

PRESS RELEASE

OJK TO BOOST CAPITAL MARKET FOR FUNDING DEVELOPMENT

Jakarta, March 7, 2016 — The Financial Services Authority (OJK) is giving special attention to the capital market in order to turn it into a source of funding for national development, given the progress that the sector has achieved in recent years in relation to raising funds from the public and the corporate world.

Financial Services Authority Chairman Muliaman D Hadad stated that the financial services sector has an important role in providing liquidity essential to support development financing without using state budget funds.

“There isn’t much fiscal space to push for growth. On the other hand, national development, especially in terms of infrastructure, needs considerable financing. This is the reason that has prompted the OJK to continue boosting the capital market’s role as the source of long-term financing,” Muliaman explained in his opening remarks at *Market Update 2017*, an event hosted by PT Mandiri Manajemen Investasi in Jakarta, on Tuesday (Mar. 7).

He added that since the beginning, the OJK has launched initiatives and strategic programs designed to reinforce the capital market’s role as the funding source for national development.

The OJK has taken initiatives towards capital market deepening, including strengthening demand as well as supply sides. Efforts to build the demands in particular aim to expand domestic-investor base, which consists of retail and institutional investors.

“With strong domestic investor base, not only will the capital market grow, but it will also gain greater resilience in the face of market fluctuations that are triggered by external factors,” Muliaman said.

In building the retail-investor base, the OJK’s priority is raising the public’s financial literacy, so people will have better understanding on financial products and services and later will take advantage of them and also products offered by the capital market.

In addition, the OJK has been reinforcing the role of domestic institutional investors, such as mutual funds investors, insurance companies and pension funds, given their great potential to grow and play a role in the investment sector.

“The OJK has issued provisions concerning non-bank financial institutions’ ownership of government debt papers (SBN), which is expected to underpin domestic investors’ role in driving growth and stability in the SBN market,” Muliaman said.

To buoy up the capital market’s supply side, the OJK has prepared a range of products that investors can choose, such as limited participation mutual funds (RDPT), discretionary funds (KPD) and real estate investment trusts (DIRE); also

asset-backed securities in the form of participant letters (EBA-SP) that supports secondary mortgage facility (SMF).

Soon, the OJK will issue new regulations in relation to investment management products such as Target Date Mutual Funds and Multi-Asset Investment Funds.

The new products will be launched in response to local investment management industry's aspirations that would like to offer the market one-stop investment solutions, including time-framed investment products whose asset allocation mix becomes more conservative as investors grow older (target date mutual funds), and investment products whose capacity exceed conventional mutual funds (multi-asset investment funds) that target big and sophisticated investors.

Also, the OJK is revising a provision on discretionary funds (KPD) to change the minimum investment required from investors to IDR 5 billion, from IDR 10 billion previously. The Authority wants to give an opportunity to more investors, so they can build professional investment portfolios customized to their individual needs.

By relaxing the provision, the Authority wants to facilitate not only investors who have just settled their tax amnesty obligations, but also all capital market investors who wish to put their funds into KPD.

Moreover, to provide financing for infrastructure development, at the moment the OJK is drafting a regulation on Infrastructure Investment Funds, which are designed to channel investment funds to ongoing public infrastructure development projects or the ones on greenfield sites (in pre-production phase).

In 2016, the Jakarta Composite Index (JCI) grew by 15.3 percent year-on-year (yoy), making it one of the best-performed stock indexes in the world.

Similarly, mutual funds' net assets value (NAV) continues its upward trend despite exposure to market fluctuations. At the end of 2016, it stood at IDR 339 trillion, soared 24.6 percent yoy.

The capital market also achieved fantastic growth in terms of funds collection. Throughout 2016, total funds raised by issuers through IPOs, rights issues, and corporate bonds reached IDR 195 trillion, jumped 68.9 percent compared to the previous year.

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