

PRESS RELEASE

OJK MONITORS 50 FINANCIAL CONGLOMERATES

Jakarta, June 26, 2015. Financial Services Authority (OJK), based on Law No. 21 of 2011, has the authority to regulate and supervise 50 financial conglomerates that have reported their structures and subsidiaries to OJK.

Pursuant to OJK Regulation No.17/POJK.03/2014 dated November 19, 2014, main entity is obligated to submit reports regarding financial services institutions functioning as the main entity and those that are the subsidiaries of a financial conglomerate.

Of the identified 50 financial conglomerates, OJK categorized them into three groups, namely:

- 14 **vertically structured** financial conglomerates
- 28 **horizontally structured** financial conglomerates, and
- 8 **mixed structured** financial conglomerates.

Financial conglomerate is a group of financial services institutions that relate to each other due to relation in ownership and/or controlling. Business coverage of a financial conglomerate includes bank, insurance company, reinsurance company, securities company and/or finance company.

Vertically structured model is a financial conglomerate that has clear and direct relation between parent company or main entity and subsidiary, and both of them are financial services institutions.

Horizontally structured model is a financial conglomerate that has no direct relation between financial services institutions in the group, but they are all owned and controlled by the same controlling shareholders.

Mixed structured model is a financial conglomerate that has both vertical and horizontal structures in the business group.

The identified 50 financial conglomerates comprise 229 financial services institutions, with 35 main entities from banking sector, 1 main entity from capital market sector, 13 main entities from non-bank financial industry and 1 entity of special financial services institution.

Total assets of the 50 financial conglomerates is Rp 5,142 trillion or 70.5 percent of total assets of financial services industry in Indonesia, which is Rp 7,289 trillion.

In order to carry out consistent and effective supervision over these financial conglomerates, OJK has prepared infrastructures for internal supervision. As for external supervision, OJK has issued

regulations, namely OJK regulation and OJK circular letter on integrated risk management and integrated governance for financial conglomerate and industry. In addition, OJK is currently finalizing stipulations to regulate integrated capitalization for financial conglomerates, which is expected to be issued this year.

Chairman of OJK Board of Commissioners Muliaman D. Hadad emphasized the importance of integrated supervision over financial services industry. Development in economic globalization, information technology, product innovation and activities of financial services institutions nowadays has created an extremely complex and dynamic economic system. The system is interconnected between each financial services sector in terms of product, institution and ownership, which leads to an increase of risk exposure in financial services industry.

“With implementation of integrated supervision, it is expected that all financial conglomerates can synergize, grow and develop by keep complying with prudential principles. Thereby, they can support national financial industry’s growth in particular and national economic growth in general,” Muliaman said.

Integrated supervision is also implemented to cover regulatory gap and eliminate supervisory blind, and also to make sure that there is an effective supervision over potential risks due to financial activities of entities that are not yet regulated but have already become a part of conglomerates in general.

Integrated supervision over financial conglomerations is developed using risk-based supervision approach. In the process, the development effort will not only demand commitment from the authority but also from involving stakeholders, mainly practitioners of financial services business/institutions, from shareholders, directors, commissioners, executive officials to employees. In this regard, OJK as the regulator is fully committed to develop integrated supervision over financial conglomerates in accordance with the roadmap that has already been formulated.

For the next three months, OJK will invite management of financial conglomerates to make sure that financial services industry is prepared to implement OJK stipulations on risk management and integrated governance, and also to give future direction regarding policies on supervision over financial conglomerates.

Astra Financial Service Group, with PT Bank Permata, Tbk as the main entity, has been invited to attend a meeting with OJK Board of Commissioners on Friday (June 26, 2015).

For more information:

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