IDR 115.46 trillion. The total value of public offerings throughout 2016 reached IDR 194.74 trillion, surging 68.94 percent year-on-year.

10. On the other hand, throughout 2016, financial services institutions recorded moderate growth in their intermediary services. Third-party funds climbed 8.40 percent y-o-y to IDR 4,734 trillion; the growth mostly came from savings accounts that rose by 12.49 percent, followed by current accounts (8.29 percent) and time deposits (5.85 percent).
11. As of November 2016, banking loans grew by 8.46 percent y-o-y to IDR 4,285 trillion. Loans in Rupiah dominated credit growth with a rise of 9.41 percent y-o-y and loans in foreign currencies increased by 3.35 percent. Based on their types, investment loans saw the highest growth—11.75 percent y-o-y, followed by consumer loans (7.39 percent) and working capital loans (7.34 percent). In relation to business sectors, the four sectors with the highest credit growth include electricity (40.17 percent y-o-y), construction (21.42 percent y-o-y), government administration (18.38 percent y-o-y) and agriculture (16.67 percent y-o-y).
12. In the non-bank financial industry, total assets of non-bank financial institutions gained 10.59 percent to IDR 1,810 trillion as of November 2016. The increase was supported by financing receivables that went up 5.63 percent to IDR 383.76 trillion and pension fund investments that soared 12.64 percent to IDR 224.22 trillion.

***Distinguished Ladies and Gentlemen and Fellow Journalists,***

13. Based on its monitoring, the OJK has found that the banking and non-bank financial industries remain feasible in general. Liquidity and credit risks and the risks faced by financial services institutions market are under control, supported by substantial capitalization.
14. As of November 2016, the banking industry's Capital Adequacy Ratio (CAR) stood at 23.13 percent, far above the required minimum level at 8

percent. Similarly, the insurance industries have maintained its risk-based capital (RBC) ratios high above the threshold (509.82 percent for the life insurance industry and 266.1 percent for the general insurance industry). In regard to financing companies, they recorded a gearing ratio of 3.02, far below the maximum ratio of 10 and this indicates much room for growth.

15. Non-performing loans (NPL) in the banking sector hover at relatively low levels of 3.18 percent (gross NPL) and 1.38 percent (net NPL). Likewise, financing companies have kept their non-performing financing (NPF) ratio low at 3.20 percent. Amid economic slowdown, those NPL and NPF ratios are still far above the 5-percent threshold.
16. Together with Financial Sector Stability Coordination Forum (FKSSK) members, the OJK always monitors the latest updates from global and local markets and economies, which could affect the financial services sector. It regularly strengthens coordination with related parties, in order to maintain the financial industry's performance and national financial system's stability.

***Distinguished Ladies and Gentlemen and Fellow Journalists,***

17. Throughout 2016, the OJK implemented many programs, as part of its efforts to support the financial services sector's stability and national economic growth and protect consumer interests.
18. In terms regulations, we have produced 77 OJK regulations (POJK) and 53 OJK circular letters (SEOJK). Out of those 77 POJK, 26 of them regulate the banking sector, another 31 regulate the capital market, the other 18 regulate the non-bank financial industry, still another one regulates consumer education and protection, and the last one regulates information-technology-based lending services/Fintech lending.
19. The issued OJK regulations, among others, regulate Business Activities and Branch Offices based on a bank's core capital, prudential principles when commercial banks conduct activities related to structured products, mutual funds in forms of collective investment contracts, investor protection fund, pawn shop business and management of pension programs based on Sharia principles, and development of

financial literacy and inclusion in the financial services sector for consumers and/or the public.

20. The enforced regulations do not only regulate the financial services sector, but they also back up government programs. As part of its efforts to support Tax Amnesty policy, the OJK has issued two OJK regulations; they are OJK Regulation No. 25/POJK.03/2016 that amended OJK Regulation No. 27/POJK.03/2015 on Banks' Business Activities that Constitute Trust Administration Services and OJK Regulation No. 26/POJK.04/2016 on Investment Products offered in the Capital Market for the purpose of Promoting Law on Tax Amnesty.

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21. Also, in the beginning of 2016, the OJK published Indonesia Financial Services Sector Master Plan, a guide on the direction to be taken for developing the sector in the next five years (2015 – 2019). The master plan consists of three main pillars: Optimizing the financial services sector's role in supporting national economy's growth acceleration (**the contribution pillar**), maintaining financial system stability as the foundation for sustainable development (**the stability pillar**) and achieving the public's financial independence and supporting efforts to improve development equality (**the inclusion pillar**).
22. To implement the master plan's contribution pillar, the OJK has initiated a number of strategic programs. In the Marine and Maritime sector, the OJK has run a contributory program called *Jaring* (Reach, Synergy and Guideline). The program marks OJK's cooperation with the financial services industry and the ministry of marine and fishery (KKP), which aims to provide more financing channeled to those fields. The *Jaring* program has distributed loans worth IDR 23.2 trillion (as of September 2016) and only bears a fairly small gross NPL of 2.2 percent. In addition, the OJK has launched a marine hull insurance program, which covers costs for removing ship hulls and/or damages. So far, 2,912 ships have been insured.
23. The OJK and the financial services industry have participated in efforts towards food security by launching the rice farmer insurance (AUTP) program, which protects and empowers farmers in order to minimize

negative impacts from climate change and pest attacks that lead to crop failure. Total lands covered by the program amounted to 431,000 hectares. Another program launched is the beef cattle insurance (AUTS), and the number of cows covered has reached 12,576 cows. In regard to efforts to promote MSMEs, the OJK together with the financial services industry made their contribution through a synergy with banks that distribute people's business loans (KUR), in order to achieve the target for that type of loans. Until the end of November 2016, the amount of KUR channeled has reached IDR 87.7 trillion, 80.3 percent of the target set at IDR 109.21 trillion, and its NPL stood at 0.3 percent.

24. Given that KUR recipients are still dominated by players in the trade sector, the OJK and the Government, in this case the Coordinating Ministry of Economic Affairs, are conducting a review on KUR distribution in order to encourage financing for productive sectors (agriculture, fishery, maritime and tourism sectors). Thus, KUR should be offered with different features for each sector since every sector has its own characters.
25. As part of its efforts to maintain financial stability, the OJK has set up a Special Task Force for Integrated Supervision, conducted Risk-Based Supervision (RBS), launched Global Master Repurchase Agreement (GMRA) and carried out Market Conduct Supervision. The OJK has also made a breakthrough by launching an Integrated Licensing System (SPRINT), which could speed up bancassurance licensing process to 19 days from 101 days. The system has been applied as well to the process for granting licenses to Sell Mutual Funds through Banks as Mutual Funds Selling Agents (APERD) and registering Certified Public Accountants. Moreover, to make transactions of investment management products more efficient, the OJK has developed the infrastructure called S-Invest system and issued OJK regulations that oversee its implementation.
26. Indonesia's stronger framework on regulation and supervision of its financial services industry, especially the banking sector, received international recognition at the end of 2016. Based on results of the assessment of Indonesia's banking sector carried out several months ago



under the Regulatory Consistency Assessment Programme (RCAP), BCBS assigned Compliant (C) rating to Indonesia for its LCR (liquidity coverage ratio) dan largely compliant (LC) rating for its Capital. Those are the optimal rating for Indonesia in relation to its banking regulations' compliance with international standards.

27. The OJK and the financial services industry have implemented Indonesia Financial Services Sector Master Plan (MPSJKI) programs for the inclusion pillar by launching the *SIMPEL* savings accounts, a savings account product for students that aims to give the public wider access to financial services. As of mid December 2016, the program has increased 3,005,992 savings accounts worth IDR 842.77 billion in total. The program has been carried out at 30,967 schools by 276 banks (51 of them are commercial banks and the rest are rural banks). Further, the OJK together with financial services institutions have offered microfinance services (*Laku Mikro*) and seen the opening of 1,007,513 *SiPintar* accounts across 8,848 outlets.
28. The OJK has increased access to financial services by initiating Branchless Banking under Financial Inclusion Framework (*Laku Pandai*) program. The program has managed to boost third-party funds as much as IDR 93.79 billion from 1,948,995 customers and as many as 160,489 agents have participated in it.
29. Also, the OJK has run massive campaigns to raise the number of local investors at the capital market through the following programs (1) Let's Save in Shares, (2) My Shares My Mutual Funds, (3) Information Dissemination and Education on Integrated Capital Market and (4) I Love Capital Market—a National Movement, and (5) the launching of Capital Market Investment Card Game (Stocklab) and an online game titled GO for Shares Savings! Owing to those programs, the OJK was able to raise the number of shareholders and mutual funds investors by 46.53 percent (169,599 investors) and 30.06 percent (95,229 investors) within the last two years (2014-2016).
30. In collaboration with the Indonesia Stock Exchange (IDX), the OJK has launched a program called Mobile Investment Gallery. The purpose of the program is to encourage college students to know earlier about

investments products available at the Capital Market. Throughout 2016, the program has been launched at several places including Pancasila University, Sebelas Maret University (UNS) and Bunda Mulia University.

31. To increase the Sharia financial services sector's penetration into the market, the OJK held Sharia Financial Fair 2016 (KSF) in 4 cities across Indonesia, including Jakarta (March 3-6), Surabaya (May 12-15), Tangerang (August 4-7), and Aceh (August 26-30). The fair saw the launching of the Book on Standards of Sharia Banking Products, of *SiKOMPAK SYARIAH* (Sharia Finance Communications and Marketing Synergy) Working Group, the establishment of Sharia bank minilab on campus and the commencement of integrated services for Sharia finance consumers. The event boosted the number of Sharia savings accounts for 47,969 accounts worth IDR 168.86 billion in total.
32. As part of its efforts to promote wider financial access, the OJK has established 45 Teams for Acceleration of Regional Financial Access (TPAKD) both at provincial/regency and city levels. The OJK has opened eight Centers of Education, Consumer Services and Financial Access for MSMEs (PELAKU) at its regional offices and the centers aim to provide information and handle complaints from MSMEs.
33. For the purpose of higher financial literacy and inclusion, the OJK, in collaboration with the Ministry of Education and Culture and the financial services industry, has published a book titled *Getting to Know Financial Services for University Students*. In addition, the OJK has carried out a variety of educational activities by hosting 41 events related to financial education programs, which were attended by more than 12, 138 participants.
34. In relation to performing its consumer protection function, throughout 2016 the OJK has received 14,980 inquiries, 6,781 information and 569 complaints from the general public and level of settlement for each category amounted to 93.3 percent, 91.8 percent and 86.8 percent, respectively. On top of that, the OJK and the relevant associations have founded six alternative dispute resolution agencies (LAPS), provided Integrated Hotline for Consumers from the Financial Services Sector, launched Investor Alert Portal (IAP)—in response to public inquiries



about legality of the entities that offer investments under certain schemes—and together with financial services institutions, the OJK has established Local Investment Alert Task Forces in 35 Provinces and/or Regencies/Cities.

35. The OJK has also shown satisfactory performance in carrying out its investigative function. Throughout 2016, the OJK received 132 complaints about illegal investments. The agency has analyzed 32 complaints and 16 of them have entered the questioning as well as the investigation stages. For both questioning and investigation processes, the OJK has cooperated with the National Police's Criminal Investigation Department (*Bareskrim*), the Jakarta Police and the East Kalimantan Police, in accordance with crime scene locations.

***Distinguished Ladies and Gentlemen and Fellow Journalists,***

36. As part of its efforts to achieve a sound and stable financial services industry that enjoys sustainable growth, in 2016 the OJK signed eight memorandums of understanding with ministries and government institutions, including: (1) the Ministry of Energy and Mineral Resources (ESDM); (2) Bank Indonesia (BI) and the Supreme Court; (3) Nahdlatul Ulama—an Islamic organization; (4) the Corruption Eradication Commission (KPK); (5) Members of the Investment Alert Task Force (the Ministry of Trade, the Capital Investment Coordinating Board (BKPM), the Attorney General's Office, the Ministry of Cooperatives and SMEs, the National Police Force, the Ministry of Communications and Information); (6) the Ministry of Cooperatives and SMEs; (7) the National Narcotics Agency; and (8) the Central Statistics Agency.
37. In addition, the OJK cooperates with other supervisory authorities and/or regulators of financial services industries as well as international agencies, including : (1) The Timor Leste Central Bank (Banco Central de Timor-Leste); (2) the Taiwan Economic and Trade Office (TETO); (3) The Department of Foreign Affairs, Trade and Development of Canada (DFATD); (4) The United Nations Development Programme Indonesia; (5) Astana International Financial Centre; (6) Bank Negara Malaysia (BNM), (7) the State Government of Victoria dan Bank of Thailand (BOT).

38. Recently, the OJK accompanied President Joko Widodo in his state visit to Iran for discussing cooperation in trade sector. The OJK has supported expansion of bilateral trade cooperation between Indonesia and Iran through cooperation in the financial services sector in order to facilitate trade between the two countries.

***Distinguished Ladies and Gentlemen and Fellow Journalists,***

39. Next, for the purpose of building its organizational capacity, the OJK has taken the following measures:
- (1) Establishing a Working Unit for Supervision of Financial Conglomerates, which aims to reinforce integrated supervision practices over financial conglomerates.
  - (2) Launching the Human Resources Information System (SIMFOSIA), which is integrated into the organization's performance assessment system.
  - (3) Strengthening infrastructure at regional level by operating 35 regional offices/offices across the country.
  - (4) Reinforcing governance through implementation of the whistleblowing system (WBS), application of anti-gratuities management and strengthening the antifraud function. In relation to these efforts, the OJK won the 2016 Corruption Eradication Commission (KPK) award for the best gratuities control system under the ministries and institutions category.
  - (5) Consolidating internal control within the organization by applying the combined assurance concept. The OJK has received ISO 9001:2015 certification for internal audit process, risk management, quality control and WBS. Better internal control quality has contributed to the opinion that the OJK received for its financial statements; it has been awarded the Reasonable without Exceptions (WTP) opinion for three consecutive years.
  - (6) Implementing Control Self Assessment (CSA) that aims to raise concerns and participation of working units when they are making continuous improvements over the internal control process. The CSA refers to five principles of the Committee of Sponsoring

Organizations of the Treadway Commission (COSO), which include control environment, risk assessment, control activities, information and communications, and monitoring activities.

- (7) Developing applications to facilitate supervision process, including, Integrated Licensing System (for the Bancassurance sector); Financial Information Services System (SLIK); Foreign Customers Information Disclosure System (SiPINA); Integrated Supervision Information System (SIPT); Tax Amnesty Information System; Banking Surveillance Dashboard (BSD) Information System; and Banking Customers Disclosure Application System.

***Distinguished Ladies and Gentlemen and Fellow Journalists,***

40. In relation to the success of the tax amnesty program, the OJK is strongly committed to promoting the program. Its commitment is evident, among others, in the establishment of a special Task Force that involves all supervisory and regulatory functions over financial services institutions.
41. Internally, the Task Force is assigned to formulate OJK's strategic policies and it has produced, among others, OJK regulations that promote investment instruments that taxpayers can choose to invest their repatriated funds. The Task Force has also introduced some additional regulations and explained about steps to be taken when investing repatriated funds, as well as supervised those funds—to make sure they comply with the Government's provisions. The OJK gave input concerning selection of the financial services institutions appointed as gateways allowed to receive the repatriated funds in the tax amnesty program.
42. In addition, when the government was drafting tax amnesty regulations, the OJK took part throughout the whole process, as the supporting infrastructure, and later contributed to the tax amnesty program implementation. The OJK participated actively in disseminating technical information about tax amnesty to financial services institutions appointed as gateways as well as perception banks and considerably involved in joint information dissemination efforts carried out at various

levels, together with the Ministry of Finance and other relevant government agencies, to inform tax payers and the general public about the same issue.

***Distinguished Ladies and Gentlemen and Fellow Journalists,***

43. In response to development of technology-based financial services (Fintech), in which field there are 111 local Fintech companies operating in Indonesia today, we have issued an OJK regulation on technology-based lending services or peer-to-peer lending. In essence, this regulation administers several aspects including organization and provision of Fintech services and products, use of information technology, agreements and et cetera.
44. The underlying, strategic purpose that led us to draft the OJK Regulation on peer-to-peer lending was to maximize Fintech potentials in: (i) giving the public more access to financial services and products; (ii) satisfying financing needs in prompt, easy and efficient manner; and (iii) promoting competitiveness. Moreover, IT-based, money-lending services are expected to become one of the solutions for MSME owners in gaining access to funding.
45. Further, this regulation on Fintech aims to mitigate risks so the Fintech services offered will not make users incur losses, guarantee consumer protection and ensure the Fintech sector is in line with the interests to maintain the stability of national financial services sector.

***Distinguished Ladies and Gentlemen and Fellow Journalists,***

46. In relation to 2017 outlook, I can say that based on the presented 2017 Bank Business Plan, the banking industry is optimistic that next year's economic growth will be better than that of 2016 following the success of the tax amnesty program, which will support infrastructure financing, and due to commodity prices recovery and global economic revival.
47. Total assets, loans and third-party funds of the banking industry in 2017 are projected to grow by 11.28 percent y-o-y, 13.25 percent y-o-y and 11.94 percent y-o-y, respectively, to IDR 7,352 trillion in total assets, IDR 4,995 trillion in loans and IDR 5,304 trillion in third-party funds.

48. In capital market sector, we believe that the regulations and policies issued in 2016 will start producing results in 2017. Our optimism is based on the following facts:

- Considerable amount of repatriated funds from taxpayers who have participated in the tax amnesty program will start flowing into the capital market.
- Relaxation of regulations concerning RDPT [limited participation mutual funds], KPD (Discretionary Funds), and other investment products, in order to promote the Tax Amnesty policy, will lead to the launching of more investments products in the capital market in 2017, which will be more diverse and more attractive.
- Many people will start taking advantage of regulations concerning segmentation of broker-dealer representative (WPPE) licensing to develop their career in the capital market. This in turn will increase the number of front liner employees in charge of seeking new local, retail investors.
- Financial services institutions and minimarts in regional areas will start taking advantage of regulations on Securities Brokerage Agencies and those concerning mutual funds sales counters, to market mutual funds in remote areas not (yet) reached by securities companies.

49. We will disclose more details about the outlook for the financial services sector at Financial Executive Gathering 2017 to be held on January 13, 2017.

On the other hand, following the issuance of Law No. 9 of 2016 on Financial System Crisis Prevention and Mitigation (PPKSK), the OJK is drafting follow-up regulations, including (i) an OJK regulation on recovery plans for systemically important banks, (ii) an OJK regulation on follow-up supervision and establishment of bank status, and (iii) an OJK regulation on intermediary banks. All of these regulations are expected to be issued in the second quarter of 2017.

***Distinguished Ladies and Gentlemen and Fellow Journalists,***

51. In response to recent natural disasters, we would like to share that the OJK has been monitoring the financial services sectors that run in the areas hit by the impacts of those disasters—the earthquake that took place in Pidie Jaya, Aceh, and heavy flooding in Bima, West Nusa Tenggara. Based on the prevailing regulations, the OJK is allowed to give special treatment to bank loans in disaster-hit areas by considering the width of those areas, number of victims, amount of material damages, number of debtors and number of affected loans.
52. In the aftermath of the earthquake in Pidie Jaya, Aceh, some banks—especially publicly-owned banks—reported that their debtors had felt the disaster’s impacts. The affected loans worth around IDR 36.9 billion, which were channeled earlier to approximately 1,450 debtors.
53. Aside from the banking sector, the non-bank financial industries also suffered Pidie earthquake’s impacts. The insurance sector is estimated to have suffered as much as IDR 138 billion in losses, which include those incurred by PT Asuransi MAIPARK Indonesia—a natural disaster reinsurance specialist—for as much as IDR 20 billion. On the other hand, from the pawnshop sector, it was reported that 120 debtors were affected by the earthquake for a debit balance of IDR 900 million.
54. The OJK has been monitoring and making a list of impacts from the heavy flooding in Bima, as part of its efforts to evaluate and decide on the right response to those impacts.
55. We would like to thank our fellow journalists for their presence this morning. We hope you would always share accurate information to the public about updates from the financial services sector and help us communicate OJK policies and programs.
56. Before closing my opening remarks this morning, on behalf of members of the Board of Commissioners, I would also like to say Merry Christmas and Happy New Year 2017. We hope next year, we will be able to contribute even more to national economy.
57. We thank our fellow journalists for their attention and cooperation.



*Wassalamu'alaikum warahmatullahi wabarakatuh*

Jakarta, December 30, 2016

Chairman of the Board of Commissioners  
of the Financial Services Authority

**Muliaman D. Hadad, Ph.D**