

PRESS RELEASE

**OJK STIMULATES FINANCIAL SECTORS THAT ARE CONTRIBUTIVE TO
SUSTAINABLE ECONOMIC GROWTH**

The Financial Services Authority (OJK) will hold Financial Executive Annual Gathering each year, and this year's event was held on Friday, January 17th, 2014. The gathering was a medium of communications between OJK Board of Commissioners and financial industry players, and also a right momentum for OJK Board of Commissioners to convey the vision and direction of Indonesia's financial industry development in the future.

Indonesia commenced the year of 2014 with an optimistic spirit that the financial services industry would be able to sustain real sector favorably, despite the remaining several problems in the national economy, such as: Indonesia composite index which has plunged quite deeply, Indonesia's rupiah that was steeply depreciated, the soaring government bond yields, deficit on balance of payment, insufficient infrastructures, and risks in the national economy that were getting bigger. National economic problems have gotten worse as global economy recovered slowly.

Considering recent development in national and global economic conditions, OJK took this as a momentum to carry out reformation and reinforcement in national economy structure, particularly in the financial services industry, so as to create a single grand design for the direction of Indonesia's economic growth, which is expected to be harmonious in all sectors.

Aside from maintaining stability, OJK will continue to strengthen its intermediation function towards productive sectors, including those that are export-based, so as to enable the sectors to become the main generator of national economic growth. OJK will also strengthen the appropriation of various alternatives for business funding, especially in the role of capital market and non-bank financial institutions. In a bid to achieve these goals, OJK in 2014 will perform various reformation and reinforcement efforts in 3 (three) financial services sectors, namely banking, capital market and non-bank financial industry.

In banking sector, there are 4 (four) main factors that will influence the development and growth of banking industry; each of them requires the right policy.

The first factor, consumers of financial service products will demand more quick and flexible services and with more varieties, including interchangeability from credit instruments to currency market and capital market instruments.

The second factor, banking sector must be prepared to improve the channeling of investment credit, mainly in manufacture, energy and infrastructure sectors, in order to renew and revitalize industry capacity so as to be able to create products with high added values.

The third factor, a change in the landscape of banking industry regulations, which requires comprehensive reformation. This encompasses, among others, capital structure, liquidity, governance and securitization in order to decrease the probability of institutional failures.

The fourth factor, integration of banking sector in ASEAN in 2020. In order to anticipate the matter, OJK will clarify the direction of banking business activities and improve competitiveness so as to be able to take benefits from ASEAN market.

In capital market sector, the capital market is expected to play its roles more strategically as a source of accessible, efficient and effective fund reserve for the industry, and at the same time plays as an attractive mean of investment for the society. In 2014, there are several priority programs that become OJK's main concentration in developing Indonesia's capital market.

The first priority is improving the participation of business sector and the society in capital market. Seen from supply's point of view, this is to encourage more companies to gather fund through capital market. In order to realize this, OJK in 2014 will simplify requirements on public offering for small and medium enterprises, develop e-registration in the framework of public offering, and study the implementation of shelf registration for stock. OJK will continually perform efforts to fully support the development of investment products initiated by industry players, including those of Sharia-based.

The second priority is improving the effectiveness of supervision and law enforcement. OJK will improve the quality of supervision over capital market players and implement electronic-based reporting system (e-reporting) for issuers and public companies.

The third priority is improving infrastructures in capital market; thereby comfortableness in capital market activities will get higher. OJK will standardize reporting system for issuer's financial report by using XBRL (Extensible Business Reporting Language) method, develop *Single Investor ID* so that the system will not only cover securities company's consumers but also securities administration bureau's and custodian's consumers, and also develop *Electronic Trading Platform* for debenture transactions.

In relevance to ASEAN Economic Society, Indonesia's capital market must be at the same level of playing field with other ASEAN member's capital market in order for Indonesia to get optimum benefits from ASEAN capital market integration.

In non-bank financial industry sector, the biggest challenge is how to utilize the potentials of middle class society improvement while at the same time preparing measures to assure people's prosperity in the future.

OJK will resume micro insurance programs by carrying out implementation phases of Indonesia's Micro Insurance Development grand design. Apart from that, OJK will focus its efforts on regulating and supervising micro finance institutions.

In 2014, OJK will start to create a blue print for the development of Sharia non-bank financial institutions in Indonesia, which will be integrated with banking and Sharia capital market sectors.

In the context of pension fund appropriation, OJK sees that protection for employees' retirement period is necessary. This is pursuant with Labor Law which obligates pension fund programs for employees going into retirement. In this occasion, OJK calls all employers to take benefit from pension fund institutions and life insurance companies as means of provision for severance pay.

2014 is the year in which Social Security Organizing Body for Health (BPJS Kesehatan) commenced its operation. Being an institution mandated by the law to supervise BPJS, OJK has a highly strategic role to guide BPJS' operation. OJK will continually coordinate and cooperate with stakeholders, mainly from related ministries and National Social Security Council (DJSN) so as to achieve a good control and supervision over BPJS in the future.

In the coverage of financial education, OJK in collaboration with stakeholders will lay down 3 (three) pillars of basic framework for National Strategy on Financial Literacy, that is:

- Pillar 1, education and national campaign on financial literacy.
- Pillar 2, reinforcement of financial literacy infrastructures.
- Pillar 3, financial services and products development.

In the matter of consumer protection, OJK will standardize the mechanism for consumer protection, complaint handling, and dispute resolution, all of which will be integrated in all financial sectors.

In 2014, OJK will start to implement levy which will gradually replace funding from state budget. This is a form of support from financial industry players in order to together stimulate the establishment of a sound, stable, efficient and sustainable financial services industry, thereby the industry can play its role more significantly in supporting national economic growth.

Director of Communications and International Relation