

PRESS RELEASE**THE FINANCIAL SERVICES SECTOR REMAINED STABLE
SUPPORTED BY STRONG CAPITAL AND ADEQUATE LIQUIDITY**

Jakarta, 5 September 2023. The Indonesian Financial Services Authority (OJK) Board of Commissioners' monthly meeting on 30 August 2023 assessed that the national financial services sector's stability was maintained and remained resilient, with adequate prudential indicators of capital and liquidity along with a maintained risk profile amidst increasing global economic uncertainties.

Global economic divergence continued as the US economy remained resilient amidst declining core inflation. Such economic resilience increased expectations that the Fed would become more hawkish. In Europe, economic growth fell to 0.6 percent yoy in Q2-2023 from 1.1 percent yoy in the previous quarter while core inflation remained persistently high.

On the other hand, China's economic recovery momentum became more moderate. China's economic indicators were lower than expected as the consumer price index entered the deflation zone and there was a contraction in external performance. Meanwhile, China's property sector continued to face downward pressure as a number of top property developers were facing some problems.

Domestically, Indonesia's economy showed positive growth in Q2-2023, i.e., 5.17 percent yoy, up from the previous quarter's 5.04 percent yoy, supported by well-performing household consumption and investment. Nevertheless, it is necessary to closely monitor the recent downtrend of indicators as consumer optimism grew, the downward trend in core inflation, and the continuing decline in commodity prices that put pressure on Indonesia's external performance.

These economic dynamics have driven the weakening of global financial markets in the stock markets, bond markets, and foreign exchange markets, along with increased market volatility and capital outflows from the majority of financial markets in emerging markets, including Indonesia.

Developments in the Capital Market

As of 31 August 2023, the Indonesian stock market remained resilient and grew by 0.32 percent mtd to 6,953.26 (July 2023: 6,931.36), with non-resident investors posted an outflow of IDR20.10 trillion mtd, mainly due to crossing transactions (July 2023: an inflow of IDR2.72 trillion mtd).

The biggest gain in the Jakarta Composite Index (JCI) in August 2023 was recorded by stocks in the basic materials sector and infrastructure sector. On a year-to-date basis, the JCI was recorded to have strengthened by 1.50 percent, with non-residents posting a net sell of IDR1.18 trillion (July 2023: a net buy of IDR18.92 trillion ytd). In terms of transaction liquidity, the average value of transactions in the capital market in August 2023 was moderated to IDR11.20 trillion mtd and IDR10.38 trillion ytd (July 2023: IDR9.66 trillion mtd and IDR10.24 trillion ytd).

In the bond market, the Indonesian Composite Bond Index (ICBI) strengthened by 0.09 percent mtd or 7.17 percent ytd to 369.52 (July 2023: strengthened by 0.56 percent mtd and 7.07 percent ytd). In the corporate bond market, non-resident investors posted an outflow of IDR211.93 billion mtd while the outflow on a year-to-date basis was IDR561.98 billion.

In line with global movements, the Government Securities Market (SBN) recorded an outflow of non-resident investors of IDR8.89 trillion mtd (July 2023: an inflow of IDR8.30 trillion mtd), driving an increase in the average SBN yield of 11.88 bps mtd across all tenors. On a year-to-date basis, SBN yield was down by an average of 41.92 bps across all tenors with non-residents posting a net buy of IDR84.11 trillion ytd.

In the mutual fund industry, Asset Under Management (AUM) reached IDR844.47 trillion (up 2.05 percent ytd), with the Net Asset Value (NAV) of mutual funds as of 31 August 2023 of IDR513.24 trillion, or down 0.66 percent (mtd). Mutual Fund investors recorded a net subscription of IDR6.79 trillion (mtd). On a year-to-date basis, the NAV increased 1.66 percent with a net subscription of IDR8.58 trillion.

Fundraising's interests in the capital market continued to increase, i.e., to IDR172.38 trillion, with 60 new issuers. As many as 94 Public Offerings were in the pipeline, with an estimated value of IDR43.43 trillion, and 59 IPOs by new issuers.

As of 31 August 2023, in the fundraising through Securities Crowdfunding (SCF) as alternative funding for SMEs, there were 16 licensed operators, with 439 Issuers, 159,408 investors, and a total amount of IDR951.20 billion raised funds.

In regard to the enforcement of laws in the capital market sector:

1. As of August 2023, OJK has imposed administrative sanctions on 87 (eighty-seven) Entities, in the form of monetary fines of IDR56.56 billion, 6 (six) permit revocations, one permit suspension, 45 (forty-five) written orders, and 13 (thirteen) written warnings, all of which were related to investigated cases in the capital market, as well as an administrative sanction in the form of monetary fines of IDR11.17 billion on 216 financial institutions in the capital market due to late submissions.
2. In August 2023, OJK imposed administrative sanctions on two Investment Managers, i.e., PT Asia Raya Kapital and PT Pan Arcadia Capital, in the form of monetary fines totaling IDR3.07 billion and written orders to terminate all of their products (Mutual Funds/RD and Discretionary Funds/KPD). Further, OJK also imposed administrative sanctions and issued written orders on the Management, Shareholders, marketing officers, and other personnel who had proven to have led the Investment Managers to violate the laws and regulations in the Capital Market sector.
3. In August 2023, OJK imposed Administrative Sanctions and/or Written Orders related to the case of stock trading of PT Dewata Freightinternational Tbk (DEAL) between 9 November 2018 and 29 March 2019 on 18 Entities consisting of 3 Financial Institution legal entities, 1 Non-Financial Institution legal entity, 7 Securities Company Representatives, and 7 individual investors.

The Administrative Sanctions included monetary fines on the 18 Entities amounting to a total of IDR37,525,000,000, Suspension of Business Permit on 1 Financial Institution legal entity, Written Orders to 6 individual investors to close their securities accounts, a Written Order to 1 Securities Company Representative prohibiting the entity from performing any activities in the Capital Market for 5 years, and a Written Order to 1 Non-Financial Institution legal entity prohibiting the entity from performing any activities in the capital market including through direct and indirect investment, for 3 years.

Developments in the Banking Sector

Amidst financial market volatility and the weakened European and Chinese economies, the Indonesian banking sector remained resilient with a well-maintained intermediation function and strong capital.

In July 2023, banking loans grew by 8.54 percent yoy (June 2023: 7.76 percent yoy) to IDR6,686 trillion, with the highest growth in investment credit of 11.15 percent yoy. By credit ownership, State-Owned Banks marked the highest credit growth of 9.81 percent yoy.

On an annual basis, Third-Party Funds or Total Deposits (DPK) in July 2023 grew by 6.62 percent yoy (June 2023: 5.79 percent yoy) or stood at IDR8,064 trillion, with the highest growth in Current Accounts (Giro) at 10.92 percent yoy.

OJK encouraged positive intermediation performance in the banking industry while maintaining a balance between increased financing and sufficient liquidity. Banking liquidity in July 2023 was adequate, and liquidity ratios were maintained. The ratios of Liquid Assets/Non-Core Deposits (LA/NCD) and Liquid Assets/Third-Party Funds or Total Deposits (LA/TPF) slightly declined to 118.37 percent (June 2023: 119.05 percent) and 26.57 percent (June 2023: 26.73 percent), respectively, yet continued to be well above the regulatory thresholds of 50 percent and 10 percent, respectively.

Credit quality was maintained, with banking ratios of net NPL of 0.80 percent (June 2023: 0.77 percent) and gross NPL of 2.51 percent (June 2023: 2.44 percent). Meanwhile, continued recovery in the real sector has led to a decrease in loan restructuring related to Covid-19 from IDR21.91 trillion to IDR339,13 trillion (June 2023: IDR361.04 trillion). The number of debtors was down by 90,000 to 1.48 million (June 2023: 1.57 million debtors).

Such a decrease in the number of restructured loans shrank the Loan at Risk to 12.59 percent (June 2023: 13.17 percent). The proportion of Covid-19-related targeted loan restructuring (i.e., targeted towards particular segments, sectors, industries, and regions that require an additional 1-year term for loan/financing restructuring until 31 March 2024) reached 45.5 percent of the total Covid-19-related loan restructuring, or equal to IDR154.3 trillion.

Meanwhile, the market risk was relatively low, as the Net Open Position (NOP) was stable at a low level of 1.75 percent (June 2023: 1.50 percent), far below the 20 percent threshold. Further, risks pertaining to interest rates remained manageable as domestic inflation eased, thus interest rates remained relatively stable.

The banking industry was considered to be resilient to anticipate potential risks in the future, with a Capital Adequacy Ratio (CAR) of 27.46 percent.

Developments in the Insurance, Guarantee, and Pension Fund (PPDP) Sector

In the PPDP sector, the accumulated premium income in the insurance sector from January to July 2023 reached IDR177.13 trillion, or contracted by 2.34 percent compared to the same period in the previous year (July 2022: 1.31 percent).

The growth of accumulated premiums in life insurance contracted by 7.85 percent yoy to a total of IDR102.12 trillion as of July 2023, driven by the normalization of premium income in investment-linked insurance products (PAYDI). On the other hand, the accumulated premiums of general insurance and reinsurance grew positively by 6.30 percent yoy (July 2022: 18.04 percent) to IDR75.02 trillion.

In general, capital in the insurance industry was maintained, as the life insurance and general insurance industries each recorded Risk-Based Capital (RBC) of 460.32 percent and 311.53 percent (June 2023: 467.85 percent and 306.44 percent), respectively, well above their thresholds of 120 percent.

In terms of social insurance, the total assets of BPJS Kesehatan (Indonesia's national social security organizing body for health) as of July 2023 reached IDR118.95 trillion or grew by 14.58 percent yoy. Within the same period, the total assets of BPJS Ketenagakerjaan (Indonesia's national social security administrator for employment) reached IDR699.79 trillion or grew by 14.09 percent yoy.

Pension funds also recorded an asset growth rate of 7.12 percent yoy, with a total asset value of IDR360.08 trillion. As for guarantee companies, as of July 2023, the asset value increased by IDR14.21 trillion (June 2023: IDR13.76 trillion), with a total asset value of IDR44.64 trillion (June 2023: IDR43.78 trillion).

Developments in Financing Companies, Venture Capital Companies, Microfinance Institutions, and Other Financial Institutions (PVML) Sector

In the PVML sector, the growth of financing receivables remained substantial at 16.22 percent yoy in July 2023 (June 2023: 16.37 percent) to IDR447.03 trillion, supported by financing for working capital and investment that grew by 28.37 percent yoy and 16.09 percent yoy, respectively.

The risk profile of Financing Companies was maintained, and the non-performing financing (NPF) ratio was at 2.69 percent (June 2023: 2.67 percent). The gearing ratio of financing companies was 2.24 times (June 2023: 2.27 times), far below the maximum threshold of 10 times.

Venture capital financing in July 2023 grew by 1.0 percent yoy (June 2023: 0.5 percent yoy), with a total value of IDR18.12 trillion (June 2023: IDR18.22 trillion).

Meanwhile, in fintech peer-to-peer (P2P) lending, the growth of outstanding financing in July 2023 increased to 22.41 percent yoy (June 2023: 18.86 percent), with a value of IDR55.98 trillion. The aggregated credit risk (TWP90/Loan Repayment Success

within 90 days after the maturity date) slightly increased to 3.47 percent (June 2023: 3.29 percent).

In the regulation's enforcement of the PVML sector:

1. Regarding the obligation for fintech P2P lending companies to meet the minimum equity requirement of IDR2.5 billion, which took effect on 4 July 2023, as many as 26 fintech P2P lending companies had yet to meet this requirement as of July 2023.

OJK has required those companies to submit their action plans to meet the minimum equity requirement. OJK had issued a written warning to those companies to immediately increase their capital and maintain a minimum equity of IDR2.5 billion.

In addition, OJK continued to monitor the progress of fintech P2P lending companies that had aggregated credit risk (TWP90) higher than 5 percent. OJK had issued supervisory letters and required those companies to submit their action plans to address the non-performing loans. OJK then closely monitors the implementation of their action plans. If the situation worsens, OJK will take further supervisory actions.

Throughout August 2023, OJK has imposed administrative sanctions against 34 fintech P2P lending companies for violating OJK Regulation (POJK) or as the outcomes of follow-up actions from on-site supervision. The administrative sanctions consisted of 46 written warnings, 1 written admonition, and 10 monetary fines. OJK continued to support the P2P lending industry to grow and develop in a healthy and safe manner to enable them to contribute to Indonesia's economy.

2. Regarding the minimum equity requirement for Financing Companies as stipulated in OJK Regulation (POJK) No. 35/POJK.05/2018, as many as 8 Financing Companies have yet to meet the requirement. OJK had taken supervisory action by monitoring the implementation of corporate actions against their previously submitted action plans as approved by OJK, and enforcement actions had been taken against Financing Companies that have not met the minimum equity requirement by the agreed timeline.

Developments in the Financial Sector Technological Innovations (ITSK), Digital Assets and Crypto Assets (IAKD) Sector

In general, innovations in the financial services sector have grown significantly since 2018. After the issuance of OJK Regulation (POJK) No. 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector, between September 2018 and 31 August 2023, OJK received no fewer than 457 applications from Financial Sector Technological Innovations (ITSK) service providers to be registered in the Regulatory Sandbox, of which 150 were **registered** and 293 were **not registered**. The remaining 14 are being assessed.

1. OJK revoked the registered status of 36 ITSK service providers. Currently, the Digital Assets and Crypto Assets (IAKD) Supervisory Division is implementing its action plan to monitor the compliance of ITSK service providers, as follows:

- a. On-site visits to 10 ITSK service providers who had previously been served with Warning Letters.
 - b. Warning Letters to 2 ITSK service providers.
2. The Regulatory Sandbox registration has reached Batch 26 (1 July - 31 August 2023), and 14 ITSK service providers have submitted their applications. OJK monitoring exercise was carried out in accordance with OJK Regulation (POJK) No. 13/POJK.02/2018, which resulted in the revocation of the registered status of 2 ITSK service providers from the Aggregator cluster, i.e., PT Ayannah Solusi Nusantara and PT Waqara Jasa Bangsa, on 30 August 2023.
 3. As of August 2023, OJK has registered a total of 106 providers of Financial Sector Technological Innovations (ITSK), categorized into 15 Business Model Clusters, as follows:
 - a. Aggregator (42 service providers)
 - b. Innovative Credit Scoring (20 service providers)
 - c. Financing Agent (7 service providers)
 - d. Funding Agent (3 service providers)
 - e. Financial Planner (4 service providers)
 - f. Insurtech (3 service providers),
 - g. Online Distress Solution (1 service provider)
 - h. E-KYC (6 service providers)
 - i. Transaction Authentication (8 service providers)
 - j. Tax & Accounting (2 service providers)
 - k. Regtech PEP (1 service provider)
 - l. Property Investment Management (1 service provider)
 - m. Insurance Hub (1 service provider)
 - n. Wealth Tech (2 service providers)
 - o. Regtech – Esign (5 service providers).
 4. To support the development of ITSK and the legal certainty for ITSK service providers in complying with the licensing requirements as regulated in the Law on Financial Sector Development and Strengthening (UU P2SK), OJK is currently running a regulatory sandbox for 23 (twenty-three) prototypes to be referenced by 106 registered ITSK service providers and 15 Clusters.

Developments in Consumer Protection and Education

As of 31 August 2023, OJK had rolled out 1,638 financial education activities, participated by 371,001 individuals nationwide. *Sikapi Uangmu*, a digital communication media providing information on financial education to the public through a mini-site and application, has published 249 contents related to financial education, reaching 1,342,480 viewers.

Furthermore, the number of users of OJK's Learning Management System (LMSKU) reached 29,233 users who accessed the modules 33,427 times, and 26,270 certificates of module completion were issued.

OJK's work in financial literacy and inclusion is also strategically supported by various stakeholders, among others, line Ministries/Agencies, Financial Service Providers, academics, and other stakeholders, including through the Regional Financial Access Acceleration Teams (TPAKDs). As of 31 August 2023, 495 TPAKDs have been established in 34 provinces and 461 districts/municipalities (89.69 percent of the total number of districts/municipalities in Indonesia).

In August 2023, OJK organized a series of programs to strengthen financial literacy and inclusion across in Indonesia, which include:

1. The summit celebration to commemorate Indonesian Savings Day (Hari Indonesia Menabung) at Kejar Prestasi dan Bangun Generasi Kita (KREASI BANGKIT) 2023 event, which coincided with the 12th National Scout Moot (Raimuna Nasional XII) organized by the Indonesian National Scout Organization (Kwartir Nasional Gerakan Pramuka) and the launching of two Merit Badges (TKK), i.e., Savings and Financial Literacy, which can be accessed by 25 million Scouts across Indonesia after they meet the Special Skills Requirements (SKK) issued by OJK together with Kwartir Nasional Gerakan Pramuka.
2. The event was part of a series of activities to commemorate Indonesian Savings Day through educational programs targeted at youth, school students, and university students under One Student One Account (KEJAR/Satu Rekening Satu Pelajar) organized by OJK Offices/Regional Offices across Indonesia.

The KEJAR program supports the acceleration of Students' Savings (SimPel) and Kids' Savings. As of 31 July 2023, the amount of deposits in KEJAR reached IDR34.86 trillion from 52.95 million students accounts at 439 participating banks.

3. Conducted the Kick-off of the Road to Financial Inclusion Month through the inauguration of three financial inclusion villages in South Lampung District, i.e., Desa Kelawi, Desa Seloretno, and Desa Bumidaya, by OJK and Lampung Provincial Government member of the Regional Financial Access Acceleration Team (TPAKD) as an implementation of the Inclusive Financial Ecosystem (EKI) program in Rural Areas.
4. OJK's participation in the activities of the Digital Financial Inclusion Festival (DFIF), a side event of the ASEAN Finance Minister and Central Bank Governor Meeting (AFGM), by organizing a seminar on "Financial Inclusion: Accelerating Financial Inclusion to Empower Remote Regions and Rural Communities of ASEAN" which was attended by representatives of regional government leaders, ASEAN member states, Ministries/Agencies, international organizations, associations, and Financial Services Industry, as a form of OJK's support for Indonesia's Chairmanship of ASEAN in 2023.
5. LIKE IT, Indonesia's Leading Financial Literacy Program, organized by FK-PPPK (Coordination Forum for Development Financing through Financial Markets) to support the financial market deepening, with LIKE IT Series #2 held in Pontianak on 29 August 2023 with the theme of "Thriving MSMEs, Growing Investments".

Further, in terms of consumer protection, from January to 31 August 2023, OJK received 198,828 inquiries, including 14,374 complaints, 40 complaints indicative of

violations, and 1,466 disputes that were lodged with LAPS SJK, the Alternative Dispute Resolution Agency for the Financial Services Sector.

Of these complaints, as many as 6,693 were related to the banking sector, 3,475 were related to financial technology, 2,793 were related to financing companies, 1,147 were related to the insurance industry, and the rest were inquiries related to the capital market sector and other NBFIs.

Regarding complaints that were lodged through the Consumer Protection Portal Application (APPK), OJK continued to encourage the resolution of such complaints, both those that were indicative of disputes and those that were indicative of violations. In this case, 12,212 complaints (84.96 percent) were resolved through the Internal Dispute Resolution of the corresponding Financial Service Providers, and 2,162 complaints (15.04 percent) are currently being resolved.

In eradicating illegal online loans and illegal investments, OJK and all members of the Taskforce for the Eradication of Illegal Activities (Investment Alert Taskforce or SWI) from 12 Ministries/Agencies enhanced their coordination in addressing this issue.

From 1 January to 31 August 2023, the Task Force stopped the operations of 1,339 illegal entities, consisting of 18 illegal investment entities and 1,321 illegal online lending entities. The most significant was in August 2023, when 737 illegal online lending entities were forced to stop their operations.

Policy Direction

To maintain the financial services sector's stability and to increase its support to boost national economic growth, OJK has taken the following policy measures:

A. Policies to Maintain Financial System Stability

1. OJK requires banks to prepare adequate reserves (CKPN/Allowance for Impairment Losses) to anticipate a potential increase in risks during periods of relatively high interest rates.
2. With regard to fluctuations in the financial market, Financial Institutions (FIs) are required to closely monitor the development of their investment portfolio to mitigate market risk.
3. OJK closely monitors the development of the life insurance industry, particularly in investment-linked insurance products (PAYDI), and takes necessary measures to keep consumers' confidence and to maintain the resilience of the life insurance industry by monitoring the consistency between marketing and management practices of PAYDI in accordance with OJK Circular (SEOJK) No. 5 of 2022.

B. Policies to Strengthen the Financial Services Sector and Market Infrastructure

1. In regard to the obligation for Rural Banks (BPR) and Sharia Rural Banks (BPRS) to prepare and publish their Financial Statements (LKP), OJK has provided some guidelines for the outline and details of the Financial Statements, as well as the calculation of financial ratios.

2. OJK is currently preparing a Draft OJK Regulation on the Development of Human Resources Quality in BPR and BPRS as an update of 2 previous OJK Regulations (POJKs), i.e., POJK No. 47/POJK.03/2017 on the Requirement for Providing Training and Education Funds for Human Resources Development in BPR and BPRS and POJK No. 44/POJK.03/2015 on Certification of Occupational Competence for Members of the Board of Directors and Members of the Board of Commissioners of BPR and BPRS. The key provisions of the draft regulation shall include the following:
 - a. The minimum amount of funds for developing the quality of human resources in BPR and BPRS;
 - b. The requirement for BPR and BPRS to have policies and procedures for developing the quality of human resources in a continuous manner;
 - c. The extended types and methods of human resources quality development;
 - d. Programs to regularly maintain the Occupational Competence Certification;
 - e. Regulations regarding Professional Certification Bodies (LSP) for the banking sector that administer Occupational Competence Certification in the banking sector; and
 - f. Enhanced sanctions for violating the regulations.
3. OJK has issued OJK Regulation (POJK) No. 15 of 2023 on Know Your Customer Administration (LAPMN) that governs activities to facilitate FIs and customers in the Capital Market industry in account opening and data updating to provide greater efficiency in customer due diligence (CDD). The scope of activities includes:
 - a. Receiving the initial static data on prospective customers and/or existing customers, receiving data updates, centralizing CDD and/or Enhanced Due Diligence (EDD) data and documents;
 - b. Sharing CDD and/or EDD data and documents with LAPMN users; and
 - c. Notifying any updated information on CDD and/or EDD data and documents to LAPMN users where the customer is registered.
4. OJK is currently drafting a Circular (SEOJK) on the Procedures for Carbon Trading through the Carbon Exchange as the implementing regulation of OJK Regulation (POJK) No. 14 of 2023 on Carbon Trading through the Carbon Exchange. The draft Circular shall regulate, among others:

- a. Carbon units are traded in a Carbon Exchange Operator;
 - b. Capital requirement of a Carbon Exchange Operator;
 - c. Requirements for Shareholders of a Carbon Exchange Operator;
 - d. Requirements for Members of the Board of Directors (BoD) and Members of the Board of Commissioners (BoC) of a Carbon Exchange Operator;
 - e. Fit and Proper Test of the Shareholders, Members of the BoD, and Members of the BoC;
 - f. Operations and Internal Control;
 - g. Procedures for Applying for a Carbon Exchange Operator License;
 - h. Amendments to the by law and Articles of Associations of a Carbon Exchange Operator;
 - i. Annual Work and Budget Plan of a Carbon Exchange Operator; and
 - j. Reporting of a Carbon Exchange Operator
5. To support the growth of the insurance business in Indonesia, OJK is collaborating with all insurance industry stakeholders in Indonesia to develop a roadmap for insurance development. By involving a more inclusive process in preparing the roadmap, it is expected that the roadmap can be effectively implemented, demonstrating the joint commitment of all the relevant stakeholders to strengthen and develop the insurance sector in Indonesia.
 6. To improve the capacity and governance of the insurance industry, OJK will revise OJK Regulation (POJK) No. 67/POJK.05/2016 on Business Licensing and Organization of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies which include, among others, provisions regarding strong capital requirement and categorization of insurance companies based on their capital capacity.

In addition, OJK will also reformulate other provisions related to insurance products, which include:

- a. Revising OJK Regulation (POJK) No. 23/POJK.05/2015 on Insurance Products and the Marketing Channels for Insurance Products; and
 - b. Drafting new regulatory provisions regarding credit insurance and suretyship. The existing provisions are currently regulated under the Ministerial Regulation of the Ministry of Finance (PMK) No. 124/PMK.010/2008 on Credit Insurance and Suretyship Business Operations.
7. As for the pension fund industry sector, OJK is preparing a draft of OJK Regulation (POJK) on Pension Funds, which will include provisions on pension fund membership contributions, benefits, investments, and funding.

The Draft POJK is a follow-up to the mandate of Law No. 4 of 2023 on Financial Sector Development and Strengthening (UU P2SK). The Law repeals the old Pension Fund Law, i.e., Law No. 11 of 1992, thus it is necessary to gradually adjust the POJK.

8. In regard to the plan to regulate the PVML sector, OJK is currently drafting 6 OJK Regulations (POJKs) as a follow-up to the mandate of the Law (UU PPSK), namely:
 1. Development and strengthening of financing companies, venture capital companies, and infrastructure financing companies;
 2. Development and strengthening of microfinance institutions;
 3. Venture capital company business operations;
 4. Pawn brokerage;
 5. Bullion business operations; and
 6. Cooperatives in the financial services sector.
9. To enhance supervision, OJK is currently preparing a mechanism for delegating the licensing and supervision authority to OJK Offices in the regions. In the PVML sector, this will be applicable for pawn brokerage and microfinance institutions and it is scheduled to start in November 2023.
10. In financial literacy and inclusion, as well as enhancing consumer protection, OJK continues to strengthen:
 - a. The support of a strategic alliance with Ministries/Agencies to accelerate the effectiveness of financial literacy and inclusion programs in the regions and fulfill the mandate of the Law on Financial Sector Development and Strengthening (UU P2SK), among others, by improving the capacity of the Regional Financial Access Acceleration Teams (TPAKDs).
 - b. The legal framework and implementing regulations regarding Civil Lawsuits against Financial Service Providers for the purpose of Public and Consumer Protection.
 - c. The acceleration of engagement with all stakeholders, particularly Financial Service Providers, to increase the reach of Financial Inclusion Month held every October through the Road to Financial Inclusion Month program.

C. Financial Sector Technological Innovations (ITSK), Digital Assets and Crypto Assets (IAKD)

1. OJK is currently accelerating the implementation of the regulatory sandbox, which has now passed a trial period of 1 year with an extension of six months as regulated in OJK Regulation (POJK) No. 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector.

To support this, OJK is currently developing the standards and parameters for evaluating the regulatory sandbox implementation. Going forward, OJK will refine the provisions of the Regulatory Sandbox, including reviewing the ITSK clusters and scope of activities as regulated in the Law (UU P2SK).

2. OJK is currently reviewing OJK Regulation (POJK) and the relevant implementing regulations on ITSK in regard to developing a more comprehensive regulation on licensing, supervision, and development of Digital Assets and Crypto Assets (IAKD) supervision as a delegated regulation of the Law (UU P2SK).

The process has started with a benchmarking exercise, and the development of an academic paper on the OJK Regulation is being reviewed.

3. OJK coordinates with Bappebti (CoFTRA/Commodity Futures Trading Regulatory Agency) on the transfer of regulatory and supervisory duties on digital financial assets, including crypto assets, as stipulated in the Law (UU P2SK).
4. OJK coordinates with the Central Bank (Bank of Indonesia) to discuss the regulation and supervision of ITSK in line with their respective jurisdictions as stipulated in the Law (UU P2SK).

D. OJK Governance Strengthening

1. OJK continues to be proactive in supporting Strengthened Governance through engagements with various stakeholders in Indonesia, particularly the financial services industry, ministries/agencies, subnational governments, academics, and other stakeholders in selected regions, to support the implementation of consistent and sustained governance in Indonesia.
2. OJK maintains continuous improvement in developing its business processes and professions in internal audit, risk management, quality control, integrity, and special audit, in collaboration with the relevant ministries and agencies such as the Indonesian Supreme Audit Institution (BPK-RI), the Central Bank (Bank Indonesia), the Ministry of Finance, the Ministry of State-Owned Enterprises, and the Indonesian Deposit Insurance Corporation (LPS), as well as GRC-related professional associations.
3. To celebrate Indonesia's 78th Independence Day, OJK held a Webinar titled "Free from Corruption, Integrity from the Heart" attended by OJK Personnel and their family members, as well as OJK's vendors in the procurement of goods and services, to strengthen integrity in the financial service sector. It underlined the important role of the family in strengthening and upholding integrity.
4. As part of the transformation program to upgrade the quality of work and in line with one of the Strategic Goals in OJK's 2022-2027 Destination Statement, OJK is intensively improving its business processes and integrated licensing information system. The licensing services are expected to be faster, more integrated, and transparent.

In addition, by the end of Q3-2023, OJK will start to put in place a work unit with the function of managing data and statistics and integrated reporting, which is expected to increase the efficiency of data management in the financial services sector.

E. Policies for Handling FIs Under Special Mention

1. OJK issued OJK Regulation (POJK) No. 16 of 2023 on Investigation of Criminal Offenses in the Financial Services Sector, revising OJK Regulation (POJK) No. 22/POJK.01/2015, as a follow-up to the mandate of the Law on the Development and Strengthening of the Financial Sector (UU P2SK) that extends the investigation authority and the resolution of violations in the financial services sector to the OJK.

2. Under its investigative function, from 2014 to 31 August 2023, OJK Investigators have completed investigations in 108 cases, comprising of 83 cases in the banking sector, 5 cases in the capital market sector, and 20 cases in the NBFI sector.

The number of cases that were brought to the court was 89, i.e., 71 cases decided with a final and binding decision (*in kracht*), 2 cases on appeal with the appellate court, and 16 cases on appeal with the Supreme Court.

Investigations in 2014-2023

No	Stage	Banking	Capital Market	NBFI	Total
		Cases	Cases	Cases	Cases
1	Review	7	0	3	10
2	Pre-investigation	5	4	5	14
3	Investigation	9	0	0	9
4	Casefile preparation	1	0	0	1
5	P-21 (casefile completed)	83	5	20	108

Judicial Process

1	Final and binding decision (<i>In Kracht</i>)	62	5	4	71
2	Appeal with the appellate court	2	0	0	2
3	Appeal with the Supreme Court	6	0	10	16

Going forward, OJK will continue to observe the developments in the financial sector and prepare to adopt the necessary policies to maintain stability and increase the role of the financial services sector.

Further, OJK continues to coordinate with the Government, the Central Bank (Bank of Indonesia), and the Deposit Insurance Corporation (LPS) and to work in synergy with the financial industry and business associations in the real sector to support sustainable economic growth.