

PRESS RELEASE

OJK URGES LOCAL INDUSTRIES TO UTILIZE CAPITAL MARKET FINANCING

Makassar, April 11, 2017 — The Financial Services Authority (OJK) is committed to promoting economic growth as well as improving growth equality, especially in regional areas. These commitments are manifested, among others, in OJK's efforts to encourage industry players in regional areas to make more use of the capital market as funding sources for their business expansion.

To achieve this goal, the OJK held information dissemination on Tuesday (Apr 11.) in Makassar, South Sulawesi, on the theme of "Capital Market as Funding Sources for Local Industries Expansion."

As many as 250 participants were invited to the event. They represented the Local Leaders Communication Forum (FORKOMPINDA), the Regional Financial Access Acceleration Team (TPAKD), 100 companies located in Makassar and nearby cities in South Sulawesi, the South Sulawesi chapters of the Indonesian Employers Association (Apindo) and the Real Estate Indonesia (REI), and scholars around Makassar.

Nurhaida, OJK Chief Executive of Capital Market Supervision, in her welcome speech for the event said that funding sources have been an obstacle to business expansion, so efforts should be made to seek for alternative financing such as that from the capital market.

"This activity is part of the financial market deepening program, which is expected to satisfy the business world's funding needs. Besides offering alternatives to commercial sectors, diversity of funding sources will raise financing efficiency for industries on a national scale," she said.

Nurhaida believed that when more local companies launched initial public offerings (IPO), local economies would grow and new economic centers would emerge in more scattered locations, not only concentrated in certain areas.

She shared that funding from the capital market had its own added value, both for the business world in particular and the public in general. The capital market directly connected investors who had surplus funds with companies that needed funding, and the direct connection was expected to bring down the cost of funds for the borrowers.

The use of capital market as funding sources is still dominated by companies domiciled in Jakarta and nearby areas. For Sulawesi, the Moluccas and Papua, currently only three companies that have taken such action: PT Gowa Makassar Tourism Development Tbk., Regional Development Bank of South and West Sulawesi, and Regional Development Bank of Gorontalo, North Sulawesi.

"Given South Sulawesi's potential and support from the local government, we hope many more companies from the Province can access the capital market when

seeking for fresh funds, in order to optimize local potential and achieve economic growth,” Nurhaida said.

She also asked the local government to take advantage of the capital market for funding infrastructure development by issuing municipal bonds, considering that to date no local administrations have issued such bonds.

“Looking at its potential, South Sulawesi has tremendous prospect to be the first area in Indonesia that funds its infrastructure development from municipal bonds,” Nurhaida said.

The Ministry of Finance has been mapping prospective areas for municipal bonds issuance. Also, the OJK is revising regulations on such issuance to remove obstacles related to audit of local governments’ financial statements. Moreover, recommendations on easier requirements for registration statements of municipal bonds are expected to accelerate bonds issuance process that local administrations will have to go through.

Other than organizing similar information dissemination in many areas, the OJK will consistently implement market deepening programs, by further simplifying IPO process, building infrastructure, facilitating micro, small and medium enterprises (MSME) that plan to go public, running IPO e-registration system, and increasing the number of local investors.

For this information dissemination, the OJK collaborated with the Indonesia Stock Exchange, the Indonesia Central Securities Depository (KSEI), and the Indonesia Stock Market Clearing House (KPEI). The Authority also invited eight underwriters and capital market supporting professional associations to join this event, where they gave information about funding from the capital market and provided consultations about the benefits and process of raising funds in the capital market to the participants.

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