

COPY  
 FINANCIAL SERVICES AUTHORITY REGULATION  
 NUMBER 10/POJK.05/2014  
 CONCERNING  
 RISK LEVEL ASSESSMENT OF NON-BANK FINANCIAL SERVICES INSTITUTIONS

<b>FINANCIAL SERVICES AUTHORITY REGULATION NUMBER 10/POJK.05/2014 CONCERNING RISK LEVEL ASSESSMENT OF NON-BANK FINANCIAL SERVICES INSTITUTIONS</b>	
Consider:	<ol style="list-style-type: none"> <li>a. that in order to manifest non-bank financial services sector which is sound and accountable, needed an effective supervisory system;</li> <li>b. that to manifest effective supervisory system needed some prerequisite such as risk level assessment instruments for the non-bank financial services institution in order to determine priority and intensity of supervision;</li> <li>c. that non-bank financial services institution need to do risk level assesment as a part of risk management;</li> <li>d. based on the considerations referred to in paragraphs a, b, and c, it is necessary to stipulate Regulation of the Financial Services Authority concering Risk Level Assessment of Non-Bank Financial Services Institutions.</li> </ol>
In view of:	<ol style="list-style-type: none"> <li>1. Act Number 2 of 1992 on Insurance Business (State Gazette of the Republic of Indonesia Year 1992 Number 13, Appendix Number 3467);</li> <li>2. Act Number 11 of 1992 on Pension Funds (State Gazette of the Republic of Indonesia Year 1992 Number 37, Appendix Number 3477);</li> <li>3. Act Number 21 Year 2011 on the Financial Services Authority (State Gazette of the Republic of Indonesia Year 2011 Number 111, Appendix Number 5253);</li> <li>4. Government Regulation No. 73 of 1992 concerning the Insurance Business Conduct (State Gazette of the Republic of Indonesia Year 1992 Number 120, Appendix Number 3506) as already amended by Government Regulation No. 81 Year 2008 (State Gazette of the Republic of Indonesia Year 2008 number 212, Appendix Number 4954);</li> <li>5. Government Regulation No. 76 of 1992 on Employer Pension Fund (State Gazette of the Republic of Indonesia Year 1992 Number 126, Appendix Number 3507);</li> <li>6. Government Regulation No. 77 of 1992 on Financial Institutions Pension Fund (State Gazette of the Republic of Indonesia Year 1992 Number 127, Appendix Number 3508);</li> <li>7. Presidential Regulation No. 9 of 2009 on Financing Institutions;</li> </ol>
Decided	
To Stipulate	FINANCIAL SERVICES AUTHORITY REGULATION CONCERNING RISK LEVEL ASSESSMENT OF NON-BANK FINANCIAL SERVICES INSTITUTIONS
<b>Chapter I</b>	
<b>GENERAL PROVISION</b>	
Article 1	In this Financial Services Authority Regulation:
1	Non-Bank Financial Services Institutions are :

	<ul style="list-style-type: none"> <li>a. insurance company and reinsurance company, including the one who implementing all or part of its business with the sharia principles as referred to in the legislation concerning insurance;</li> <li>b. financing company, including the one who implementing all or part of its business with the sharia principles as referred to in the legislation concerning financing institutions; and</li> <li>c. pension funds, including the one who implementing all or part of its business with the sharia principles as referred to in the legislation concerning pension funds.</li> </ul>
2	Financial Services Authority ( <i>Otoritas Jasa Keuangan</i> ), hereinafter abbreviated to OJK, is an independent agency operating beyond the interference of any external party, conferred with regulatory, supervisory, and investigative function, task, and authority, as stipulated in the Act Number 21 Year 2011 concerning Financial Services Authority.
<b>Chapter II</b>	<b>RISK LEVEL ASSESSMENT OF NON-BANK FINANCIAL SERVICES INSTITUTIONS</b>
Article 2(1)	Non-Bank Financial Services Institution shall applied the prudence principle and risk management in conducting their business activities.
2(2)	In the context of implementing the risk management as referred to in paragraph (1), Non-Bank Financial Institution shall conduct the risk level assessment based on this OJK Regulation and implementing regulation.
2(3)	Risk level assessment as referred to in paragraph (2) shall be conducted at least once a year for the year-end position.
2(4)	If necessary, OJK could ask the Non-Bank Financial Services Institution to conduct the risk level assessment at any time.
Article 3(1)	In the framework of supervisory, OJK conduct the risk level assessment of Non-Bank financial Institution.
3(2)	Risk level assessment as referred to in paragraph (1) is conducted by considering the risk level assessment which conducted by the Non-Bank Financial Services Institution as referred to in Article 2 paragraph (3) and paragraph (4).
<b>III</b>	<b>RISK LEVEL ASSESSMENT METHODS OF NON BANK FINANCIAL SERVICES INSTITUTION</b>
Article 4(1)	Risk level assessment of Non-Bank Financial Services Institution is an assessment towards the Non-Bank Financial Services Institution's failure probability to fulfill their obligation to the consumers and other parties.
4(2)	Risk level assessment of Non-Bank Financial Services Institution is conducted through the assessment of: <ul style="list-style-type: none"> <li>a. strategic risk;</li> <li>b. operational risk;</li> <li>c. assets and liability risk;</li> <li>d. management risk;</li> <li>e. governance risk;</li> <li>f. funding support risk;</li> <li>g. insurance risk, especially for insurance and reinsurance company;</li> <li>and</li> </ul>

	h. financing risk, especially for financing company.
Article 5 (1)	Risk level assessment as referred to in Article 2 paragraph (3) and (4) resulting the risk value and risk level of the Non-Bank Financial Services Institution.
5(2)	Risk value and risk level as referred to in paragraph (1) is categorized as : <ul style="list-style-type: none"> <li>a. risk value 0 (zero) up to 1 (one) for low risk level;</li> <li>b. risk value more than 1 (one) up to 1,5 (one point five) for the Medium Low risk level;</li> <li>c. risk value more than 1,5 (one point five) up to 2 (two) for the Medium High risk level;</li> <li>d. risk value more than 2 (two) up to 3 (three) for the High risk level; and</li> <li>e. risk value more than 3 (three) up to 4 (four) for the Very High risk level.</li> </ul>
5(3)	Risk value and risk level as referred to in paragraph (1) is conducted based on a comprehensive and structured analysis upon the risk as referred to in Article 4 paragraph (2) by take notice of materiality and significancy of each types of risks.
5(4)	Further provision regarding the risk level assessment as referred to in paragraph (1) is regulated on OJK Circular Letter.
<b>IV</b>	<b>REPORTING OF RISK LEVEL ASSESSMENT RESULT OF NON BANK FINANCIAL SERVICES INSTITUTION</b>
Article 6(1)	Non-Bank Financial Services Institution shall prepare the report of risk level assessment result as referred to in Article 2 paragraph (3) and paragraph (4).
6(2)	Board of Director, Commissioner, or any governing board which conduct the managerial and supervisory function on the Non-Bank Financial Services Institution are responsible to the accuracy, the completeness of the report's content, and the promptness of the report submission.
6(3)	The report as referred to in paragraph (1) at least should consist of the risk value and risk levels of the Non-Bank Financial Services Institution.
Article 7(1)	Non-Bank Financial Services Institution shall submit the report of risk assessment level result as referred to in Article 6 to OJK with some provisions such as : <ul style="list-style-type: none"> <li>a. for the risk level assessment of the year end position as referred to in Article 2 paragraph (3) shall be submitted at the latest February 28 of the following year; and</li> <li>b. for the risk level assessment that is conducted at any time as referred to in Article 2 paragraph (4) shall be submitted based on the dateline which has been set by OJK.</li> </ul>
7(2)	In terms that 28 February as referred to in paragraph (1) letter a falls on public holiday, thus the report shall be submitted on the next workday.
7(3)	Further provision regarding format and procedures of the report submission as referred to in paragraph (1) is regulated on OJK Circular Letter.

<b>V</b>	<b>FOLLOW-UP ON THE NON BANK FINANCIAL INSTITUTION RISK LEVEL ASSESSMENT</b>
Article 8 (1)	Non-Bank Financial Institution shall prepared the follow-up plan upon the risk level assessment as referred to in Article 2 paragraph (2) and paragraph (4).
8(2)	In terms that the risk level of Non-Bank Financial Services Institution as referred to in Article 5 paragraph (1) is High or Very High, the Non-Bank Financial Services Institution shall submit the follow-up plan to OJK.
8(3)	Follow-up plan as referred to in paragraph (1) and paragraph (2) at least consist of steps to reduce the risk level and the time that needed to implement those steps.
8(4)	The submission of follow-up plan as referred to in paragraph (2) is conducted at least at: <ul style="list-style-type: none"> <li>a. 31 March of the following year for the year-end risk level assessment; and</li> <li>b. the date set by OJK for the risk level assessment based on OJK's request as referred to in Article 2 paragraph (4).</li> </ul>
8(5)	In terms that 31 March as referred to in paragraph (4) letter a falls on public holiday, thus the follow-up plan shall be submitted on the next workday.
8(6)	Further provision regarding format and procedures of the follow-up plan submission as referred to in paragraph (1) is regulated on OJK Circular letter.
Article 9(1)	In the context of implementing the follow up upon the risk level assessment as referred to in Article 3 (1), OJK has the power to: <ul style="list-style-type: none"> <li>a. ask the Non-Bank Financial Services Institution to conduct an adjustment upon the follow-up plan as mentioned on Article 8 paragraph (1) and paragraph (2);</li> <li>b. give a written order to the Financial Services Institution and/or certain parties;</li> <li>c. appoint the statutory manager;</li> <li>d. determine the utilization of statutory manager;</li> <li>e. revoke the Non-Bank Financial Services Institution business license; and</li> <li>f. determine the dismissal of Non-Bank Financial Services Institution.</li> </ul>
9(2)	Non-Bank Financial Services Institution could submit the response upon the OJK's request as referred to in paragraph (1) letter a within 15 workdays at the latest since OJK's request received by Non-Bank Financial Institution.
<b>VI</b>	<b>SANCTION</b>
Article10	Non-Bank Financial Services Institution which does not fulfill the provision as referred to in Article 2, Article 6, Article 7, and Article 8 shall be subject to a sanction as: <ul style="list-style-type: none"> <li>a. written warnings;</li> <li>b. fines, which is an obligation to paid a sum of money;</li> <li>c. obligations for the Board of Directors or equal on the Non-Bank Financial Services Institution to follow the re-fit and proper test;</li> <li>d. limitation of business operation;</li> <li>e. Freezing of business operation; and</li> </ul>

	f. revocation of business license.
10(2)	Sanction as referred to in paragraph (1) letter b,c,d,e, or letter f could be charges without the enforcement of written warning as mentioned on paragraph (1) letter a.
10(3)	Fines sanction as referred to in paragraph (1) letter b could be charges independently or joined with the sanction charges as mentioned on paragraph (1) letter a, c, d, e, or letter f.
10(4)	Amount of fines sanction as referred to in paragraph (1) letter b set by OJK based on the provision on the administration sanction in form of fines which applied for each financial service sectors.
10(5)	OJK could announce the charges of administrative sanction as mentioned on paragraph (1) to the public.
<b>VII</b>	
<b>CLOSING PROVISIONS</b>	
Article 11(1)	Risk Level Assessment as referred to in Article 2 paragraph (2 ) is implemented effectively from 1 January 2015 for the risk level assessment position as of 31 December 2014.
11(2)	Preparation and implementation of follow-up plan as referred to in Article 6 paragraph (1) is implemented effectively since 1 January 2015
Article 12	OJK regulation shall come into force on the date of promulgation. For public cognizance, it is ordered that OJK Regulation shall be published in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

On 27 August 2014

HEAD OF THE BOARD OF COMMISSIONERS

OF THE FINANCIAL SERVICES AUTHORITY,

signed,

MULIAMAN D. HADAD

Promulgated in Jakarta

On 28 August 2014

MINISTER OF LAW AND HUMAN RIGHTS

OF THE REPUBLIC OF INDONESIA,

signed,

AMIR SYAMSUDIN