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Foreword

This 2020 Indonesia Banking Booklet (IBB) constitutes a publication media presenting brief information concerning Indonesian banking industry in 2019 up to June 2020. This booklet is expected to enable the users to obtain information concerning direction of the banking policies in 2020 as well as regulations in the banking sector issued by the Otoritas Jasa Keuangan/OJK (Financial Services Authority) amid the Covid-19 pandemic. As is known, the Covid-19 virus pandemic has hit almost all countries in the world which has impacted the economy of each country. As an institution that regulates and oversees the financial services industry, the OJK has a big role in taking measures to handle the economy affected by Covid-19, one of which is through the policies that have been issued as set out in this booklet.

Unlike the previous editions, the 2020 edition of the IBB is designed in different format and output to provide better ease for the users. We also include the use of QR Code technology in some contents in this IBB so that the users can easily get additional information about the contents being read.

We realize that there are yet shortcomings in the presentation of the 2020 IBB in terms of contents and format, however, we still hope that the information presented can yet provide optimal benefits to the users. The users’ inputs and views on this IBB will enable further enhancement in the next edition of the IBB.

Jakarta, October 2020

Department of Banking Licensing and Information
Indonesia Financial Services Authority
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Chapter 01 About the Financial Services Authority
Indonesia Financial Services Authority/Otoritas Jasa Keuangan (OJK) is an independent institution and free from interferences by other parties which has functions, tasks, and authorities of regulation, supervision, on-site supervision, and investigation of the Financial Services Sector (FSS) as referred to the Law of the Republic of Indonesia Number 21 of 2011 on Financial Services Authority.
About the Financial Services Authority

Vision

To become a supervising agency of the financial services industry, which is trustworthy, protects the interests of consumers and public, and able to develop the financial services industry into a national economic pillar that has global competitive power as well as able to advance public welfare.

Mission

1. To realize the establishment of all activities in the financial services sector in an orderly, fair, transparent, and accountable manner.

2. To realize a financial system that grows in a sustainable and stable manner.

3. To protect the interests of consumers and public.
OJK has the function of establishing an integrated system of the regulation and supervision of overall activities in the FSS. In addition, OJK performs the task of regulation and supervision of:

- Financial service activities in the Banking sector;
- Financial service activities in the Capital Market sector; and
- Financial service activities in the Insurance, Pension Fund, Financing Institution, and other Financial Service Institution (FSI) sectors.
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Financial service activities in the Insurance, Pension Fund, Financing Institution, and other Financial Service Institution (FSI) sectors.

**OJK’s Functions and Tasks**

**Chapter 01**

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**Integrity**
means acting in an objective, fair, and consistent manner in accordance with the code of ethics and organizational policies by upholding honesty and commitments.

---

**Inclusivity**
means being open to and accepting diverse stakeholders as well as widening public’s opportunities and access to the financial industry.

---

**Professionalism**
means working with full responsibility based on high competence to achieve the best performance.

---

**Visionary**
means having extensive insight and foresight (forward looking) as well as thinking out of the box.

---

**Synergy**
means undertaking productive and quality collaboration with all stakeholders, both internal and external.
OJK’s Organization

OJK is led by the Board of Commissioners comprising nine members appointed by a Presidential Decree and has a collective and collegial nature, with the following membership arrangement:

1. Wimboh Santoso, SE., MSc., Ph.D
   Chairman of the Board of Commissioners of the Financial Services Authority

2. Ir. Nurhaida, MBA
   Vice Chairman of the Board of Commissioners of the Financial Services Authority concurrently Chairman of Ethics Committee

3. Heru Kristiyana SH., MM
   Executive Head of Banking Supervision concurrently Member of the Board of Commissioners of the Financial Services Authority

4. Ir. Hoesen, MM
   Executive Head of Capital Market concurrently Member of the Board of Commissioners of the Financial Services Authority

Figure 1.1. Composition of OJK Board of Commissioners OJK 2017-2022
Chapter 01

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   Executive Head of Banking Supervision concurrently Member of the Board of Commissioners of the Financial Services Authority

4. Ir. Hoesen, MM
   Executive Head of Capital Market concurrently Member of the Board of Commissioners of the Financial Services Authority

5. Riswinandi
   Executive Head of Non-Bank Financial Institutions Supervision concurrently Member of the Board of Commissioners of the Financial Services Authority

6. Drs. Ahmad Hidayat, Akt.CA. MBA
   Executive Head of Audit Board concurrently Member of the Board of Commissioners of the Financial Services Authority

7. Tirta Segara, SE., MBA
   Member of the Board of Commissioners of the Financial Services Authority in charge of Consumer Education and Protection

8. Dody Budi Waluyo, SE., MBA
   Senior Deputy Governor, Ex-officio Member of OJK Board of Commissioners from Bank Indoensia

9. Suahasil Nazara, SE., MSc., Ph.D
   Senior Deputy Governor, Ex-officio Member of OJK Board of Commissioners from Ministry of Finance
OJK’s Organization Structure

Figure 1.2. OJK’s Organization Structure

BOARD OF COMMISSIONERS

EXECUTIVE OF OPERASIONAL ACTIVITIES

Shared Function

About the Financial Services Authority

Indonesia Financial Services Authority

OJK’s ex-officio’s Commissioners from Bank Indonesia

OJK’s ex-officio’s Commissioners from Ministry of Finance

About the Chairman of Audit Board

About the Member in charge of Consumer Protection

About the Member in charge of Education and Financial Services

About the Member in charge of Capital Market

About the Member in charge of Non-Bank Financial Industry
OJK’s Organization Structure

Figure 1.2.

OJK’s Organization

EXECUTIVE OF OPERATIONAL ACTIVITIES

- ADK (Board of Commissioners)
- SCOM (Strategic Committee)
- DKSK (Deputy Commissioner for Financial System Stability)
- DSVL (Surveillance Department)
- GRKTI (Integrated Financial Services Sector Policy Group)
- GDST (Integrated Data Management and Statistics Group)
- DKPS (Deputy Commissioner Penyidikan, Organisasi, dan SDM)
- DOSM (Organizational and Human Resources Department)
- DPJK (Financial Services Sector Investigation Department)
- DKMS (Deputy Commissioner for Public Relations and Logistic)
- DSHM (Board of Commissioners Secretariat and Public Relations Department)
- DMSP (Strategic and Change Management Department)
- DLOG (Logistics Department)
- DKIR (Deputy Commissioner for International and Research)
- DINT (International Department)
- DRJK (Financial Services Sector Research Department)
- GPUT (Anti Money Laundering - Combating the Financing of Terrorism Group)
- DKIK (Deputy Commissioner for Information System and Financial)
- DKHK (Deputy Commissioner for Legal and Investigation)
- DPSI (Information System Management Department)
- DKEU (Financial Department)
- DDKK (Legal Department)
- GPHK (Financial Services Sector Legal Research and Development Group)
- DKID (Deputy Commissioner for OJK Institute and Digital Financial)
- OJKI (OJK Institute)
- GKD (Digital Financial Innovation Group)
- DKAII (Deputy Commissioner for Internal Audit, Risk Management, and Quality Assurance)
- DPAI (Internal Audit Department)
- DRPK (Risk Management and Quality Assurance Department)
- GPAF (Anti Fraud Handling Group)
- DKEP (Deputy Commissioner for Education and Consumer Protection)
- DPLK (Consumer Protection Department)
- DLK (Financial Literacy and Inclusion Department)
- DKBII (Deputy Commissioner for Banking Supervision I)
- DKBII (Deputy Commissioner for Banking Supervision II)
- DKBIII (Deputy Commissioner for Banking Supervision III)
- DKBIV (Deputy Commissioner for Banking Supervision IV)
- DPNP (Banking Research and Regulation Department)
- DPIP (Banking Licensing and Information Department)
- DPSS (Sharia Banking Regulation and Licensing Directorate)
- DKPK (Banking Supervision Quality Control Department)
- DPKM (Supervision and Crisis Management Development Department)
- DKSIP (Banking Special Inspection Department)
- DPBP (Bank Supervision Department 1)
- DPBP (Bank Supervision Department 2)
- DPBP (Bank Supervision Department 3)
- DPBS (Sharia Bank Supervision Department)
- KOJK (OJK Office)
- KR (OJK Regional Office)
- DKMII (Deputy Commissioner for Capital Market Supervision I)
- DKMII (Deputy Commissioner for Capital Market Supervision II)
- DPMI (Capital Market Supervision Department 1A)
- DPMII (Capital Market Supervision Department 1B)
- DPMIII (Capital Market Supervision Department 2A)
- DPMIV (Capital Market Supervision Department 2B)
- DKII (Deputy Commissioner for Non-Bank Financial Industry Supervision I)
- DKII (Deputy Commissioner for Non-Bank Financial Industry Supervision II)
- DP11 (Non-Bank Financial Industry Supervision Department 1A)
- DP12 (Non-Bank Financial Industry Supervision Department 1B)
- DP13 (Non-Bank Financial Industry Supervision Department 2A)
- DP14 (Non-Bank Financial Industry Supervision Department 2B)
Chapter 01

B. Banking

Based on Act of The Republic Indonesia number 10 of 1998 concerning Amendments to Act number 7 of 1992 concerning Banking, banking is everything related to banks, including institutions, business activities, as well as ways and processes in carrying out their business activities.

Definition

1. **Bank** are business entities that collect funds from the public in the form of deposits and channels the funds to the public in the form of credits and/or other forms for the purpose of enhancing the living standard of the community.

2. **Conventional Bank (CB)** are banks that conduct business activities based on conventional principles and based on the type, there are Conventional Commercial Banks and Conventional Rural Banks.

3. **Conventional Commercial Banks (CCB)** are Conventional Banks that provide services related to payment flows.

4. **Rural Banks (RB)** are banks that not provide services related to payment flows.

5. **Islamic Bank (IB)** are banks that conduct business activities based on Sharia Principles.

6. Based on the types, there are Islamic Commercial Banks and Islamic Rural Banks.

7. **Islamic Commercial Banks (ICB)** is Islamic Banks that provides services related to payment flows.

8. **Islamic Rural Banks (IRB)** is Islamic Banks that not provides services related to payment flows.

9. **Islamic Business Unit (IBU)** is a working unit from head office of Conventional Commercial Banks that operates as a parent office from units that conducts business activities based on Sharia Principles, or working unit in branch offices from overseas bank that conducts conventionally business activities that operates as a parent office from sub-branch office and/or islamic business unit.

10. **Sharia Principles** are Islamic law principles in banking activities based on fatwa (legal decisions) issued by an institution that has the authority to determine fatwa in the field of sharia.
5. **Islamic Bank (IB)** are banks that conduct business activities based on Sharia Principles. Based on the types, there are Islamic Commercial Banks and Islamic Rural Banks.

6. **Islamic Commercial Banks (ICB)** is Islamic Banks that provides services related to payment flows.

7. **Islamic Rural Banks (IRB)** is Islamic Banks that not provides services related to payment flows.

8. **Islamic Business Unit (IBU)** is a working unit from head office of Conventional Commercial Banks that operates as a parent office from units that conducts business activities based on Shari Principles, or working unit in branch offices from a overseas bank that conducts conventionally business activities that operates as a parent office from sub-branch office and/or islamic business unit.

9. **Sharia Principles** are Islamic law principles in banking activities based on fatwa (legal decisions) issued by an institution that has the authority to determine fatwa in the field of sharia.
Chapter 01

BANKING

CONVENTIONAL BANK

CONVENTIONAL COMMERCIAL BANKS (CCB)

RURAL BANKS (RB)

ISLAMIC BANK

ISLAMIC COMMERCIAL BANKS (ICB)

ISLAMIC RURAL BANKS (IRB)

ISLAMIC BUSINESS UNIT (IBU)
Business Activities of the Bank

1. Business Activities that can be undertaken by any CB are:

a. Collect funds from public in the form of deposits, comprising demand deposits (giro), term deposits, certificates of deposit, savings deposits, and/or other equivalent forms;

b. Extending credits;

c. Issuing promissory notes;

d. Buying, selling, or guaranteeing at own risks as well as for the interests and at the instructions of its customers, in the forms of:

1) Drafts/bills of exchange, including drafts accepted by banks, which validity periods are no longer than the norm in the trading of referred drafts;

2) Promissory notes and other commercial papers which validity periods are no longer than the norm in the trading of referred notes;

3) State treasury bills and government securities;

4) Certificates of Bank Indonesia (SBI)

5) Bonds;

6) Commercial papers with maturity periods of up to one year; and

7) Other commercial paper instruments with maturity periods of up to one year.

e. Transferring money both for own interest as well as for the interests of customers;

f. Placing funds at, borrowing funds from, or lending funds to other banks, using notes, telecommunication facilities, as well as sight drafts, checks, or other facilities;

g. Receiving payments from claims on securities and making settlements with or between third parties;

h. Providing deposit boxes for safe keeping of goods and securities;

i. Undertaking custodial activities for the interests of other parties based on contracts;
j. Undertaking fund placements from customers to other customers in the form of securities not listed at the stock exchanges;
k. Undertaking factoring activities, credit card business, and trust activities;
l. Providing financing and/or undertaking other activities based on Sharia Principles, in accordance with prevailing regulations;
m. Conducting other activities commonly undertaken by banks as long as they are not in conflict with the Act concerning Banking and other prevailing legislations;
n. Conducting activities in foreign currencies by complying with prevailing regulations;
o. Undertaking capital participation activities at other banks or companies in the financial field, such as leasing business,
venture capital, security company, insurance, as well as settlement and custodial clearing institution, by complying with prevailing regulations;

p. Conducting temporary capital participation activities to resolve the impact of credit failure or financing failure based on Sharia Principles, with the requirement to withdraw its participation, by complying with prevailing regulations;

q. Conducting bank business activities in the form of custodianship with management/trust.

2. Business Activities that can be undertaken by any SCB and any Sharia Business Unit (SBU) are:

a. Collecting funds in the form of Deposits, comprising Demand Deposits (Giro), Savings Deposits, or other equivalent forms based on wadi’ah agreement or other agreement that are not in conflict with Sharia Principles;

b. Collecting funds in the form of investments, comprising Deposits, Savings Deposits or other equivalent forms based on mudharabah agreement or other equivalent agreement that are not in conflict with Sharia Principles;

c. Channeling yield-sharing financing based on mudharabah agreement, musyarakah agreement, or other agreement that are not in conflict with Sharia Principles;

d. Channeling financing based on murabahah agreement, salam agreement, istishna agreement, or other agreement that are not in conflict
with Sharia Principles;

e. Channeling financing based on *qardh* agreement or other agreement that are not in conflict with Sharia Principles;

f. Channeling financing for leases of movable or immovable properties to customers based on *ijarah* agreement and/or lease purchase in the form of *Ijarah Muntahiya Bittamlik* (IMBT) or other agreement that are not in conflict with Sharia Principles;

g. Undertaking debt take-overs based on *hawalah* agreement or other agreement that are not in conflict with Sharia Principles;

h. Undertaking debit card and/or financing card businesses based on Sharia Principles;

i. Buying, selling or guaranteeing at own risks third-party securities issued based on real transactions and Sharia Principles, such as among others *ijarah*, *musyarakah*, *mudharabah*, *murabahah*, *kafalah*, or *hawalah* agreement;

j. Buying securities based on Sharia Principles issued by the government and/or BI;

k. Receiving payments from claims on securities and making settlements with or between third parties based on Sharia Principles;

l. Conducting deposit for other parties based on agreement in Sharia Principles (especially for Islamic Commercial Banks);

m. Providing deposit boxes for safe keeping of goods and securities based on Sharia Principles;

n. Transferring money, both for own interest as well as for the interests of customers based on Sharia Principles;

o. Undertaking the function of trustee based on *wakalah* agreement;

p. Providing letter of credit or bank guarantee facilities based on Sharia Principles;

q. Providing ICB other products or undertaking other activities that are based on Sharia Principles.
k. Receiving payments from claims on securities and making settlements with or between third parties based on Sharia Principles;

l. Conducting deposit for other parties based on agreement in Sharia Principles (especially for Islamic Commercial Banks);

m. Providing deposit boxes for safe keeping of goods and securities based on Sharia Principles;

n. Transferring money, both for own interest as well as for the interests of customers based on Sharia Principles;

o. Undertaking the function of trustee based on wakalah agreement;

p. Providing letter of credit or bank guarantee facilities based on Sharia Principles;

q. Providing ICB other products or undertaking other activities that are based on Sharia Principles.

3. In addition to activities referred to in number two above, business activities listed below can only be conducted by SCB and Sharia Business Unit (SBU), namely:

a. conducting foreign exchange activities based on Sharia Principles;

b. conducting capital participation activities at other ICB or financial institutions that conduct business activities based on Sharia Principles;

c. conducting temporary equity participation to overcome due to the failure of financing based on Sharia Principles, by term of withdrawing the participation;

d. acting as the founder and management of pension funds based on Sharia Principles; and

e. do activities in the market capital as long as it’s not contrary to the Sharia Principle and regulatory provisions legislation in the field capital market.
f. organizing activities or bank products based on Sharia Principles using electronic facilities

g. issuing, offering, and trading in long-term securities based on Sharia Principles through the capital market, both directly as well as indirectly;

h. issuing, offering, and trading in long-term securities based on Sharia Principles through the capital market, both directly as well as indirectly (ICB only) and

i. provide products or conduct other ICB business activities based on Sharia principles.

5. Business Activities that can be undertaken by a SRB are:

a. Collecting funds from the public in the form of:
   1) Deposit in the form of savings deposit or equivalent forms based on *wadi’ah* agreement or other agreement that are not in conflict with Sharia Principles; and
   2) Investment in the form of a term deposit or savings deposit or other equivalent forms based on *mudharabah* agreement or other agreement that are not in conflict with Sharia Principles.

b. Channeling funds to the public in the forms of:

4. Business Activities that can be undertaken by a RB are:

a. Accumulation of funds from the public in the form of deposits, comprising term deposits, savings deposits, and/or other equivalent forms;

b. Extending credits;

c. Providing financing and/or fund placements based on Sharia Principles, in accordance with regulations set by Bank Indonesia; and
d. Undertaking fund placements in the forms of Certificates of BI, term deposits, certificateS of deposits and/or savings depositions at other banks.
1) Yield-sharing financing based on *mudharabah* or *musyarakah* agreement;

2) Financing based on *murabahah*, *salam*, or *istishna* agreement;

3) Financing based on qardh agreement;

4) Financing for leases of movable or immovable properties to customers based on *ijarah* agreement or lease purchase in the form of IMBT; and

5) Debt taken-over based on *hawalah* agreement.

c. Fund placements at other sharia banks in the form of trusts based on wadi’ah agreement or investments based on *mudharabah* agreement and/or other agreement that are not in conflict with Sharia Principles;

d. Transferring money, both for own interest as well as for the interests of customers, through the accounts of the IRB existing at ICB, CCB, and SBU; and

e. Providing other products or undertaking other activities of sharia banking in accordance with Sharia Principles based on OJK’s approvals

6. Business Support Activities

Business support activities are other activities conducted by banks outside bank business activities. These business support activities are related to human resources, risk management, compliance, internal audit, accounting and finance, Information Technology (IT), logistics and security.
Business Activities Prohibited For Banks

1. CB are prohibited from conducting the following business activities:
   - a. Undertaking capital participation, except when related to the activities referred to in Business Activities of the Bank number 1 letter o and p in the explanation on CB Business Activities;
   - b. Conducting insurance business; and
   - c. Undertaking other businesses outside business activities referred to in Business Activities of the Bank number 1.

2. ICB and IBU are prohibited from conducting the following business activities:
   - a. Conducting business activities that are in conflict with Sharia Principles;
b. Conducting activities of selling and buying shares directly in the capital market;

c. Undertaking capital participations, except:
   1) Conducting capital participation activities at a ICB or Financial Institution that conducts business activities based on Sharia Principles and conducting temporary capital participation activities to resolve the impact of financing failure based on Sharia Principles, with the requirement to withdraw its participation (specifically for ICB); and
   2) Conducting temporary capital participation activities to resolve the impact of financing failure based on Sharia Principles, with the requirement to withdraw its participation (specifically for IBU);

d. Conducting insurance business activities, except as a marketing agent of sharia insurance products.
RB are prohibited from conducting the following business activities:

a. Receiving deposits in the form of demand deposits (giro) and participating in payment flow;

b. Conducting business activities in foreign currencies except as a Foreign Currency Trader with OJK’s approval;

c. Undertaking capital participations;

d. Undertaking insurance business; and

e. Undertaking other businesses outside those referred to in Business Activities of the Bank number 4.
SRB are prohibited from conducting the following business activities:

a. Conducting business activities that are in conflict with Sharia Principles;

b. Receiving deposits in the form of demand deposits (giro) and participating in payment flow;

c. Conducting business activities in foreign currencies except in foreign currency exchanges with OJK’s approval;

d. Conducting insurance business activities, except as a marketing agent of sharia insurance products;

e. Undertaking capital participations, except in institutions established for overcoming liquidity problems of IRB; and

f. Undertaking other businesses outside business activities of SRB referred to in Business Activities of the Bank number 5.
Chapter 02

OJK’s Authority to the Banking Industry
A. OJK’s Authority to the Banking Industry

Based on Law of The Republic of Indonesia number 21 of 2011 concerning OJK, in relation to the implementation of the tasks concerning regulating and supervising of the banking sector, OJK has the following authorities:

**The right to license is an authority (right to license)** to set the procedures for bank licensing and establishment, which covers the granting and revocation of bank business licenses, granting of permits for opening, closing, and transferring bank offices, granting of approvals on bank ownership and management, granting of licenses to banks for conducting certain business activities.

**The right to regulate** is an authority to set regulations concerning banking business aspect and activities for the purpose creating a sound banking industry that is able to provide banking services desired by the public.
The right to control involves:

a. On-site supervision, which comprises general examination and specific examination, with the objective of obtaining a picture of bank financial situation and monitoring bank compliance level to prevailing regulations, as well as finding out whether there are unsound practices that endanger bank business sustainability; and

b. Off-site supervision, which is supervision using monitoring tools such as periodic reports submitted by banks, reports of examination results, and other information.
The right to impose sanction is the authority to impose sanctions in accordance with the provisions of legislations on a bank when the bank does not fully comply or does not comply with regulations. This action contains an element of nurturing so that banks operate in accordance with sound banking principles.

The right to investigate in accordance with the law gives OJK the authority to perform investigations within the FSS, including in the banking sector. Investigations shall be conducted by investigators in Republic of Indonesia’s Police and Civil Servant officers in OJK. Results of investigations shall be submitted to public prosecutors for prosecutions.
Authority to conduct consumer protection, which is the authority to conduct consumer protection in the form of prevention of consumer and society losses, consumer complaint services, and legal defense.
B. Bank Supervision

In carrying out bank supervision task, at present OJK runs its supervision system by using two approaches, namely:

1. **Compliance Based Supervision (CBS),**

   which is based on the monitoring of bank compliance to regulations that are related to bank operation and management in the past with the objective of ensuring that properly and correctly in accordance with prudential principle. Supervision on the fulfilment of the compliance aspect is an integral part of the implementation of risk based bank supervision; and

2. **Risk Based Supervision (RBS),**

   is bank supervision that uses risk-based strategies and methodologies that enable bank supervisors to detect significant risks at early stage and take appropriate and timely supervisory measures.
Bank risk-based supervision/examination is performed on the following types of risks:

**Credit Risk**
Risk that arises from failure on the part of a counterparty in meeting its obligation.

**Market Risk**
Risk that arises from a movement in market variables (adverse movement) in a portfolio owned by bank that can cause a loss to the bank. Market variables are among others interest rate and exchange rate.

**Operational Risk**
Risk that is due to inadequate and/or non-functioning internal process, human error, system failure, or existence of an external problem that influences bank operation.
Chapter 02

Legal Risk
Risk that is due to the existence of weaknesses in the juridical aspect. Juridical aspect weaknesses are caused among others by the existence of lawsuits, absence of supporting legislations or weaknesses in the agreements such as unfulfilment of agreement validity requirement or flawed collateral agreement.

Reputation Risk
Risk that is due to among others the existence of a negative publication related to bank business activities or negative perception on the bank.

Strategic Risk
Risk that is due to inaccuracy of a decision made and/or implementation of a strategic decision as well as a failure in anticipating changes in business environment.

Compliance Risk
Risk that is due to bank not complying or not executing the provisions of legislations and other prevailing regulations.
Rate of Return Risk
Risk arising from changes in rates of return paid by bank to the customers that are caused by changes in rates of return received by bank from funds channeling, which can influence the behavior of third-party fund customers of the bank.

Investment Risk
Risk arising from the situation in which bank participates in bearing customer business losses financed in a yield-sharing based financing, those using the net revenue sharing method as well as those using the profit and loss sharing method.

Intra-group transaction risk
Risk that is due to dependency of one entity, directly or indirectly, on another entity in the same financial conglomerate for the purpose of fulfilling obligations under written as well as unwritten agreements, whether followed and/or not followed by fund transfers.

Insurance Risk
Due to the failure of insurance companies to fulfill obligations to policyholders as a result of insufficient risk selection processes (underwriting), premium setting(pricing), reinsurance use, and/or claim handling.
Table 2.1. Matrix of Implementation of Risk Based Supervision to Bank and Conglomerates

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Risk</th>
<th>CCB</th>
<th>SCB/SBU</th>
<th>Conglomerates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Credit Risk</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>2</td>
<td>Market Risk</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>3</td>
<td>Liquidity Risk</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>4</td>
<td>Operational Risk</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>5</td>
<td>Legal Risk</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>6</td>
<td>Reputation Risk</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>7</td>
<td>Strategic Risk</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>8</td>
<td>Compliance Risk</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>9</td>
<td>Rate Return Risk</td>
<td>-</td>
<td>✔</td>
<td>-</td>
</tr>
<tr>
<td>10</td>
<td>Equity Investment Risk</td>
<td>-</td>
<td>✔</td>
<td>-</td>
</tr>
<tr>
<td>11</td>
<td>Intra – group Transaction Risk</td>
<td>-</td>
<td>-</td>
<td>✔</td>
</tr>
<tr>
<td>12</td>
<td>Insurance Risk</td>
<td>-</td>
<td>-</td>
<td>✔</td>
</tr>
</tbody>
</table>

Information:
CCB: Conventional Commercial Banks; SCB: Sharia Commercial Banks; SBU: Sharia Business Unit
Banks, as intermediation institutions, are often used as the vehicles and/or targets for the unlawful enrichment of selves, family members, or certain groups which can ultimately lead to the banks experiencing structural problems. Such actions can be done either by Members of the Board of Commissioners and Board of Directors, employees, affiliated parties, owners / shareholders of the bank, or other parties, in which, if no preventive measures (to prevent the recurrence of such actions) and repressive measures (on parties proven to have committed such actions) are taken, may cause a decline in the level of public confidence in the banking system.

Act No. 21 of 2011 concerning Otoritas Jasa Keuangan has given a mandate to OJK on the regulation and supervision of banks. In performing bank supervision task, OJK may find deviations from banking regulations, both those of administrative nature as well as those that have indications of banking criminal offenses. The handling of deviations from banking regulations that have indications of banking criminal offenses need to be made cautiously in order to avoid impacts that might
influence bank reputation and for the purpose of creating a banking system that is sound, which in turn supports financial system stability. Information on deviations from banking regulations that have indications of banking criminal offenses may come from results of bank supervision and/or other parties. In the event the handling of these deviations needs to be followed up with investigations, the investigations will be conducted on the bank’s affiliated parties and/or other parties that use the bank as a vehicle and/or target. In addition, OJK has the authority to impose administrative sanctions on banks in accordance with prevailing legislations.

The investigation methodology used for finding out deviations that have occurred and the related parties as well regulations that have been violated involves among others:

**Figure 2.2. Steps of Investigation Methodology**

1. Undertaking of a research of preliminary supporting documents and information received to identify quality and quantity of the suspected banking criminal offenses that have occurred;

2. Undertaking of meetings/clarification sessions/interviews with the Board of Directors, bank officers/staff or other parties

3. Undertaking on the spot check of the object of the investigation.

4. Collecting additional supporting documents related to the indications of suspected banking criminal offenses.
In accordance with the formulation of banking criminal offences stipulated in Articles 46 up to 50A of Act No. 7 of 1992 concerning Banking as amended by Act No. 10 of 1998 or Article 59 up to 66 of Act No. 21 of 2008 concerning Sharia Banking, deviations from banking regulations that have indications of banking criminal offenses are differentiated in their relation to:

**Figure 2.3.** Examples of deviations from banking regulations that have indications of banking criminal offenses.

- Enforcing bank or affiliated parties to provide explanations concerning deposit customers and their deposits without a written instruction or approval from OJK
- Providing explanations that should be kept confidential including among others bank obligation to submit to OJK information and explanations on their businesses and obligations.

- False recording, deliberate elimination of or omission to make records in the accounting books, as well as obscuring, changing, hiding, deleting, or elimination records from accounting books
- Requesting or accepting, approving or permitting to receive a reward for personal gain in carrying out bank operational activities;
- Neglecting to take measures necessary for ensuring bank's compliance to the provisions of prevailing legislations
- Giving instruction for the execution or non-execution of actions that cause bank not performing steps necessary for ensuring bank’s compliance to the provisions of prevailing legislations.

including among others accumulation of funds from the public in the form of deposits without the approval of OJK.

When the investigation results find the existence of suspected banking criminal offences that have been made by affiliated parties and/or other parties, the cases are further handed over to OJK’s work unit that performs the investigation task.
D. Bank Investigation

As mandated in Article 9 of Act No. 21 of 2011 concerning Otoritas Jasa Keuangan, in order to perform the supervision task, OJK has the authority to undertake investigations on FSIs, actors, and/or financial service support activities as referred to in legislations prevailing in the FSS.

OJK’s Investigators are Investigation Officers of the Republic of Indonesia’s Police and/or Civil Servant Officers who are given special authority as Investigators, who are employed at OJK in order to perform investigations of criminal offences within the FSS in accordance with Act No. 21 of 2011 concerning OJK.

OJK’s involvement in the Task Force for Investment Alert

In order to create effective coordination between supervisory institutions in the field of public fund accumulation and investment management as well as with other law enforcement officers, regulators, supervisory

Task Force for Investment Alert in 2018

- Indonesia Financial Services Authority
- Ministry of Trade
- Ministry of Communication and Informatics
- Ministry of Cooperatives Small and Medium Enterprises
- Indonesian Investment Coordinating Board
- Ministry of Religious Affairs
- Ministry of Education and Culture
- Ministry of Home Affairs
- Ministry of Research, Technology, and Higher Education
- Indonesian Financial Transaction Reports and Analysis Centre
- Attorney General of Indonesia
- Bank Indonesia
- Indonesian National Police
Institutions, and law enforcers have established Task Force for Investment Alert/Satgas Waspada Investasi (SWI) through Chairman of Capital Market and Financial Institution Supervisory Agency Decree Number Kep-208/BL/2007 dated 20 June 2007 for 2007 work period that is renewed annually.

After the handover of the tasks and functions of the Capital Market and Financial Institution Supervisory Agency to OJK, Chairman of Capital Market and Financial Institution Supervisory Agency Decree Number Kep-208/BL/2007 dated 20 June 2007 was superseded by OJK’s Board of Commissioners Decree Number 01/KDK.04/2013 dated 26 June 2013.

In 2020, the SWI membership was re-established through the Decree of the OJK Board of Commissioners Number 2 / KDK.02 / 2020 dated March 3, 2020 concerning the Task Force for Handling of Suspected Unlawful Actions in the Field of Public Fund Accumulation and Investment Management. Based on the Decree of the Chairman of the Board of Commissioners, OJK is mandated to carry out the task as Chairman of SWI.

Establishment of SWI Regional Work Teams

The rise of activities in public fund accumulation and investment management without permits or misuses of licenses that have occurred in different regions in Indonesia necessitates the establishment of SWI Regional Work Teams in order to ensure optimum, efficient, and quick responses by SWI Regional Work Teams on complaints and/or reporting from the public.

SWI Regional Work Teams are tasked to inventorize and analyze cases of suspected illegal investments as well as undertake coordination with related agencies in accordance with the fields, including the possibility of joint investigations and reporting to local police offices.

The establishment of SWI Regional Work Teams is expected to give benefits not only to certain groups but also to FSI and the Public.
**Figure 2.4. Benefits of SWI Regional Work Teams**

<table>
<thead>
<tr>
<th>Benefits for FSI</th>
<th>Benefits for the public</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Revive public interest and trust in financial service products being offered</td>
<td>• The public can more quickly obtain information related to activities of</td>
</tr>
<tr>
<td>• Increase income, both from the side of third-party funds as well as the side</td>
<td>unlawful accumulation of public funds and investment management</td>
</tr>
<tr>
<td>of lending, and thus support economic growth.</td>
<td>• Reduce the potential for losses due to less effective handling</td>
</tr>
<tr>
<td></td>
<td>• Provide ease to the public in lodging reports and/or questions related to</td>
</tr>
<tr>
<td></td>
<td>activities of fund accumulation and investment management without</td>
</tr>
<tr>
<td></td>
<td>permits and have loss potential</td>
</tr>
<tr>
<td></td>
<td>• Avoidance from investment activities on unclear financial instruments</td>
</tr>
</tbody>
</table>

Accessing and submitting information related to illegal investments can be made through:

- **Website**: [waspadainvestasi.ojk.go.id](http://waspadainvestasi.ojk.go.id)
- **Email**: waspadainvestasi@ojk.go.id
- **Telephone**: 157
Activities that have been carried out by the Task Force for Investment Alert (TFIA) from January up to June 2020 are as follows:

**1. Prevention**

a. Education, dissemination, and briefing for the Regional Working Teams of the Task Force for Investment Alert (TFIA) Education, dissemination and briefing activities that have been carried out for the TFIA's Regional Working Teams include the following:

1) **Education and Dissemination**

The TFIA has conducted dissemination activities in 6 cities, namely Jakarta, Pekanbaru, Surabaya, Semarang, Medan, Bali.

The level of understanding of the dissemination participants reached 5.84 on a scale of 1 (one) to 6 (six).

**Figure 2.5.** Level of Understanding of Participants in the Disseminations held by Task Force for Investment Alert

<table>
<thead>
<tr>
<th>Level of Understanding (Scale 0 - 6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jakarta</td>
</tr>
<tr>
<td>5.89</td>
</tr>
</tbody>
</table>
2) Briefing for TFIA’s Regional Working Teams

In order to provide the same direction and establish the same understanding regarding task execution for the TFIA’s Regional Working Teams, the Task Force for Investment Alert (TFIA) has held briefing activities for members of the TFIA’s Regional Working Teams in 9 (nine) regions based on invitations from the regions’ Regional Offices/OJK Offices.

3) Public Lectures

The TFIA has held public lectures for students at various universities in the regions, either directly or via video conferences during the COVID-19 pandemic period at several cities including Jakarta, DI Yogyakarta (Yogyakarta Special Region), Pontianak, Medan, Tasikmalaya, Malang, and Kendari. This activity constitutes part of the education to the public concerning illegal investments. Realization of this activity has exceeded the planned target.

4) Resource Persons

The TFIA has acted as a resource person in the dissemination activities concerning illegal investment alert at several regions organized by relevant agencies, including the Police, media, and ministries.

5) Investment Alert Booth

The TFIA also provides services concerning complaint handling consultations, and disseminations on various issues related to illegal investments, fintech lending and private pawning to the public.

6) Education through Videotron or Outdoor Media

Collaboration in displaying videotrons belonging to the DKI Jakarta Provincial Government’s Department of Communication and Informatics.
2. Handling

a. Coordination carried out by TFIA up to June 2020

Prior to discussion meetings, the TFIA Secretariate conducts studies and analyses on the questions and/or complaints lodged by the public to the TFIA, which results can be as follows:

1) There have been no violations of the provisions;
2) The allegations concerning regulatory violations fall under the authority of any member of the TFIA; or
3) The allegations concerning regulatory violations need to be jointly handled, because they are related to cross-authority violations.

b. Number of the handling of entities that have carried out investment activities against the law

During 2019 up to June 2020, the TFIA has terminated 503 illegal investment entities, 93 illegal pawning entities, and 2,082 illegal peer-to-peer lending fintech entities.
Figure 2.6. Trend of Entity Handled by the TFIA in 2019

![Bar Chart]

Notes on Others comprise:
- Unlicensed offers and investments such as Franchise/E-Commerce/E-Mall/Technology Networking, Crowdfunding with life insurance, Umrah travel packages and Umrah organizers, Sharia Banks/Sharia Savings and Loans Cooperative, debt bailout funds, debt repayment, dropship supplier, online shop course, payment agent, online business education, credit card closing service, money game scheme offers, Issuance of ATM cards, Anti-Usury Speakers and Go Private Consultants, Jabon trees, agarwood (Gaharu) trees, gold and diamonds, cooperatives, shares, properties, plantations, EzyCloud application, weaver ant livestock partnerships, money on behalf of the Valbury Group, advertising applications, Equity Crowdfunding, Online arisan (informal rotating savings and credit association) that is suspected of being fraudulent, Mentoring on Anti-Usury Business, Coal trading and mining, investment managers.

Table 2.2. Number of Public Complaints via E-Mails January 2019 up to June 2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Illegal Investments</th>
<th>Illegal P2P</th>
<th>Illegal Pawning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reports</td>
<td>Entities</td>
<td>Reports</td>
</tr>
<tr>
<td>2019</td>
<td>73</td>
<td>20</td>
<td>8,271</td>
</tr>
<tr>
<td>2020 (up to 30 Juni 2020)</td>
<td>5</td>
<td>4</td>
<td>1,740</td>
</tr>
<tr>
<td>TOTAL</td>
<td>78</td>
<td>24</td>
<td>10,011</td>
</tr>
</tbody>
</table>
In regard the Legal Process for Illegal Investment Activities, the OJK has taken the following steps:

1. Preparation of Witness and Expert assistances
2. Establishment of a Special Task Force
3. Carrying out of investigations
4. Carrying out of assets trackings
5. Establishing a crisis center command post for handling complaints of victims of illegal investments
6. Preparation of Witness assistance
7. Joint Press Releases
8. Preparation of data required by the Police

The follow-up plans for the above steps are:

1. Monitoring of the trial processes
2. Preparation of witnesses and experts to be present in the trial processes
3. Continuing efforts to track assets
4. Collection of information, data and documents related to the investigation processes
5. Monitoring of the trial processes
6. Collection of information, data and documents related to the investigation processes
E. Integrated Supervision

1. Implementation of Article 5 of Act Number 21 of 2011 concerning OJK (Financial Services Authority)

OJK has the function of implementing an integrated regulatory and supervisory system for all activities in the financial services sector. In implementing the integrated supervision task, the OJK carries out a number of actions, including the holding of periodic Integrated Supervision Committee Meetings led by 3 (three) Members of the OJK’s Board of Commissioners who oversee supervisions of the Financial Service Institutions in the Banking, Capital Market, and Non-Bank Financial Institution sectors. The Integrated Supervision Committee Meetings discuss strategic issues related to integrated supervision, especially for Financial Conglomerates as well as other cross cutting issues. This is due to the significant role and influence of Financial Conglomerates on the national economy. In addition, coordination between cross-sector supervisors...
is getting more solid through intense exchanges of information, which enables supervisory actions to be carried out immediately.

The implementations of which are undertaken through:

**a. Integration of the regulation** of all FSIs from the Banking, Capital Market, and NBFI sectors.

OJK has made, is making, and will continue to make efforts to integrate financial services sector’s regulations that are cross-cutting. The integrated regulation, is the regulation that applies to at least two financial sectors and sectoral regulation that have significant impacts on other financial sectors. All this time, each type of financial service sectors has its own regulations. Some examples of regulations that have been integrated are OJK Regulation number 27/POJK.03/2016 concerning Fit and Proper Test For Main Parties In Financial Service Institutions and OJK Regulation number 13/POJK.03/2017 concerning Use of the Services of Public Accountants and Public Accounting Firms in Financial Service Activities

**b. Integration of the licensing** entire financial services sector through one door.
OJK is currently making effort to integrate licensing, namely the licensing services through one door supported by an information system. One of the systems that have been developed by OJK to support integrated licensing is the Sistem Perizinan dan Registrasi Terintegrasi (SPRINT). Currently, several types of licensing managed using SPRINT are Bancassurance, Agen Penjual Efek Reksa Dana/Mutual Fund Security Sales Agent (APERD), Registration of Public Accountants and Public Accounting Firms, and Sharia Bonds.

c. Integration of the supervision of all FSI

Integrated supervision by OJK has started with the implementation of the supervisions of several FSIs that are incorporated into conglomerates. In this regard, OJK has issued three regulations related to integrated supervision of Financial Conglomerates, namely:

1) OJK Regulation no. 17/POJK.03/2014 concerning Implementation of Integrated Risk Management For Financial Conglomerates;

2) OJK Regulation no. 18/POJK.03/2014 concerning Implementation of Integrated Management for Financial Conglomerates;

3) OJK Regulation no. 26/POJK.03/2015 concerning Integrated Minimum Capital Adequacy Requirement for Financial Conglomerates
In implementing the integrated supervision task, the OJK has carried out a number of actions, including the holding of Integrated Supervision Committee Meetings on a monthly basis led by 3 (three) members of the OJK’s Board of Commissioners who oversee the supervisions of Financial Service Institutions in the Banking, Capital Market, and Non-Bank Financial Institution sectors. The Integrated Supervision Committee Meetings discuss strategic issues related to integrated supervision, especially of Financial Conglomerates. This is due to the significant role and influence of the Financial Conglomerates on the national economy.

In accordance with OJK Regulation number 18/POJK.03/2014, a Financial Conglomerate (FC) comprises a number of Financial Service Institution (FSI) which are incorporated into one group due to ownership and/or control linkages. Based on the structures, FC can be divided into three types, as follows:

1) **Vertical Group**
   If there is clearly a direct relationship between the parent company and the subsidiary company and both are FSI.

2) **Horizontal Group**
   If there is no direct relationship between the FSI’s in one FC, however, these FSI’s are owned or controlled by the same party.

3) **Mixed Group**
   If there are a business group structure that is a vertical group as well as a horizontal group within one FC. An illustration of the differences between the three types of FC is presented in the figure below.

The illustration of the three types of Financial Conglomerates is shown in the figure below.
Figure 2.7. Illustration of Type of Financial Conglomeration

Information: (PSP: Ultimate Shareholders)
To conduct supervisions of FC, OJK has developed surveillance methods that include the Know Your Financial Conglomerate (KYFC), Integrated Risk Rating (IRR), and Integrated Supervisory Plan (ISP) to document the supervisor’s understanding of any FC, the FC’s risks, and supervisory strategy for the FC at group-wide level.
F. Roadmap Banking Industry

Roadmap for Indonesian Banking Development

Roadmap for Indonesian Banking Development/ Roadmap Pengembangan Perbankan Indonesia (RP2I) 2015 – 2019 covers development of Conventional Banks with the objective to ensure banking sector development runs in alignment with the vision of Indonesian development, to create Indonesia that is independence, advanced, just, and prosperous. Directions of the Indonesian banking industry’s development and strengthening incorporated in RP21 are designed to anticipate challenges that will face the banking industry, both at the domestic as well as global scales. RP21 has also been designed to yet observe opportunities for the banking industry which are Indonesia’s potentials and advantages in line with the effort to promote the national economy in order to achieve high and sustainable economic growth.

1. Indonesian Banking Opportunities and Challenges

Indonesia has a huge potential of growing and developing into an advance country in the future. This huge potential requires financing support from the whole FSS, including from the banking industry. In addition to this financing need on the domestic side, the potential for development comes from the region, namely implementation of the ASEAN Economic Community (AEC) and existence of Foreign Bank Branch Offices (FBBO) or banks with foreign ownerships that can create
opportunities in supporting the national economic growth. Furthermore, in this era of rapid IT development, financial technology also has a significant role in the future development of the banking industry.

2. Policy Direction for Medium Term Banking Development 2015 – 2019

Things that will be the focus of OJK in development of the banking industry in the medium term and that are expected to be able to respond to changes in the internal and external environments of the banking industry are among others:

a. Optimizing the role of banks in the effort to support food security, energy and other priority sectors, financing of certain economic sectors, as well as development and implementation of sustainable funding principles;

b. Enhancement of bank ownership structure in support of sustainable economic development. This is in line with developments of governance and risk management as well as international standard implementation, from the sides of regulations, reporting, and supervision;

c. Implementation of risk based integrated supervision by: (i) undertaking supervision on conglomerate companies in order to early detect risks that can arise in the financial services system; (ii) developing and implementing risk based
supervision mechanism; and (iii) stepping up investigations of professional compliance and compliance of the supporting institutions;

d. Strengthening of crisis management protocol and inter-institution coordination through enhancement of the mechanism for prevention and handling of crisis, enhancement of recovery and resolution plan, and enhancement of inter-institution coordination in relation to the handling of financial crisis;

e. Discussion concerning the reciprocity principle applicable for Indonesian banks to expand their service reach in the ASEAN region and mechanism for dispute settlement in anticipation of the emergence of cross-border disputes between ASEAN countries. In anticipation of the rise in competition against banks from other ASEAN countries, OJK has encouraged the national banks to enhance their capacities, in terms of capital as well as infrastructure, through the consolidation process in order to have stronger competitiveness in the ASEAN financial market;

f. Development of microfinance products and/or services in accordance with business needs so that banks can support the increase in business funds access for MSMA. In order to step up the capacities of banks,
including sharia banks, in reaching communities, which up to this time have not had or lacked financial access, the inclusive finance initiative and Laku Pandai (branchless banking) are undertaken;

g. Development of information technology infrastructure to make it more optimal and yet can still maintain security and reliability of the application services and data/information;

h. Strengthening the functions and role of RDB in supporting regional economies through: (i) strengthening the capacity and governance of RDB through RDB transformation program that has been initiated by OJK through the involvement of Rural Development Bank Association/Asosiasi Bank Pembangunan Daerah (Asbanda) and Ministry of Home Affairs that will be the reference in strengthening the capacity and governance of RDB, and (ii) enhancement of the owners’ commitment in supporting the role and capacity of RDB;

i. Enhancement of the role of sharia banks with expansions of businesses, network, sharia financial products, and fair playing field for SCB by developing regulations that encourage the growth of SCB in accordance with business characteristics and the industry’s level of preparedness; and

j. Strengthening the capital structure and institutional structure of RB through synergy with commercial banks and enhancement of the owners’ commitment to RB’ role in supporting regional economies. Furthermore, in the effort to enhance the quality of supervision over RB, OJK will implement risk based supervision.
Roadmap of Indonesian Sharia Banking

Roadmap of Indonesian Sharia Banking (RPSI) 2015 – 2019 is a plan for development of the Indonesian sharia banking sector for 2015 – 2019, which refers to MPSJKI and RP21 as well as aligned to the Masterplan of Indonesian Sharia Financial Architecture of the National Development Planning Agency. RPSI is expected to be able to be the reference for sharia banking stakeholders in developing the sharia banking industry so that it is expected to increase its role and contribution in supporting the national economy and financial system stability as well as increasing/equalizing public welfare.
“Realizing sharia banking sector that gives significant contribution to sustainable economic growth, equitable development, and financial system stability as well as that has high competitiveness”.

This vision is translated into policy directions, work program, and implementation time plan, comprising seven policy directions.
Strengthening policy synergy between the authority and the government and other stakeholders

Improving the capital and business scale as well as improving efficiency

Improving the funding structure to support widening of the financing segment

Improving the quality of services and product diversity

Improving the quantity and quality of human resources and IT as well as other infrastructure

Enhancing public literacy and preference

Strengthening as well as harmonization of regulations and supervision

Figure 2.8. The Illustration of Roadmap of Indonesia Sharia Banking’s Vision
After experiencing a relatively high growth in previous years, in 2013-2014 the Islamic (sharia) banking faced challenges in the form of a slowing growth. In an effort to promote the re-growth of Islamic banking business activities so as to contribute to the national economy, it is important to formulate the Islamic banking policy direction and development.

For this purpose, the Islamic banking development direction has been formulated, known as the Indonesia Islamic Banking Roadmap, for 2015-2019 period, which presents strategic issues or fundamental problems that still occur in the Islamic banking industry.

The roadmap provides guidance on the direction to be achieved, including planned initiatives to achieve established development targets and to realize the development of the national...
Islamic banking industry. There are 7 policy directions in the Roadmap, including (1) strengthening policy synergy between the authorities and the government as well as other stakeholders, (2) strengthening capital and business scale as well as improving efficiency, (3) improving the funding structure to support expansion of the financing segment, (4) enhancing product quality and services, (5) enhancing the quantity and quality of human resources, IT and other infrastructure, (6) enhancing public literacy and preferences, and (7) strengthening and harmonizing regulations and supervision.

In 2019, which is the last year of the Roadmap’s effective period, work programs that have been implemented in accordance with the 7 policy directions above are as follows:

1. Strengthening policy synergy between the authorities and the government as well as other stakeholders:
   a. Issuance of Presidential Decree Number 91 of 2016 concerning Sharia Finance National Committee signed by President Jokowi on 3 November 2016.
   b. The Sharia Economic and Finance Research Forum (Forum Riset Ekonomi dan Keuangan Syariah/FREKS) held annually at universities in several regions in Indonesia.
   c. Collaboration with DSN-MUI (National Sharia Council - Indonesian Religious Cleric Assembly) in regard product discussions and fatwa recommendations through the Islamic Banking Working Group (Working Group Perbankan Syariah/WGPS). In addition, in regard product formulation, a Product Working Group has been established jointly with the Indonesian Sharia Banking Association (Asosiasi Perbankan Syariah Indonesia/Asbisindo).
   d. The OJK has collaborated with the Directorate General of Religious Courts at the Supreme Court (Badan
Peradilan Agama/Badilag MA) in providing technical guidance for the judges.

2. Strengthening capital and business scale as well as improving efficiency:

a. Strengthening of the capital and business scale of Sharia banking can be viewed from the rises in CAR (Capital Adequacy Ratio) and total assets, Channeled Financing (CF), and Third-Party Funds (TPF) which have grown positively. This is indicated by the rise in the percentage of CAR in December 2019, namely 20.95% from the previous 15.02% in December 2015. Likewise, the rises in assets, CF, and TPF, amounting to Rp537.4 T, Rp265.5 T, and Rp424.1 T respectively in December 2019, from previously Rp304 T, Rp218.7 T, Rp235.9 T respectively in December 2015.


c. The Spin Off Roadmap has been submitted by each SBU (Sharia Business Unit) to the OJK and a Study on Sharia Business Unit Separation has been compiled.

d. Establishment of PT. Bank Aceh Syariah and PT. Bank NTB Syariah.

e. Issuance of OJK Regulation Number 28/POJK.03/2019 concerning Banking Synergy within One Ownership in the context of Sharia Banking Development.

3. Improving the funding structure to support expansion of the financing segment:

a. Based on data as of December 2019, the Sharia banking funding structure has strengthened with a reasonable margin level. This is indicated by the lower
OCOI (Operational Cost over Operational Income) ratio (83.14%), lower Net Yields (5.79%), and increased NOM/net operating margin (1.93%)

b. Hajj funds are required to be placed at Sharia Banks which are Recipient Banks for Hajj Administration Fee Deposits (Bank Penerima Setoran Biaya Penyelenggara Ibadah Haji/BPS-BPIH).


d. OJK and the Indonesian Sharia Banking Association’s product working group have conducted dissemination on earning waqf in several iB Vaganza events in 2018.

4. Enhancing product quality and services:
   a. Issuance of OJK Regulation Number 24/POJK.03/2015
dated 27 November 2015 concerning the products and activities of Sharia banks and Sharia Business Units to simplify the licensing process. In addition, OJK Circular Letter (OJK CL) Number 36/SEOJK.03/2015 and OJK CL Number 37/SEOJK.03/2015 have also been issued as implementation guidelines including codification books for SCBs (Sharia Commercial Banks) and SBU s (Sharia Business Units) as well as for SRBs (Sharia Rural Banks). Meanwhile, formulation is being developed in order to enhance the codification of new products for Islamic banking by taking into account the many product developments in the Islamic banking industry.

b. The launching of the Student Savings Product (SimPel iB) was carried out in 2015, which follow-ups and progress reporting has been submitted to the supervisors and copies submitted to
the OJK’s Department of Financial Literacy and Inclusion.

c. Collaboration has been carried out with DSN-MUI in regard of product discussions and fatwa recommendations through the Sharia Banking Working Group (WGPS).

d. Compilation of a Study on Sharia Restricted Intermediary Account (SRIA) which has been continued with an exploration of product implementations at several Sharia banks.


5. Enhancing the quantity and quality of human resources, IT and other infrastructure:


c. The conduct of a Workshop on Improving Service Excellence & Customer Maintenance for Sharia Banking HR

d. Issuance of the Indonesian National Work Competency Standards (Standar Kompetensi Kerja Nasional Indonesia/SKKNI) in the field of Sharia Rural Financing (Decree of the Minister of Manpower of the Republic of Indonesia Number 38 of 2017).

e. Compilation of a study on the Sharia Banking Sharing Platform.

f. The routine holdings of workshops on the Sharia banking products and schemes of deeds for Islamic bankers in various cities in Indonesia.

6. Enhancing public literacy and preferences:
a. The holding of Sharia Rural Market on 13-14 June 2015 to mark the start of the national campaign for the I Love Islamic Finance program.

b. The holding of Sharia Finance Fair, which was a joint activity between the OJK and the Sharia banking, Sharia capital market, and Sharia NBFI industries.


d. Implementation of the iB Campaign through: Islamic banking workshops for bloggers/netizens (iB Blogger Meet Up), mosque administrators, teachers/teaching staff, and the High School Olympics.

e. OJK’s participations in activities organized by Sharia finance associations and communities in order to jointly disseminate Sharia finance.

7. Strengthening and harmonizing regulations and supervision:

a. Adjustments to LTV/FTV (Loan to Value/Financing to Value) Policy (by letter to Bank Indonesia).


c. Issuance of OJK Regulation Number 59/POJK.03/2017 concerning Implementation of Governance in Provisions of Remunerations for Sharia Commercial Banks and Sharia Business Units.

d. Establishment of regulatory infrastructure in the form of the compilation of a Taxonomy System for regulations related to Sharia banking: SIKEPO.

e. Issuance of OJK Regulation Number 28/POJK.03/2019 concerning SRFB Soundness Level Assessment System.

f. Development of a digital technology-based financial services application called OJK-Box, or abbreviated as OBOX, in order to optimize the supervisory process.
**Roadmap of Sustainable Finance**

For the purpose of facilitating financing/fund provision for sustainable development as well as adaptation to and mitigation of climate change, OJK with Ministry of Environment and Forestry has launched the Roadmap of Sustainable Finance/Roadmap Keuangan Berkelanjutan (RKB) on 5 December 2014. This roadmap contains presentations of work plan concerning the development of sustainable financing for all Financial Service Institution (FSI). The Launching of RKB has received appreciations, both from domestic side as well as international side. OJK is even the first authority within the FSS that issues a Roadmap with a comprehensive scope because it regulates the whole FSS.
Figure 2.9. Roadmap of Sustainable Financing 2015 - 2024

Foundation for implementing SF:
1. Policy on principle of SF
2. Policy on increase in SF Portion
3. Policy on SF supervision

Incentive for cooperation with other institutions:
1. Fiscal incentives
2. Non Fiscal incentives

2015-2019
Campaign, training on licing environment analysis, development of Green Projects, FSI access to Global Public Funds, Coordination on SF Policy.

2015

2016
Insentives (within OJK’s control):
1. Prudential Incentives
2. Information Hub
3. SF Award
4. Policy on Reporting

2017-2018

2019-2024

Resilience Strengthening:
Strengthening of risk management in GCG related to the environment and social condition
The background for the launching of RKB is the need for strategic and systematic measures in giving direction to FSS to take an active role and give a positive contribution to the sustainable development process (Long-Term Development Plan (RPJP) 2015-2024 and Medium-Term Development Plan (RPJMN) 2015-2019 which stand on 3P, namely Profit, People, and Planet. The RKB has the objective of translation the sustainable financing condition that the Financial Services Industry's desires to achieve in relation to sustainable financing in Indonesia in the short-term, medium-term, and long-term (2015-2024).

Specifically for FSI, implementation of sustainable financing has the objectives: (i) to enhance the resilience and competitiveness of FSI so that they can have the capacity to growth and develop in a sustainable manner; (ii) to provide sources of funds required by the public, which refers to RPJP and RPJMN that have the characteristic of 3P; and (iii) to contribute to the national commitment on the problem of global warming through business activities that prevent/mitigate or even adapt to climate change towards a low-carbon economy that is competitive.

The RKB states the limit on the definition of sustainable financing, which is overall support from Financial Services Industry for sustainable growth resulting from an alignment of economic, social, and environmental interest.

The RKB has four sustainable financing principles, namely: (i) a risk management principle that integrates the environment protection and social aspects
into the risk management of FSS; (ii) priority economic sector sustainable development principle that is inclusive by stepping up financing activities, particularly in agriculture sectors (agriculture, livestock husbandry, and maritime), infrastructure, industry, energy, and MSMBs; (iii) environmental and social governance and reporting principle, by running strong environmental governance and social practices, as well as transparency in the operational activities of the FSS and the customers of FSS; and (iv) enhancement of capacity and collaborative partnership principle by developing capacities of human resources, IT, and operational processes of each FSS.

In the implementation of RKB, three focus areas are expected, namely: (i) a step up of fund provisions from FSI for green projects; (ii) a step up of demand for green projects; and (iii) enhancement of supervision and coordination in the implementation of financing sustainability.

In an effort to implement the RKB implementation strategy, there are two main agendas, namely the sort – medium (2015 – 2019) and the long term (2020 – 2024).

**The sort – medium term**

is focused on laying out the basic framework for regulation and reporting systems, increasing understanding, knowledge and human resources competency of Financial Services Institution, providing incentives and coordinating with relevant agencies.

**The Long Term**

focus is on the integration of risk management, corporate governance, the assessment of bank soundness, and the development of a sustainable financial integrated information system.
Overview of 2020 – 2024 Roadmap

Validity period of the 2015-2019 Indonesia Islamic Banking Roadmap has ended in 2019, and as such a new Islamic banking policy direction is needed in order to develop Islamic banking going forward. This is incorporated in the 2020-2024 Indonesia Islamic Banking Development Roadmap, with a vision of “Realizing highly competitive Islamic banking, which contributes significantly to the national economy and social development”. This roadmap is expected to address the various challenges that the Sharia banks have been facing so far and encourage the Islamic banking industry to have highly competitive advantage and socio-economic impact.

In order to support this grand vision, there are 3 (three) main points that are important in the future development of Islamic banking, namely: Strengthening Sharia Banking Identity, Synergy of Sharia Financial Ecosystems, and Optimization of Supporting Factors (Enablers).

There are differences in the 2020-2024 Indonesia Islamic Banking Development Roadmap compared to the previous Roadmap, especially in regard the strategic initiatives related to synergies between the Islamic banking industry and the halal industry, other Islamic financial institutions, Sharia social fund institutions, as well as other ministries and agencies. This is in line with the strategic policies issued by the OJK in 2020 concerning developments of the Sharia economic and financial ecosystems.
ASEAN Banking Integration Framework (ABIF) is an ASEAN’s initiative with the objectives to create an integration mechanism and to accelerate banking integration through the provision of market access and operational flexibility in ASEAN countries by observing the fulfilment of prevailing prudential requirements in each of the ASEAN countries.

ABIF Guidelines has been agreed upon at the end of 2014. This document becomes the guide for ASEAN countries in undertaking bilateral agreements related to banks that will be present in the ASEAN banking market. The ABIF Guidelines stipulates integration principles that should be referred to as well as stages that should be followed in this integration process.

The best banks owned by the ASEAN countries or known with the terminology of Qualified ASEAN Bank (QAB) should meet the agreed requirements, namely:
Figure 2.10. Illustration of requirements for Qualified ASEAN Banks

- **Track Record**: Having good track record, as shown among others by a large market share
- **Capital**: Having adequate capital, and is financially sound
- **Governance**: Having good governance; and
- **Home Country Authority**: Supported by the home country authority to be a QAB
H. Basel Framework

1. Implementation of Basel Capital Framework

Indonesia, as one of the members in the G-20 forum as well as other international forums, such as Financial Stability Board (FSB), Basel Committee on Banking Supervision (BCBS), has given its commitment in adopting recommendations produced by those forums. In line with that, and with the transfer of bank supervision function from BI to OJK, the implementation of OJK’s tasks in the future will not be separated from efforts to adopt those various recommendations. In the process of adopting the various above-mentioned recommendations, OJK will continue to adjust to the condition and development of the domestic banking industry.

2. Evolution of Basel Capital Framework

Capital is one of the main focuses of bank supervisory authority in implementing the prudential principle. BCBS has issued one capital framework concept that has become an international standard, namely:

a. In 1988, it issued the capital concept as well as the calculation of Risk Weighted Assets (RWA) specifically for credit risk;

b. In 1996, it enhanced the capital component by adding Tier 3 as well as calculation of RWA for market risk;

c. In 2006, it issued the document entitled International Convergence on Capital Measurement and Capital Standard (A Revised Framework) or better known as Basel II;
d. In 2009, it issued Basel 2.5 recommendation, which covers the framework of RWA calculation for market risk by using the internal model, imposition of capital burden for securitization transactions, risk management aspect on compensation, concentration risk, reputation risk, and stress testing, valuation of all exposures recorded based on fair values, and disclosure on securitization;

e. In 2010, in response to the global financial crisis, BCBS issued a recommendation on enhancement of bank resilience, both at the micro level as well as the macro level, or better known as Basel III.
3. Implementation of Basel II Framework in Indonesia

a. Basel II Framework (Pillar 1, Pillar 1, and Pillar 3) in Indonesia has been fully implemented since December 2012. A number of regulations related to Basel II implementation are illustrated as follows:

Figure 2.12. Implementation of Basel II in Indonesia
b. Basel 2.5 Framework

For the purpose of the implementation of the remuneration framework in Indonesia as part of the Basel 2.5 framework, OJK has issued OJK Regulation No. 45/POJK.03/2015 concerning Implementation of Governance in Provision of Remunerations dated 23 December 2015. Furthermore, in January 2016, OJK has also made an enhancement to Basel 2.5 Consultative Paper issued in 2013 by issuing a Consultative Paper concerning securitization in January 2016.

c. Basel III Framework

1) Capital Framework

On 12 December 2013, BI Regulation No.15/12/PBI/2013 was issued concerning Minimum Capital Adequacy Requirement for Commercial Banks, which stipulates: (i) enhancement of capital quality through changes in component and requirement on capital instruments in accordance with the Basel III framework; (ii) the obligation to provide capital ratio, which comprises core capital ratio of no lower than 6% of RWA and ratio of main core capital of no lower than 4.5% of RWA; and (iii) the obligation to establish additional capital as the buffer above the obligation to provide minimum capital in accordance with the risk profile.

Implementation of the regulation on Basel III has been made in stages since 2014 to reach full implementation in 2019, with the implementation stages in figure 2.12.
Meanwhile, NSFR constitutes a liquidity measurement with the purpose of enhancing bank long term liquidity resilience by requiring any bank to fund its activities with stable funds in amounts exceeding the required amounts during a period of one year stress. For the purpose of LCR implementation in Indonesia, OJK has issued OJK Regulation
Chapter 02

No. 42/POJK.03/2015 concerning Obligation to Meet LCR in December 2015. In accordance with the prevailing OJK Regulation, the obligation to meet LCR is made in stages in line with the BCBS timeline, namely since 31 December 2015 with a minimum ratio of 70% up to 31 December 2018 with a ratio of 100% (each year, it is increased by 10%).

Meanwhile, in relation to NSFR that is in line with BCBS timeline, implementation of NSFR will start in 1 January 2018. Along this line, OJK has issued a regulation of NSFR on July 2017.

2) Finalization Basel III Reforms (Finalizing post-crisis reforms)

In December 2017, BCBS published the Basel III document: Finalizing post-crisis reforms which are refinement of Basel III. The document revises a number of standards included in Pillar 1 (minimum capital requirement), namely: Credit Risk Standard Approach, Internal Ratings-Based (IRB) Approach, Credit Valuation Adjustment (CVA), Operational Risk, Market Risk, Leverage Ratio and Output Floor. The Basel III Reforms are expected to be implemented by no later than January 1, 2022.

3) Leverage Framework

In an effort to limit the formation of excessive leverage in the banking system, BCBS has also introduced an additional ratio, namely leverage ratio, as one non-risk based approach to supplement the capital ratios in line with the risk profile that have been in effect. The purpose of the leverage ratio is as a backstop of capital ratios in line with risk profile to prevent the formation of excessive leverage to prevent the occurrence of worsening deleveraging process that can endanger the whole financial system and the economy. The minimum leverage ratio that
has to be met is 3%, calculated by dividing core (tier 1) capital with bank total exposure (without weighted risk).

3) Finalisasi Reformasi Basel III (Finalising post-crisis reforms)

In December 2017, BCBS published the Basel III document: Finalizing post-crisis reforms which are refinement of Basel III. The document revises a number of standards included in Pillar 1 (minimum capital requirement), namely: Credit Risk Standard Approach, Internal Ratings-Based (IRB) Approach, Credit Valuation Adjustment (CVA), Operational Risk, Market Risk, Leverage Ratio and Output Floor. The Basel III Reforms are expected to be implemented by no later than January 1, 2022. However, in response to the COVID-19 virus outbreak, BCBS decided to postpone Basel III implementation from January 1 2022 to January 1, 2023.
### BASEL III

**Background:** Global Financial Crisis that occurred in 2007 – 2009

#### Basel III - Initial Phase

2010: “Basel III: A global regulatory framework for more resilient banks and banking systems” standard

- Improving the quality and quantity of capital by:
  - Stricter definition of financial instruments that can be categorized as Capital (Common Equity Tier (CET) 1, Additional Tier (AT) 1, Tier 2)
  - Minimum CAR remained 8%, with the additional requirement of buffers: (i) Capital Conservation Buffer, (ii) Countercyclical Capital Buffer, (iii) Capital charges G-SIB and D-SIB
  - Additional feature of Capital Loss Absorption at the Point of Non-Viability (PONV)

#### Other Basel III Standards

Other Basel III standards 2010 – 2017: BCBS issued other standards

- Standard on requirement for minimum liquidity ratios: Liquidity Coverage Ratio (LCR) and Net Stable funding Ratio (NSFR)
- Provision on Leverage Ratio as an additional non-risk based measure
- Provision on provision of large funds, i.e. Large Exposures Framework
- Framework on Systemically Important Banks: Globally-SIB (G-SIB) and Domestically-SIB (D-SIB)
- Provision on capital treatment of TLAC instrument ownership, i.e. TLAC Holdings
- Provision related to Central Clearing Counterparty (CCP)
- Disclosure to the public, i.e. Revised Pillar 3 Disclosure Requirements

#### Basel III - Post Crisis Reforms


- Revised Credit Risk
- Revised Credit Valuation Adjustment (CVA) Risk
- Revised Operational Risk
- Revised Market Risk (final version issued at the beginning of 2019)

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**Figure 2.14.** Global Financial Crisis that occurred in 2007 – 2009 Background
4. Regulatory Consistency Assessment Program (RCAP)

At a meeting held at the end of November 2016 in Santiago, Chile, the BCBS has made a decision concerning results of the Regulatory Consistency Assessment Program (RCAP) on Indonesian banking sector’s regulations. Indonesia’s Liquidity Coverage Ratio (LCR) regulations are assessed as Compliant (C) and its capital framework is assessed as Largely Compliant (LC). RCAP has been conducted on all BCBS member countries (28 jurisdictions), including Indonesia. RCAP is an assessment process exercised by the BCBS to see whether the banking regulations issued by a country’s authority are consistent with the international banking standards issued by the BCBS.

Indonesia has gained those RCAP’s results with not so easy struggle. Preparation for the RCAP had been made since 2014, starting with a self-assessment that was carried out to identify gaps between the Basel framework and the prevailing regulations. Result of the self-assessment was then submitted to the BCBS for the BCBS’s reference when RCAP assessors conducted their assessment. Based on their assessment result, Indonesia must revamp 10 regulations, to make them comply with international banking standards.

The grades that the RCAP has awarded to Indonesia render Indonesia’s banking regulations at the same level with those of other BCBS member countries, including for RCAP result for Indonesia’s Capital framework, which has received the same grade as that of the United States, which is an even higher grade than the one given to the European Union.
I. Transformation of Regional Development Banks

The Regional Development Bank (RDB) Transformation Program was launched in 26 May 2016 by the President of Republic Indonesia with the vision of creating RDB to become banks with high competitiveness, strong, as well as having significant contribution to the economic growth and equalization at the regions in a sustainable manner. This vision is going to be realized through three goals, namely: (i) enhancement of the competitiveness of RDB; (ii) strengthening institutional resilience; and (iii) enhancement of the contribution of RDB to regional economies. These are illustrated in the figure 2.15:

Figure 2.15. Holistic Framework for Transformation Program

<table>
<thead>
<tr>
<th>Transformation Vision</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) High competitiveness</td>
</tr>
<tr>
<td></td>
<td>(2) Strong resilience</td>
</tr>
<tr>
<td></td>
<td>(2) Contributive (Regional Development Agent)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business process &amp; risk</th>
<th>Foundation (Enabler)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Development</td>
<td>Management of services</td>
</tr>
<tr>
<td>Management of marketing</td>
<td>Management of network</td>
</tr>
<tr>
<td>Development of network</td>
<td>Management of portfolio</td>
</tr>
<tr>
<td>Management of portfolio</td>
<td>Strengthening of liquidity &amp; capital</td>
</tr>
<tr>
<td>Management of information technology</td>
<td>Development and standardization of systems and operating procedures</td>
</tr>
<tr>
<td>Management of culture</td>
<td>Strengthening of governance, risk management &amp; compliance</td>
</tr>
</tbody>
</table>
In order to achieve this vision, the RDB Transformation Program will be implemented through three stages/phases, namely: (i) Foundation Building; (ii) Growth Acceleration; and (iii) Market Leadership. In the implementation of the program, each RDB will enter each stage and set business goals and targets in line with the capacity and preparedness of each RDB, as depicted in the following figure:

**Figure 2.16.** Stages of BPD Transformation Implementation
J. Credit Reporting System

The Credit Reporting System (CRS) that is going to be implemented in Indonesia is a dual system concept so that in Indonesia in the future there will be a Public Credit Registry (PCR) managed by OJK and a number of Private Credit Bureau (PCB) managed by private parties. This concept will synergize the role of OJK as the authority in charge of collecting data from FSI and the power of private sector in developing innovations that will produce various information products and services required by FSI. The dual CRS concept in Indonesia is described as follows:

**Figure 2.17.** Framework of Credit Reporting System in Indonesia
On the side of PCR, at present OJK is developing SLIK. SLIK will be useful for supporting OJK’s tasks as well as assisting the public and FSS’s actors in making decisions on financing and investments. Procedures for reporting and requesting debtor information through SLIK are regulated in POJK No.18/POJK.03/2017 and SEOJK No.50/SEOJK.03/2017 respectively concerning Reporting and Requesting Debtor Information through the Financial Information Service System.

On the side of PCB, a PCB in Indonesia is known with the name of Lembaga Pengelola Informasi Perkreditan (LPIP) regulated in BI Regulation Number 15/1/PBI/2013 concerning LPIP and BI Circular Letter Number 15/49/DPKL dated 5 December 2013 concerning LPIP. A LPIP is an institution or agency that collects and processes credit data and other data to produce value-added credit information such as credit profile and credit scoring, customer monitoring, credit alerts, and Small Medium Enterprise (SME) grading. A LPIP can undertake cooperation with financial and non-financial institutions in order to widen and enrich the coverage of credit data and other data.
K. Banking Information System for the Purpose Of Supporting Bank Supervision Task

1. Bank Information System
Bank Information System/Sistem Informasi Perbankan (SIP) is an information system used by bank supervisors in analyzing a bank’s condition, performing assessment of Bank Soundness Level by using Risk Based Bank Rating (RBBR), speeding up access to information on bank’s financial condition, enhancing security and integrity of banking data and information. SIP is developed for the purpose of supporting bank supervision task through quality information, by providing the following functions:

a. as a business tool while at the same time a medium for rapid information presentation up to the strategic level;

b. providing information at macro level, individual bank level, as well as other information related to bank business environment; and

c. integrating data which is currently scattered in different systems.

2. Management Information System of BPR Supervision
As an effort to improve the quality of BPR supervision, the development of BPR information system leads to a more focused supervisory system in terms of off-site and on site monitoring to the conditions faced by BPR. Implementation of the Early Warning System (EWS) of the RB is conducted to support monitoring of off-site BPR conditions, and then to complete periodic BPR health rating assessments. The result of EWS analysis is intended to be used in determining the focus of inspection conducted by supervisors so that it is expected
to improve the effectiveness and efficiency of OJK supervision on site. In addition, the development of Enterprise Data Warehouse (EDW) BPR is expected to be an effective means to monitor and present information on the condition of the BPR as a whole as a matter of determining the policy to be taken.

**Integrated Reporting Portal**
The Integrated Reporting Portal is the gateway into the National Metadata-Based Integrated Reporting Application (Aplikasi Pelaporan Terintegrasi Berbasis Metadata Nasional/BI-ANTASENA) and the OJK’s Online Reporting Application (Aplikasi Pelaporan Online OJK/APOLO) as well as other future reporting applications. This application can be accessed by users of OJK’s internal as well as external parties through the website https://pelaporan.id. OJK-BI-LPS (Indonesia Deposit Insurance Corporation) hope that development of this application will enable more effective reporting mechanism.

3. **Aplikasi Pelaporan Online OJK (APOLO)**

APOLO is a web-based application that serves to provide services to Financial Institutions in fulfilling the obligation of online reporting. APOLO can be accessed by internal or external users of OJK through the website https://apolo.ojk.go.id.

APOLO facilitated reporting as follows:
Table 2.3. Reporting through APOLO

<table>
<thead>
<tr>
<th>Type of Report</th>
<th>Related Regulations</th>
<th>FSI’s that are Obligated To Report</th>
</tr>
</thead>
</table>
| Liquidity Coverage Ratio (LCR) Reporting | OJK Regulation number 42/POJK.03/2015 concerning Requirement To Meet Liquidity Coverage Ratio For Commercial Banks | • Commercial Banks BUKU 3  
• Commercial Banks BUKU 4  
• Foreign Banks                                                                 |
| Tax Amnesty Reporting (TaTy)           | Law of Republic Indonesia number 11 of 2016 concerning Tax Amnesty                  | Gateway, which comprises 21 Banks, 18 Investment Managers, and 19 Security Brokers-Dealers          |
| Reporting of Business Plans (RB/SRB)   | OJK Regulation number 37/POJK.03/2016 concerning Rural Bank and Sharia Rural Bank's Business Plans | All RBs/SRBs                                                                                       |
| Reporting of Sharia’s Minimum Capital Adequacy Requirement and Risk Based Weighted Asset | - OJK Regulation Number 21/POJK.03/2014 concerning Minimum Capital Adequacy Requirement for Sharia Commercial Banks (SCB)  
- SEOJK Circular Letter Number 13/SEOJK.03/2015 concerning Calculation of Operational RBWA;  
- OJK Circular Letter Number 34/SEOJK.03/2015 concerning Calculation of Credit RBWA; and  
- OJK Circular Letter Number 35/SEOJK.03/2015 concerning Calculation of Market RBWA | All SCBs                                                                                           |
| Reporting of Net Stable Funding Ratio  | POJK 50 / POJK.03 / 2017 dated 13 July 2014 concerning the Obligation to Fulfill the Net Stable Funding Ratio (NSFR) for Commercial | • Commercial Banks BUKU 3  
• Commercial Banks BUKU 4  
• Foreign Banks                                                                                     |
| Commercial Bank Publication Reporting  | -POJK No. 32 / POJK.03 / 2016 concerning Amendments to POJK Number 6 / POJK.03 / 2015 concerning Transparency and Publication of Bank Reports  
-SEOJK No. 43 / SEOJK.03 / 2016 concerning Transparency and Publication of the Report of BUK | All BUK, BUS, dan UUS                                                                               |
<table>
<thead>
<tr>
<th>Type of Report</th>
<th>Related Regulations</th>
<th>FSI’s that are Obliged To Report</th>
</tr>
</thead>
</table>
| Commercial Bank Publication         | -SEOJK No. 18 / SEOJK.03 / 2015 concerning Transparency and Publication of Reports on BUS and UUS  
                                | -SEOJK No. 34 / SEOJK.03 / 2017 concerning Transparency of Information on Prime Lending Rates (SBDK)  
                                | -POJK No. 38 / POJK.03 / 2017 concerning the Implementation of Consolidated Risk Management for Banks that Control Subsidiaries  
                                | -SE OJK No. 43 / SEOJK.03 / 2017 concerning Prudential Principles and Reports in the Context of Consolidated Implementation of Risk Management for Banks that Control Subsidiaries |                                |
| Monthly Reporting on BPR (BPRS)     | POJK No.13 / POJK.03 / 2019 concerning Reporting of BPR and BPRS through the OJKReporting System  
                                | -SEOJKNo. 8 / SEOJK / 2019 concerning BPR Monthly | All BPR                          |
| Reports on KPMM and Conventional RWA (KPK) | -POJK No. 11 / POJK.03 / 2016 concerning KPMM for Commercial Banks  
                                | -SEOJK No. 38 / SEOJK.03 / 2016 concerning Guidelines for the Use of Standard Methods in Calculating KPMM for Commercial Banks by Taking Account of Market Risk  
                                | - SEOJK No.42 / SEOJK.03 / 2016 concerning Guidelines for Calculation ATMR for Credit Risk  
                                | - SEOJK No.48 / SEOJK.03 / 2016 concerning Guidelines for Calculating Net Receivables for Derivative Transactions in Calculating RWA for Credit Risk Using the Standard Approach | All BUK                          |
| Reporting BPRS                      | -POJK No.13 / POJK.03 / 2019 concerning Reporting of BPR and BPRS through the OJKReporting System  
                                | -SEOJKNo. 18 / SEOJK / 2019 concerning BPRS Monthly Reports | All BPRS                          |
4. OJK Box (O-Box)
The O-Box application is an application that can display preliminary supervision information consisting of quantitative as well as qualitative information provided by Banks through a repository. The repository will be accessed by the supervisors via the O-Box Web.

5. Financial Information Services System
Financial Information Services System (SLIK) is an information system managed by OJK to support the implementation of supervisory duties and information service in finance. In accordance with the provisions of legislation, OJK is authorized to regulate and develop an expanded inter-bank information system involving other institutions in the financial sector. Therefore, in order to carry out its duties and functions, OJK deems it necessary to develop a new system to support credit access information through SLIK.

SLIK can be used to facilitate the process of providing funds, the implementation of risk management, the assessment of the quality of debtors, and improve the discipline of the financial industry.
**Figure 2.18. Illustration of the benefits SLIK**

<table>
<thead>
<tr>
<th>Benefits of SLIK Information System</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Speed of time</strong> required for credit/financing approvals</td>
</tr>
<tr>
<td>2. <strong>Expand access</strong> for MSME debtors and the information sector to obtain credit/financing based on financial reputation</td>
</tr>
<tr>
<td>3. Encourage debtors to <strong>maintain</strong> credit/financing reputation</td>
</tr>
<tr>
<td>4. <strong>Support sustainable economics growth</strong></td>
</tr>
<tr>
<td>5. <strong>Support Implementation of good governance</strong> by providing accurate information to state institutions (KPK, Police, Indonesia Central Bank, etc)</td>
</tr>
<tr>
<td>6. <strong>Increase the rating of Indonesia's Ease of Doing Business (EODB)</strong> in particular the aspects of getting Credit</td>
</tr>
</tbody>
</table>

**Information System managed by OJK to support the implementation of supervisory and information service in financial sector**

1. **Accelerate credit/financing growth**
2. **Mitigate credit risk** and reducing NPL

**Tool for effective supervision** in The Financial services sector
SLIK starts full operation as of 1 January 2018, replacing the role of SID. Starting from this date, provision of debtor information to the public has transferred from BI to OJK. The public will be able to obtain this service by coming directly to the OJK Head Office (OJK Contact Center) and OJK Regional Office/OJK Office.
Figure 2.20. Mechanism of Request for Debtor Information through SLIK

1. **Debtor** comes to OJK by bringing supporting documents and filling out a debtor information request form.

2. **Officer in charge** performs verification of the completeness of the documents.

3. **Officer in charge** performs request and print debtor information.

4. **Officer in charge** conforms by giving explanation and handling over result of debtor information to the debtor as well as the receipt.

**Supporting documents for requesting iDeb are:**

a. **Individual person debtor**
   - photocopy of identity card by exhibiting the original identity, comprising KTP for Indonesian or passport for foreign citizen.

b. **Business enterprise debtor**
   - photocopy of the identities of the business enterprise and the management by exhibiting the original identity of the business enterprise, comprising tax identity number (NPWP), company deed of incorporation, and the latest amended articles of association.

**Services of SLIK:**

1. Gerai SLIK OJK, Menara Radius Prawiro Lt.2 KOPERBI, Jl. MH. Thamrin No. 2 Jakarta Pusat
2. Gerai PELAKU di Kantor Regional/Kantor OJK
Figure 2.21. Scope of Debtor Information That the Public Can Obtain

- Debtor core data
- Fund provision facilities
- Owner and management of business enterprise debtor
- Collaterals
- Guarantors
- Quality of fund provision

Operation of the SLIK application refers to OJK Regulation number 18/POJK.03/2017 concerning Reporting and Requesting Debtor Information through the Sistem Layanan Informasi Keuangan (SLIK).
L. Consumer Education and Protection

Article 4 of Act Number 21 of 2011 concerning Otoritas Jasa Keuangan states that one of the tasks of OJK is to provide protection for the Consumers and/or the public. In relation to Consumer protection, this Act states that:

1. A Financial Service Institution is an institution that conducts activities in the Banking, Capital Market, Insurance, Pension Fund, Financing Institution sectors and other Financial Service Institutions.

2. Consumers are parties who place their funds and/or utilize services provided at FSIs, covering among others customers at Banks, investors at Capital Market, police holders at the Insurance sector, as well as participants in Pensiun Funds, based on legislations applicable in the Financial Services Sector.

For the purpose of implementing Consumer protection, OJK has issued OJK Regulation Number 1/POJK.07/2013 concerning Financial Services Sector Consumer Protection and OJK Regulation Number 18/POJK.07/2018 concerning Consumer Complaint Service in Financial Services Sector which states that Financial Services Business Actors (FSI) are Commercial Banks, Rural Banks, Security Companies, Investment Advisors, Custodian Banks, Pensiun Funds, Insurance Companies, Re-insurance Companies, Financing Institutions, Pawn Companies, and Guarantee Companies, covering those that
conduct business activities in conventional manner as well as based on sharia principles. This regulation stipulates the obligation of FSI to provide financial education to the Consumers and/or public so that they can better understand the basic features, rights, obligations prior to and when utilizing financial products/services. This can reduce the potential for Consumer losses due to lack of understanding/lack of clarity/erroneous information given by FSI. In addition, with regards Consumer protection, FSIs are obliged to apply transparency principle, fair treatment, reliability, Consumer data/information confidentiality and security, and complaint handling, as well as settlements of disputes with the consumers in a simple, quick, and financially affordable manner.

In line with the implementation of the POJK Consumer Protection for Financial Services Sector, OJK formulated the Financial Consumer Protection Strategy (SPKK) for the period of 2013-2027 which has a vision of “creating market discipline in Indonesia’s financial services sector, which will support financial system stability and national economic growth sustainability in Indonesia “and has a mission of” increasing consumer and community trust in every activity in the financial services sector, providing opportunities and opportunities for financial services institutions to develop fairly, efficiently and transparently, and realizing consumers who have an understanding of the rights and obligations in associated with financial services institutions “.

In realizing the vision and mission above, SPKK period 2013-2027 consists of 4 (four) pillars, namely: Infrastructure pillars, Regulation pillars, Market conduct pillars, and Pilar Education & Communications
OJK has two approaches in performing its function in the field of FSS consumer education and protection, namely:

1. **Preventive actions**

   Preventive actions are carried out in the forms of regulation and implementation in the field of consumer education and protection. Education, which is preventive in nature, is required as the initial step for enhancing financial literacy of the public so that they have a good understanding of financial service products and services (including basic features, benefits and risks of financial service products and/or services, as well as the rights and obligations of financial consumers).

2. **Repressive Actions**

   Repressive actions are undertaken in the forms of complaint settlements, facilitations for dispute settlements, suspensions of activities or other actions, and legal defenses to protect consumers. OJK undertakes preventive and repressive actions that are directed at financial inclusion and financial system stability.
In addition to educating and delivering information, OJK must also ensure that the products and services provided by LJK meet the principles of consumer protection.
3. Integrated Consumer Services OJK (Contact Center OJK 157)

Establishment of Integrated Consumer Services is one of the implementation forms of the mandate of the Act concerning OJK in its effort to provide education and protection for the Consumers and public against violations of the Act and regulations applicable in the FSS under the authority of OJK. In order to provide consistent services, meet applicable requirements, achieve Customer/community satisfaction, and make continuous improvement, OJK’s Customer Service has implemented and achieved ISO 9001: 2015 certification since November 24, 2016.

There are several ways to access these services, namely:

**Telephone**: 157

**E-Mail**: konsumen@ojk.go.id

**Website**: http://konsumen.ojk.go.id

**Mobile Apps**

[Sikapi Uangmu]
There are three types of OJK services that can be obtained by the community, namely:

1. become a place for Consumers to convey information

2. a place for the financial Consumer and the community to ask

3. becomes a place for Consumers to submit complaints relating to products and/or services made and offered by PUJK under the authority of OJK.

Especially for the submission of complaints, the required documents are as follows:

1) the evidence has submitted a complaint to the relevant PUJK and/or the answer;
2) complete identity;
3) description of the complaint; and
4) supporting documents (if any).

Consumers and/or communities are free of charge to obtain all the above services.
Visitor Center

In line with the development of Otoritas Jasa Keuangan's Kontak 157 (Contact number 157), the public's needs for services concerning information, inquiry, as well as submissions of complaints have also risen. In consideration of the statistics on services handled, especially services related to information requests and receipts of complaints by
walk-in visitors (consumers and/or members of the public visiting OJK's Head Office), the OJK launched the Visitor Center at the end of 2019 in order to provide services related to receipts and provisions of information as well as provision of education related to the financial services sector. The OJK's Visitor Center provides materials and information about the financial sector required by the consumers and the public in the forms of videos, catalogs, books, flyers and other media. There are Kontakt 157 officers who are always ready to provide information to the consumers and/or the public who come to consult on problems in the financial services sector. To get consultation services, the consumers and/or the public can visit from 08.00 to 16.00 WIB (Western Indonesian Time). The Visitor Center Room, located on the 2nd Floor, Radius Prawiro Tower, Bank Indonesia Office Complex, Jl. M. H. Thamrin No. 2, Central Jakarta is available and ready to provide good services to the consumers as well as the public. However, to maintain safety and comfort in the OJK Office's environment, visitors to the OJK Visitor Center are asked to comply with applicable rules, such as prohibitions to make audio or video recordings or to take pictures.

4. Internal Dispute Resolution Standard (IDR Standard)
OJK expects that each FSI can implement IDR standard to realize excellent consumer protection.

Broadly, an IDR standard has three important benefits for a FSI, namely: encouraging the FSI to have a guide / basis for developing a minimum Standard Operating Procedure (SOP) for the implementation of consumer services; providing certainly in business process / mechanism related to IDR; and encouraging good settlements of complaints on the sides of the FSI and Consumers.
Figure 2.25. Infographics of IDR Standard
Implementation of IDR Standard should be based on nine principles:

- **a.** Visibility
- **b.** Accessibility
- **c.** Responsive
- **d.** Fair Treatment
- **e.** Cost of Complaint Service
- **f.** Data Confidentiality
- **g.** Focus on Consumer
- **h.** Accountability
- **i.** Continuous Improvements

In implementing complaint handling, a FSI is obliged to perform follow ups and settlements of complaints within no later than 20 working days, with a time extension of no later than the next 20 working days by giving written notices to the Consumers prior to the expirations of the set time periods (under certain conditions).

The basic principles of IDR implementation have been strengthened by the enactment of OJK Regulation Number 18 / POJK.07 / 2018 concerning Consumer Complaint Services in the Financial Services Sector.
5. Alternative Dispute Resolution Bodies (LAPS)

Dispute settlements through Alternative Dispute Resolution Bodies/Lembaga Alternatif Penyelesaian Sengketa (LAPS) are made when dispute settlements between consumers and FSI, known as IDR, do not reach agreements. LAPS provides dispute settlement services that can be accessed easily, are quick, inexpensive, as well as performed by human resources who are competent and understand the FSS.

The banking sector already has the Indonesian Banking Alternative Dispute Settlement Bodies/Lembaga Alternatif Penyelesaian Sengketa Perbankan Indonesia (LAPSPI), which has started to operate at the beginning of 2016.

Figure 2.26. Infographic of LAPS
During the period of October to December 2019, a preparatory team for the establishment of an Integrated Alternative Dispute Resolution Body (Integrated ADRB) was formed. The team comprises representatives from the Financial Services Sector associations and the Self Regulatory Organizations (SROs). In the formation of the Integrated ADRB, the OJK has collaborated with the ADRBs in the financial services sector in developing a work mechanism or Standard Operating Procedure (SOP) for the Integrated ADRB. The development was designed by a team comprising representatives of ADRBs in the financial services sector. It is hoped that in 2020, the Integrated ADRB will be formed and be able to handle all disputes in the financial services sector.

6. Market Conduct
For the purpose of creating and developing the FSS and enhancing Consumer protection, OJK undertakes Consumer protection monitoring and analysis by using the Self Assessment by FSI method and Thematic Surveillance).

**Figure 2.27. Method for Monitoring and Analyzing Consumer Protection**

- **Self Assessment**
  The consumer protection monitoring and analyzing process in FSS is executed through the filling out of working papers by FSBAAs as referred to in the guide for consumer protection monitoring and analyzing in FSS.

- **Thematic Surveillance**
  The consumer protecting monitoring and analyzing process in FSS is based on the theme of being applicable on FSBA products and/or services that have loss potentials for the consumers.
Results of thematic surveillance analyses, in which results of initial analyses are compared with results of implementation of the thematic surveillance activities, through Consumer protection policy as well as market intelligence results, are further discussed to come up with recommendations for the bank supervision work unit to perform supervisory actions (imposition of sanctions).

**Advertising Monitoring**

Through the Market Intelligence Reporting Information System (Sistem Informasi Pelaporan Market Intelijen/SIPMI), the OJK monitors advertisements and offers related to financial products and services. In October and November 2019, out of 29 advertisements (local and national print media in SIPMI), 12 were yet not in line with the Financial Service Advertising Guideline. All violations are in the Unclear Advertising category, which generally still stated the clause of “terms and conditions applied” without including any specific link, did not include the statement “registered and supervised by the Otoritas Jasa Keuangan” and/or the OJK logo. In connection with these violations, the OJK has provided Coaching Letters to 18 Financial Service Institutions to amend the advertising materials in line with the applicable provisions. In order to expand the reach of monitoring, the OJK has carried out development of SIPMI by adding social media and online media. An advertising monitoring trial test with SIPMI 2.0 was held in December 2019.

In order to step up the Financial Service Institutions’ awareness of the implementation of the Financial Service Advertising Guideline launched in March 2019, the OJK has conducted the 2019 Selection of the Best Financial Service Advertisements. This appreciation program was carried out as part of the dissemination of the implementation of consumer protection so that financial service advertisements published can be fair, clear, accurate and not misleading.
Collection of Infographics on Consumer Protection in the Financial Services Sector

Figure 2.28. Illustration of a Case of Fund Accumulation Without Permit

---

1. PT Bata Bersaudara
2. The public
3. In 2 years period, funds amounting to Rp800 billion from 7,000 people were accumulated
4. PT Bata Bersaudara
5. Bata oblighed the members to find candidate new members, but many members refused and became angry
6. Public members who were members began to be worried and requested early fund disbursements.
7. PT Bata Bersaudara did not have a permit from OJK for accumulating funds from the public. Members lodged a complaint on this problem to Law Enforcement Officer.
Figure 2.29. Understanding the conditions for doing telemarketing
Figure 2.30. Tips for protecting personal data

Lindungi Data Pribadi mulai dari sekarang

Kebocoran data pribadi disebabkan karena:

Pemilik data dengan sengaja menginformasikan data pribadiya kepada pihak lain dengan alasan aepuni

Ada pihak yang tidak bertanggungjawab berupaya mencuri informasi data pribadi seseorang melalui upaya tertentu, salah satunya adalah modus Social Engineering

Social Engineering adalah...

Manipulasi psikologis yang dilakukan seseorang, dalam mengorek informasi rahasia dan memanfaatkan informasi tersebut untuk kepentingan pihak yang tidak bertanggungjawab

Skema Pencurian Data melalui Social Engineering

1. Oknum berusaha untuk mengintai (spying) targetnya.

2. Oknum akan menghubungi targetnya dan barusahny menaklukan dan menggiring target untuk menyampaikan data pribadi yang alfatnya rahasia.

3. Oknum mengirim tautan pada e-mail target. Tautan tersebut dapat secara otomatis mencuri data pribadi target yang tersimpan dalam gadaetnya apabila diakses.

4. Tidak membutuhkan waktu lama bagi para peretas untuk mengakses akun keuangan target dengan berbaka informasi dan data pribadi target.
Figure 2.31. Recognizing SIM Swap fraud mode

1. Pelaku menyusuri akun media sosial hingga meretas akun korban untuk mendapatkan data pribadi korban, atau dengan sengaja menelepon dan memanipulasi korban agar memberikan data tsb.

2. Pelaku sudah memiliki data pribadi korban, mulai dari nama lengkap, alamat, tempat tanggal lahir, dan nama ibu kandung.

3. Pelaku mendatangi gerai seluler dan meyakinkan operator seluler jika ia adalah pengguna asli dari kartu SIM yang dinlinear (korban).

4. Setelah duplikasi berhasil, nomor telepon asli di ponsel korban akan diblokir dan tidak bisa digunakan. Sebaliknya, nomor ponsel korban yang baru sudah berpindah ke tangan pelaku.

5. Semua panggilan telepon dan SMS ada di tangan pelaku, sehingga pelaku dapat melakukan transaksi perbankan karena OTP (One Time Password) dikirim ke nomor yang baru.
Figure 2.32. Tips for wisely choosing Fintech P2P Lending

BIJAK PILIH
FINTECH LENDING

Tidak terdaftar dan diawasi oleh OJK

Memberikan pinjaman dengan mudah

Bunga pinjaman tidak jelas

Aturan dan ketentuan tidak transparan

Penagihan intimidatif, ancaman teror kekerasan, pencemaran nama baik dan penyebaran data pribadi.

VS

Terdaftar dan diawasi oleh OJK

Memberikan pinjaman dengan seleksi yang ketat

Bunga pinjaman 0,05% s/d 0,8% per hari

Memiliki aturan dan ketentuan yang jelas

Resiko bagi yang tidak melunasi setelah batas waktu (90 hari) akan masuk ke Blacklist Pusdafil (Pusat Data Fintech Lending)
Did you know about OJK Publication products?

Indonesia Banking Statistics & Sharia Banking Statistics

scan the QR Code on the top for read SPI completely

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Chapter 03: Development of OJK’s Banking Policy
A. OJK’s 2020 Policy Direction

The OJK assesses that there are yet some downside risks that need to be faced in order to realize the momentum for the acceleration of national economic growth, including:

- The impacts of protectionism, such as the trade war between the United States and China and the occurrence of Brexit, as well as geopolitical turmoil in the Middle East, East Asia and Latin America, have resulted in a slowdown in the overall global economy.
- Global monetary policy has turned from contractionary to expansionary in response to global dynamics.
- The insurance industry under supervision needs more serious attention to improve its governance, prudence and performance.
- Transformation of the non-bank financial industry, which includes improved risk management implementation, better governance, and reporting of investment performance to the authorities and the public.
- Efforts to improve the implementations of governance, transparency and enforcement are the main focus for stepping up market integrity and investor confidence in the capital market.
- Investment inflow portfolio has increased so that foreign exchange liquidity is quite loose amid a decline in foreign trade activities.

These challenges will face all sectors, without exceptions, including the government priority sectors. To facilitate and provide ease in supporting the government priority sectors, the OJK will focus on five policies and initiatives, including:
1 INCREASING THE ECONOMIC SCALE OF THE FINANCIAL INDUSTRY

a. Gradual increase in minimum capital
b. Promote acceleration of consolidations with incentive and disincentive policies, including the exit policy
c. Accelerate reform of the non-bank financial industry
d. Tighten securities companies’ business licensing based on the level of capital

2 NARROWING THE REGULATORY AND SUPERVISORY GAPS BETWEEN FINANCIAL SERVICES SECTORS

a. Continue harmonization in the entire financial services sector from the sides of regulation and supervision, as well as enforcement, especially in the non-bank financial industry
b. Register the market makers on the stock exchange with small market capitalizations to minimize the potential for stir-frying of shares
c. Assess the adoption of the investment bank concept
DIGITALIZATION OF FINANCIAL PRODUCTS AND SERVICES AND THE UTILIZATION OF TECHNOLOGY IN SUPPORTING REGULATORY COMPLIANCE

a. Develop a digital financial ecosystem in the financial services and fintech start-up industries
b. Accelerate digitalization efforts in the financial services sector by facilitating the licensing of digital-based financial products and services
c. Simplify the licensing of digital-based financial products and services and the potential to open licensing for virtual banking.
d. Develop technology-based regulating and supervision to support early warning and forward-looking supervision.
e. Develop integrated inter-institutional licensing with the utilization of technology to accelerate the licensing processes across ministries and agencies
ACCELERATION OF PROVISION OF FINANCIAL ACCESS AND STRENGTHENING OF THE IMPLEMENTATIONS OF MARKET CONDUCT AND BETTER CONSUMER PROTECTION

a. Develop financial instruments that support infrastructure projects and upstream as well as downstream industries and empower Micro, Small and Medium Enterprises (MSMEs) including Islamic finance-based instruments, regional bonds, as well as green financial instruments.

b. Develop green instruments to support the Sustainable Development Goals.

c. Build the ecosystem for MSME development, including the utilizations of KUR (Rural Business Credit) cluster scheme and technology as well as expansion of the Micro Waqf Bank program

d. Facilitate Government programs in improving community welfare.

e. Enhance public financial literacy as well as provision of financial education as well as access to financial services to the public from an early age.

f. Optimize the role of the Team for Regional Financial Access Acceleration (Tim Percepatan Akses Keuangan Daerah/TPAKD) through the utilization of technology

g. Strengthening aspect of consumer and public protection by improving the quality of market conduct supervision.

h. Optimize the role of the Task Force for Investment Alert.
Chapter 03

DEVELOPMENT OF ISLAMIC ECONOMIC AND FINANCIAL ECOSYSTEMS

- Promote development of the leading halal industries in Indonesia
- Boost Islamic financial institutions to step up business scale and technology adoption
- Strengthen the synergy between the halal industry players and the financial services industry as well as other related stakeholders
B. Development of OJK’s Banking Policy in 2019 up to June 2020

Banking Sector Development in 2019

In general, banking resilience was yet maintained in the fourth quarter of 2019, as reflected in the sufficiently solid condition of commercial bank capital with a CAR of 23.31%. This reflected the adequate capability of banks to absorb risks, supported by yet growing profits and maintained quality of bank credit. The banking intermediation function was also quite good, viewed from credit and deposits, which grew by 6.08% (yoy) and 6.54% (yoy) respectively.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Nominal</th>
<th>qtq</th>
<th>yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Des ’18</td>
<td>Sep ’19</td>
<td>Des ’19</td>
<td>Sep ’19</td>
</tr>
<tr>
<td>Total of Assets (Billion IDR)</td>
<td>7.751.655</td>
<td>7.993.250</td>
<td>8.212.611</td>
</tr>
<tr>
<td>Credit (Billion IDR)</td>
<td>5.092.584</td>
<td>5.306.141</td>
<td>5.391.846</td>
</tr>
<tr>
<td>DPK (Billion IDR)</td>
<td>5.372.841</td>
<td>5.624.575</td>
<td>5.709.670</td>
</tr>
<tr>
<td>-Deposit (Billion IDR)</td>
<td>1.287.480</td>
<td>1.393.013</td>
<td>1.423.773</td>
</tr>
<tr>
<td>-Saving Deposits (Billion IDR)</td>
<td>1.737.216</td>
<td>1.744.253</td>
<td>1.844.526</td>
</tr>
<tr>
<td>-Time Deposits (Billion IDR)</td>
<td>2.348.146</td>
<td>2.487.308</td>
<td>2.441.372</td>
</tr>
<tr>
<td>CAR (%)</td>
<td>22,97</td>
<td>23,28</td>
<td>23,40</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>2,55</td>
<td>2,48</td>
<td>2,47</td>
</tr>
<tr>
<td>NIM (%)</td>
<td>5,14</td>
<td>4,90</td>
<td>4,91</td>
</tr>
<tr>
<td>BOPO (%)</td>
<td>77,86</td>
<td>80,50</td>
<td>79,39</td>
</tr>
<tr>
<td>NPL Gross (%)</td>
<td>2,33</td>
<td>2,63</td>
<td>2,50</td>
</tr>
<tr>
<td>NPL Net (%)</td>
<td>1,00</td>
<td>1,15</td>
<td>1,16</td>
</tr>
<tr>
<td>LDR (%)</td>
<td>94,78</td>
<td>94,34</td>
<td>94,43</td>
</tr>
</tbody>
</table>
In line with the performance of Commercial Banks, the intermediation of Conventional Commercial Banks (CCBs) in 2019 performed quite well, as reflected in credit growth of 5.88% (yoy) which was offset by the growth in TPF of 6.27% (yoy), which in general improved liquidity condition compared to that in the previous year.

The CCB capital resilience in 2019 was yet solid, as reflected in the CAR which increased by 23.40% from the previous year, well above the Minimum Capital Adequacy Requirement (MCAR). The rise in the CAR was driven by capital growth in line with the growth in reserves for additional capital.

However, credit risk recorded a rise, as evidenced by the rises in gross NPL and net NPL to 2.50% and 1.16%, respectively. Profitability of banks also dropped, albeit maintained with banking ROA of 2.47% along with a rise in OCOI (Operational Cost over Operational Income) to 79.39%.

Table 3.2. Performance of Rural Banks (RBs) 2019

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Nominal</th>
<th>qtq</th>
<th>yoy</th>
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<tbody>
<tr>
<td></td>
<td>Des '18</td>
<td>Sep '19</td>
<td>Des '19</td>
</tr>
<tr>
<td>Total of Assets</td>
<td>135.693</td>
<td>144.779</td>
<td>149.623</td>
</tr>
<tr>
<td>(Billion IDR)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit (Billion IDR)</td>
<td>98.220</td>
<td>106.733</td>
<td>108.784</td>
</tr>
<tr>
<td>DPK (Billion IDR)</td>
<td>91.956</td>
<td>99.071</td>
<td>102.538</td>
</tr>
<tr>
<td>-Saving Deposits</td>
<td>29.491</td>
<td>30.800</td>
<td>32.132</td>
</tr>
<tr>
<td>(Billion IDR)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Time Deposits</td>
<td>62.465</td>
<td>68.271</td>
<td>70.406</td>
</tr>
<tr>
<td>(Billion IDR)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAR (%)</td>
<td>23.35</td>
<td>22.79</td>
<td>28.88</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>2.48</td>
<td>2.29</td>
<td>2.31</td>
</tr>
<tr>
<td>BOPO (%)</td>
<td>80.74</td>
<td>82.39</td>
<td>81.50</td>
</tr>
<tr>
<td>NPL Gross (%)</td>
<td>6.37</td>
<td>7.34</td>
<td>6.81</td>
</tr>
<tr>
<td>NPL Net (%)</td>
<td>4.74</td>
<td>5.55</td>
<td>5.22</td>
</tr>
<tr>
<td>LDR (%)</td>
<td>76.54</td>
<td>77.81</td>
<td>79.09</td>
</tr>
<tr>
<td>CR (%)</td>
<td>18.84</td>
<td>15.67</td>
<td>17.08</td>
</tr>
</tbody>
</table>
During 2019 the RB industry demonstrated a better intermediation function compared to the previous year, with credit and TPF recorded double digit growths of 10.76% (yoy) and 11.51% (yoy) respectively. The higher growth in TPF relative to credit growth kept RB liquidity maintained with LDR at 79.09% level. RB assets also grew by 10.27% (yoy) along with the rise in TPF.

CAR in December 2019 recorded a quite significant rise by 28.88% compared to the previous year’s 23.35%. This rise was influenced by the required formation of a special Provision for Earning Asset Losses of 0.5% for earning assets with the quality of under special attention category which became effective as of 1 December 2019 (OJK Regulation Number 33/POJK.03/2018 concerning Earning Asset Quality and Establishment of Provision for Earning Asset Losses for Rural Banks). The high CAR ratio reflected the adequately solid resilience of rural banks’ capital for absorbing risks.

However, credit risk recorded a rise, as reflected by the rises in gross NPL and net NPL to 6.81% and 5.22%, respectively. Profitability of banks also recorded a drop, although it was maintained with ROA ratio of 2.31% amidst the rise in the OCOI ratio to 81.50%.

**Banking Sector’s Development Up To June 2020**

Amid the global and domestic economic conditions affected by the Covid-19 pandemic, banking resilience in the second quarter of 2020 was generally maintained, as reflected in the sufficiently solid condition of bank capital with CAR of 22.54%. This reflected banks’ adequate capability to absorb risks. The banking intermediation function was also quite good viewed from credit, which continued to grow, although experiencing a slowing, by 1.49% (yoy) as well as TPF with a growth of 7.95% (yoy). The higher growth of TPF than the growth of credit, has resulted the LDR to return to
the range of 88.64%. However, it is necessary to pay attention to the rise in credit risk and the drop in profitability in this period in line with the deceleration in economic activities as an impact of the Covid-19 pandemic.

In line with the performance of Commercial Banks, the intermediation of Conventional Commercial Banks (CCBs) in the second quarter of 2020 performed quite well, while CCBs' resilience was yet solid, as reflected in CAR of 22.55%, which, despite on a downward trend, was yet far above the threshold. The intermediation function of CCBs was also sufficiently good, as reflected in LDR of 89.10%, which was driven by a higher growth in TPF compared to its growth in the previous year.

<table>
<thead>
<tr>
<th>Table 3.3. CCBs’ performance period January - June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indikator</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total of Assets (Billion IDR)</td>
</tr>
<tr>
<td>Credit (Billion IDR)</td>
</tr>
<tr>
<td>DPK (Billion IDR)</td>
</tr>
<tr>
<td>-Deposit (Billion IDR)</td>
</tr>
<tr>
<td>-Saving Deposits (Billion IDR)</td>
</tr>
<tr>
<td>-Time Deposits (Billion IDR)</td>
</tr>
<tr>
<td>CAR (%)</td>
</tr>
<tr>
<td>ROA (%)</td>
</tr>
<tr>
<td>NIM (%)</td>
</tr>
<tr>
<td>BOPO (%)</td>
</tr>
<tr>
<td>NPL Gross (%)</td>
</tr>
<tr>
<td>NPL Net (%)</td>
</tr>
<tr>
<td>LDR (%)</td>
</tr>
</tbody>
</table>
However, credit risk recorded a rise, as reflected by the rise in gross NPL to 3.10%. Profitability also recorded a drop albeit was maintained with a banking ROA of 1.94% and OCOI of 84.94%.

During the second quarter of 2020, the RB industry demonstrated a fairly good intermediation function performance, with credit and TPF still recorded growths of 5.59% (yoy) and 5.37% (yoy) respectively.

June 2020’s CAR recorded a rise to 30.80% from the previous year. This rise was influenced by the required establishment of a special Provision for Earning Asset Losses of 0.5% for earning assets with the quality of under special attention category which became effective as of 1 December 2019 (OJK Regulation Number 33/POJK.03/2018 concerning Earning Asset Quality and Establishment of Provision for Earning Asset Losses)

Table 3.4. RB’s performance period January - June 2020

<table>
<thead>
<tr>
<th>Indikator</th>
<th>Nominal</th>
<th>qtq</th>
<th>yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of Assets (Billion IDR)</td>
<td>139.512</td>
<td>149.659</td>
<td>146.866</td>
</tr>
<tr>
<td>Credit (Billion IDR)</td>
<td>104.616</td>
<td>111.445</td>
<td>110.468</td>
</tr>
<tr>
<td>DPK (Billion IDR)</td>
<td>94.962</td>
<td>102.975</td>
<td>100.063</td>
</tr>
<tr>
<td>-Saving Deposits (Billion IDR)</td>
<td>29.138</td>
<td>31.547</td>
<td>30.376</td>
</tr>
<tr>
<td>-Time Deposits (Billion IDR)</td>
<td>65.824</td>
<td>71.428</td>
<td>69.686</td>
</tr>
<tr>
<td>CAR (%)</td>
<td>22,78</td>
<td>91,54</td>
<td>30,80</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>2,37</td>
<td>2,28</td>
<td>1,98</td>
</tr>
<tr>
<td>BOPO (%)</td>
<td>82,34</td>
<td>82,96</td>
<td>84,78</td>
</tr>
<tr>
<td>NPL Gross (%)</td>
<td>7,25</td>
<td>7,95</td>
<td>8,44</td>
</tr>
<tr>
<td>NPL Net (%)</td>
<td>5,56</td>
<td>6,25</td>
<td>6,58</td>
</tr>
<tr>
<td>LDR (%)</td>
<td>78,91</td>
<td>77,86</td>
<td>79,09</td>
</tr>
<tr>
<td>CR (%)</td>
<td>15,17</td>
<td>14,97</td>
<td>16,66</td>
</tr>
</tbody>
</table>
for Rural Banks). The high CAR ratio reflected the adequately solid resilience of rural banks' capital for absorbing risks.

However, credit risk recorded a rise, as reflected by the rises in gross NPL and net NPL to 8.44% and 6.58%, respectively. Profitability also recorded a drop, although it was maintained with ROA ratio of 1.98% amidst the rise in the OCOI ratio to 84.78%.
C. Financial Inclusion and Public Education

There have been changes made in the organizational structure at the OJK in 2019, which included the transfer of authority related to public education concerning Islamic banking from the Directorate of Sharia Banking Regulating and Licensing (Direktorat Pengaturan dan Perizinan Perbankan Syariah/DPPS) to the OJK’s Consumer Education and Protection (Edukasi dan Perlindungan Konsumen/EPK) compartment. As such, the DPPS no longer has the authority nor main task and function concerning Islamic banking education. However, the DPPS still maintains coordination related to education activities to the public by acting as a resource person in activities with the Islamic banking theme organized by the EPK compartment. The following are the EPK compartment’s activities which had been supported by resource persons from the DPPS:

Table 3.5. OJK’s Consumer Education and Protection activities with Directorate of Sharia Banking Regulating and Licensing

<table>
<thead>
<tr>
<th>No.</th>
<th>Activities</th>
<th>Location</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Expo iB Vaganza</td>
<td>Balikpapan</td>
<td>5-7 April 2019</td>
</tr>
<tr>
<td>3.</td>
<td>Narsum Expo iB Vaganza Palembang</td>
<td>Palembang Icon Mall</td>
<td>23 August 2019</td>
</tr>
<tr>
<td>4.</td>
<td>Kuliah Umum Literasi dan Inklusi Keuangan</td>
<td>UIN Sunan Kalijaga Yogyakarta</td>
<td>10 September 2019</td>
</tr>
<tr>
<td>5.</td>
<td>Expo iB Vaganza</td>
<td>Solo Paragon Mall</td>
<td>22-24 November 2019</td>
</tr>
<tr>
<td>6.</td>
<td>Knowledge Sharing Perbankan Syariah</td>
<td>Virtual Zoom</td>
<td>23 April 2020</td>
</tr>
</tbody>
</table>
D. Illegal Fintech Entities

The Task Force for Investment Alert has continuously made efforts to eradicate illegal peer-to-peer lending fintech entities by:

a. Making announcements concerning illegal peer-to-peer lending fintech entities to the public.

b. Regularly submitting requests for blockages of websites and applications to the Ministry of Communication and Informatics of the Republic of Indonesia and Google LLC.

c. Cutting off financial access from illegal peer-to-peer lending fintech entities:
   1) Submitting appeals to banks to refuse account openings without OJK’s recommendations and to confirm with the OJK on existing accounts that are suspected of being used for illegal peer-to-peer lending fintech activities.
   2) Submitting requests to Bank Indonesia to prohibit the fintech payment system to facilitate illegal peer-to-peer lending fintech entities.

d. Submitting information reports to Bareskrim Polri (National Police’s Criminal Investigation Agency) for law enforcement processes.

e. Increasing the role of the Indonesian Joint Funding Fintech Association (Asosiasi Fintech Pendanaan Bersama Indonesia/AFPI) in handling illegal peer-to-peer lending fintech entities.

f. Continuously providing education and dissemination to the public in the use of legal peer-to-peer lending fintech entities.

In regard efforts concerning continuous prevention and protection for the public, the Task
Force for Investment Alert also makes the following efforts:

a. Collaborate with the Ministry of Communication and Informatics of the Republic of Indonesia in regularly crawling illegal fintech data through cyber patrols.

b. Periodically convey confirmations on illegal fintech entities that are not registered with the OJK based on information received from the results of cyber patrols.

c. Collaborate with private outdoor media and radio media, as well as media belonging to the DKI Jakarta Provincial Government’s Department of Communication and Informatics.

d. Establish an “Investment Alert Booth” as a facility of public consultation regarding illegal investments attended by members of the Task Force for Investment Alert, so that the public can obtain information directly from the relevant agencies. However, due to the condition of the COVID-19 pandemic, activities of the “Investment Alert Booth” have been discontinued until the situation makes the activities possible again.

In addition, through dissemination activities to the public, the Task Force for Investment Alert provided tips for taking out borrowings through peer-to-peer lending, namely:

a. Borrow from peer-to-peer lending fintech entities registered with the OJK.

b. Borrow according to your needs and abilities.

c. Borrow for productive (earning) purposes.

d. Understand the benefits, costs, interests, tenors, penalties, and risks.

The Task Force for Investment Alert have discontinued 1,493 (one thousand four hundred ninety-three) illegal peer-to-peer lending fintech entities in 2019 and 589 (five hundred eighty nine) in the first semester of 2020. Thus, from 2019 up to mid-2020, the Task Force for Investment Alert have discontinued an accumulation of 2,082 (two thousand eighty two) illegal peer-to-peer lending fintech entities.
Figure 3.1. Server Location of Financial Technology Peer-To-Peer Lending

Throughout 2018 up to May 2020, the Task Force for Investment Alert has terminated a total of 2,486 peer-to-peer lending fintech entities operating without licenses from the OJK and announced the terminations through Press Releases.

Data from the Indonesian Ministry of Communication and Information Technology, the Task Force for Handling Alleged Unlawful Actions in the Field of Community Fund Collection and Investment Management
E. Otoritas Jasa Keuangan Regulation concerning the Operation of Consumer and Public Services in the Financial Services Sector by Otoritas Jasa Keuangan

This OJK Regulation is one of the Otoritas Jasa Keuangan (OJK)'s follow-up efforts in implementing the mandates of Article 28, Article 29, and Article 31 of the Act on OJK, concerning the authority given to the OJK to provide information and education to the public on the characteristics of the financial service sector and its services and products, as well as to provide services concerning complaints. In addition, this regulation also further stipulates the provisions regarding consumer and public services by the OJK, which is one of the content materials in OJK Regulation Number 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector. The existence of a regulation concerning consumer and public services provided through the OJK strengthens legal certainty for Financial Service Institutions, consumers, and the public regarding the tools, mechanisms and requirements for the implementation of consumer and public services by the OJK. With this regulation, it is hoped that all parties in the financial services sector can work together in strengthening consumer protection in the financial services sector.

Regulatory Substance:
The Otoritas Jasa Keuangan Regulation concerning the Operation of Consumer and Public Services in the Financial Services Sector by the Otoritas Jasa Keuangan stipulates the objectives and services that can be utilized by consumers
and the public. The provisions regarding these services cover:
1. Various media that can be used by the consumers/public in conveying information or questions;
2. Obligations of financial service institutions in supporting services provided by the OJK and the timeframe for fulfilling these obligations;
3. The formal requirement and materials of complaints that have indications of disputes;
4. Requirements that must be met by the consumers/public when submitting complaints that have indications of violations;
5. Mechanism for resolving complaints that have indications of disputes/violations;
6. The integrated consumer service system in the financial services sector and the timing of its effectiveness; and
7. Sanctions imposed on Financial Service Institutions that violate the provisions in this OJK Regulation.
F. Credit Information Services

Since the full operation of the Financial Information Service System (Sistem Layanan Informasi Keuangan/SLIK) in January 2018, the OJK has started providing debtor information service (iDeb) to the public and financial service institutions.

The number of SLIK reporters at the end of December 2019 came to 2,070.

Currently, four Savings and Loans Cooperatives have voluntarily registered to become SLIK reporters, three of which are cooperatives that distribute Kredit Usaha Rakyat (Rural Business Credit). Currently, SLIK reporters consist of Commercial Banks (conventional and Islamic), RBs, SRFBs, Financing Institutions, and other FSIs (except Micro Finance Institutions), as well as Savings and Loans Cooperatives.

Figure 3.2. The Illustration of the number of SLIK’s Reporter based on category

Source: Diolah dari Statistik Layanan Informasi Keuangan dapat diunduh melalui link berikut: https://www.ojk.go.id/id/kanal/perbankan/Pages/Sistem-Layanan-Informasi-Keuangan-SLIK.aspx
In general, objective of the public in accessing the debtor information service is to find out the history of the collectability of all loans a debtor has in the previous 24 months.

Throughout 2019, the OJK, through SLIK service outlets at the Head Office and Regional Offices/OJK Offices in the regions, has served as many as 98,709 iDeb requests from the public.

**Figure 3.3.** The number of IDEB's request from public during 2019

Source: Diolah dari Statistik Layanan Informasi Keuangan dapat diunduh melalui link berikut https://www.ojk.go.id/id/kanal/perbankan/Pages/Sistem-Layanan-Informasi-Keuangan-SLIK.aspx

The OJK also provides access for SLIK Reporters to obtain iDeb data. Throughout 2019, the OJK has served more than 69.6 million iDeb requests from SLIK Reporters.
Throughout January – June 2020, the OJK, through SLIK service outlets at the Head Office and Regional Offices/ OJK Offices in the regions, has served as many as 36,474 iDeb requests from the public.

The OJK also provides access for SLIK Reporters to obtain iDeb data. Throughout January – June 2020, the OJK has served more than 35,9 million iDeb requests from SLIK Reporters.
Figure 3.6. The number of IDEB’s request from SLIK’s Reporters during January - June 2020

Source : Diolah dari Statistik Layanan Informasi Keuangan dapat diunduh melalui link berikut: https://www.ojk.go.id/id/kanal/perbankan/Pages/Sistem-Layanan-Informasi-Keuangan-SLIK.aspx
G. Issuance of Banking Provisions

The OJK has a mandate to create a financial services sector that is stable, continuously growing, and contributive. This effort is realized through the issuance of provisions in the banking sector that are able to provide adequate confidence to all stakeholders, provide ample room for the industry to develop, and at the same time support national economic development. Regulatory harmonization is also continuously carried out so that OJK provisions remain relevant to current conditions and are able to answer future challenges.

Throughout 2019, the OJK has issued 18 OJK Regulations in the banking field, 3 of which are specific for Islamic banking.

First, OJK Regulation Number 28/POJK.03/2019 concerning Banking Synergy within One Ownership for Development of Islamic Banking. This OJK Regulation expands the space for cooperation that can be carried out by SCBs and Commercial Banks that have ownership relationships, covering vertical ownership relationship (synergy between parent companies and subsidiaries), horizontal ownership relationship (synergy between sister companies), or a combination of the two. Areas in which Commercial Bank resources can be synergized include, among others, HR, IT, and office networks. This OJK Regulation is a strategic initiative of the OJK in reforming the business processes of the Islamic banking industry, particularly in addressing the implementation of the Act on Islamic Banking related to the obligation to separate SBUs from SCBs by 2023.

Meanwhile, the other two OJK Regulations that concern Islamic banking are enacted for harmonizing the existing regulations, namely OJK Regulation Number 20/POJK.02/2019 concerning the Assessment System for the Soundness Level.

The entire banking provisions issued in 2019 are presented in Section 4.

H. Islamic Economic Community

One of the OJK’s 2017-2022 strategic policy directions is to promote enhancement in the role of the Islamic financial sector in supporting the provision of development resources. This has been pursued through the integration of the Islamic financial sector, including islamic banking, into the Islamic economic ecosystem in order to be able to realize its enormous potential.

For this reason, synergy and collaboration with various stakeholders in this ecosystem must be carried out continuously and intensified. In this case, the Islamic Economic Community (IEC) is a strategic partner of the OJK in building these synergy and collaboration. The IEC is a forum for Islamic economic and financial actors that was established in 1991, covering various elements from the Government or related authorities, academics and halal industry players such as: the fashion industry, Muslim clothing, halal food, pharmaceuticals, to the tourism sector.

The synergy between the OJK and the IEC has long been established and is closely knit. In terms of management, position of the General Chairperson of the IEC for the last few periods was entrusted with the Chairman of the OJK, namely the current Chairman of the OJK, Prof. Wimboh Santoso Ph.D, and Chairman of the OJK for the period 2012-2017, Prof. Muliaman Hadad, Ph.D. Thus, various OJK’s policies on Islamic finance can be communicated and implemented more
quickly and effectively to all stakeholders. On the other hand, the IEC can also provide thoughts and feedback to the OJK in accelerating the development of the Islamic economy and finance.

Not only that, the OJK and the IEC have also collaborated in organizing work programs to promote the growth and development of the Islamic financial sector. Some of the OJK’s and the IEC’s collaborative programs in 2019 included provision of assistance to the Micro Waqf Bank (BWM) program which involved Islamic banking, the drafting of an Islamic fintech code of ethics, as well as the organizing of education and dissemination activities to the public in order to introduce and enhance Islamic financial literacy.
I. Provision of Capacity Building for Public Accountants Registered to conduct Audits in the Banking Sector

1. Role of Public Accounting Firms and Public Accountants in the Banking Sector

Based on Act Number 5 of 2011 concerning Public Accountants, Public Accountants have an extremely important role in supporting a healthy and efficient national economy as well as in enhancing transparency and quality of information in the financial field in the entire economy sector. Specifically in the financial services sector, Public Accountants have a central role in protecting interest of the public which includes various stakeholders, especially funds/savings owners, investors, policy holders, the Government, financial service institutions, and the general public.

Examinations by Public Accountants that are carried out in accordance with the prevailing norms and provisions, particularly in the banking industry, will help ensure that banks constantly strive to do better and to be more prudent in conducting their business activities. Furthermore, sound banks will be able to support the realization of a financial system that grows in a sustainable and stable manner.

The enactment of OJK Regulation Number 13/POJK.03/2017 dated 27 March 2017 concerning Uses of the Services of Public Accountants and Public Accounting Firms in Financial Service Activities (OJK Regulation 13), stipulates that prior to providing services to parties that conduct financial service activities, Public Accountants and Public Accounting Firms must first be registered with the OJK.
2. Capacity Building Program for Public Accountants in the banking sector

The role of Public Accounting Firms and Public Accountants registered with the OJK in ensuring the quality of information for the wide stakeholders requires professional competence and independence. Public Accountants are required to always maintain, improve and develop their professional competence through a continuous learning process. Development of professional competence for Public Accountants is expected to take place along with the rapid development of the financial services industry, particularly banking.

The enactment of OJK Regulation 13 is expected to be able to promote Public Accountants to have competence and knowledge in the field of financial services and industries that use Public Accountants. To maintain and improve competence and knowledge, Public Accountants are required to take part in a special Continuing Professional Education for Public Accountants, organized by the institution recognized by the Otoritas Jasa Keuangan, namely the professional association of Public Accountants set by the Minister of Finance (in this case, the Indonesian Institute of Public Accountants), at least in accordance with the number of Continuing Professional Education Credit Units that must be met every year as set by the Otoritas Jasa Keuangan.

PPL for Public Accountants registered in the OJK Banking sector has been held in collaboration with IAPI since 2014.
3. Public Accountants/Public Accounting Firms in the Banking sector registered with the OJK

Based on OJK’s administrative record in the Banking sector, as of December 2017 position there were 221 Public Accounting Firms (PAFs) registered with the OJK, of which 176 PAFs had Public Accountants (PAs) registered in the Banking sector. As of December 2018 position there were 224 PAFs registered with the OJK, with 192 PAFs having PAs registered in the banking sector. Meanwhile, as of the position of December 2019 there were 271 PAFs registered with the OJK, with 225 PAFs having PAs registered in the banking sector. Furthermore, as of the position of June 2020 there were 282 PAFs registered with the OJK, of which 228 PAFs had PAs registered in the banking sector.

Total Public Accountants (PAs) with active status and registered in the Banking sector as of December 2017 position were 344 persons (Conventional Banking PAs) and 88 persons (Islamic Banking PAs). In 2018, apart from the registrations of new PAs/PAFs there were also re-registrations up to 27 March 2018 for PAs/PAFs registered with OJK prior to the enactment of OJK Regulation 13. As of December 2018 position, the total active PAs in the banking sector were 390 persons (Conventional Banking PAs) and 99 persons (Islamic Banking PAs). Meanwhile, at December 2019 position, the total PAs active in the banking sector were 442 persons (Conventional Banking PAs) and 136 persons (Islamic Banking PAs). Furthermore, as of June 2020 position, the total PAs active in the banking sector were 448 persons.

<table>
<thead>
<tr>
<th>AP Competency</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Banking</td>
<td>344</td>
<td>390</td>
<td>464</td>
<td>471</td>
</tr>
<tr>
<td>Sharia Banking</td>
<td>88</td>
<td>99</td>
<td>146</td>
<td>152</td>
</tr>
</tbody>
</table>

AP Sharia Banking must first or simultaneously have a Registered Certificate (STTD) AP for the Conventional Banking Sector.
(Conventional Banking PAs) and 142 persons (Islamic Banking PAs). The Financial Service Institutions in the Banking Sector that are required to be audited by PAFs/PAs registered with the OJK (clients) are 1,436 Banks (87.61% of total Banks), namely all commercial banks as well as each RB/SRFB, with total assets of more than IDR 10 billion.

Public Accountants who wish to be registered with the OJK can submit online registration applications through the Integrated Licensing and Registration System (Sistem Perizinan dan Registrasi Terintegrasi/SPRINT) (http: \ sprint.ojk.go.id)

J. Memorandum of Understanding of OJK - LPS

The Otoritas Jasa Keuangan (OJK) and the Indonesia Deposit Insurance Corporation (IDIC) have signed a Memorandum of Understanding concerning coordination and cooperation in the context of implementation of the functions and tasks of the OJK and IDIC at the Financial System Stability Committee (FSSC) meeting on Monday, 28 January 2019. The signing of the Memorandum of Understanding was performed by Chairman of the OJK’s Board of Commissioners, Wimboh Santoso and Chairman of the IDIC’s Board of Commissioners, Halim Alamsyah.

A. BACKGROUND

Compilation of the Memorandum of Understanding (MoU) of the OJK-IDIC was a renewal of the 2014 MoU of the OJK-IDIC which has expired on 18 July 2017.

B. PURPOSE

The renewal aims to facilitate and optimize cooperation and coordination in implementation
of the functions and tasks of the OJK and IDIC, as well as to adjustment to Act Number 9 of 2016 concerning Financial System Crisis Prevention and Management (Act on FSCPM), Otoritas Jasa Keuangan’s provisions, and Indonesia Deposit Insurance Corporation’s provisions.

C. SCOPE

The scope of the MoU of the OJK-IDIC, namely:

1. Implementation of deposit insurance and supervision at Banks
2. Follow-up of results of supervision and analyses of Banks;
3. Settlement of Banks other than Systemic Banks with the status of Bank Under Intensive Supervision (BUIS) and Banks Under Special Supervision (BUSS)
4. Handling of Systemic Banks with BUIS and BUSS statuses;
5. Settlement of Banks other than systemic Banks that cannot be rehabilitated;
6. Handling of Systemic Banks handed over by FSCPM to IDIC;
7. Settlement follow-up actions for Banks which business licenses have been revoked;
8. Establishment and termination of Intermediary Banks;
9. Handling or settlement of banks with “publicly listed” status and issuance of securities; and
10. Implementation of other functions and tasks

D. UPDATES OF MoU of OJK-IDIC

1. To improve coordination between OJK and IDIC, among others in the context of
   a. handling of Systemic Banks
   b. settlement of Banks Other Than Systemic Banks
   c. establishment and termination of Intermediary Banks
   d. handling or settlement of banks with the status of “Tbk” and issuance of securities
2. Handling of Systemic Banks handed over by FSCPM to IDIC based on the Act on IDIC and the Act on FSCPM
3. The IDIC may carry out due diligence, both on Systemic
Banks as well as Non-Sys-
temic Banks with BUIS sta-
tus, with certain terms and conditions
4. Step up the scope of data and information exchange in a more comprehensive manner
5. Acceleration of the time period for conveying information between the OJK and IDIC related to Systemic Banks and Banks Other Than Sys-
temic Banks, with BUIS and BUSS statuses
6. Provision of support by the OJK to the IDIC in the im-
plementation of the Bank-
ing Restructuring Program
7. Establishment of the Co-
ordination Forum in order to facilitate exchange of information and imple-
mentation of the tasks and authorities of each agency.

K. International Assessments

1. RCAP of Net Stable Funding Ratio (NSFR) dan Large Exposures (LEX)

The Regulatory Consistency Assessment Program (RCAP) is an assessment process conducted by BCBS with the aim of finding out the consistency of regulations issued by a country’s authorities with international banking standards issued by BCBS. RCAP is carried out on all BCBS member countries (28 jurisdictions), including Indonesia. Based on the results of the RCAP, BCBS will issue grades consisting of compliant, largely compliant, materially non-compliant and non-
compliant grades.

In 2016, Indonesia achieved the grades of compliant for the RCAP framework for Liquidity Coverage Ratio (LCR) and largely compliant for Capital.
Since 2018, the OJK has been preparing to implement RCAP framework for Net Stable Funding Ratio (NSFR) and Large Exposures (LEX) by establishing a task force and conducting self-assessments aimed at identifying gaps between the Basel framework and applicable provisions. In October 2019, the OJK held an on-site assessment meeting with the RCAP NSFR and LEX assessor team which resulted in preliminary grading and the RCAP NSFR and LEX draft reports. The final results of the RCAP NSFR and LEX Indonesia assessment will be determined at the Basel Committee meeting in the first quarter of 2020.

2. Implementation of Financial Stability Institute- Executives Meeting of East Asia Pacific Central Banks (FSI-EMEAP) Policy Implementation Meeting (PIM)

On 16-17 October 2019, the OJK hosted the FSI-EMEAP PIM with the theme “Expected Credit Loss Provisioning: Implications for Regulation and Supervision”. This activity was held in Jakarta and attended by 35 senior officials from banking authorities of several countries.

One of the topics discussed at the meeting was the impact and challenges of the expanded scope of the assessment of the implementation of the International Financial Reporting Standards (IFRS) 9 which has an impact on the levels of bank income and capital.
In line with the Republic of Indonesia’s Act number 21 of 2011 concerning the Otoritas Jasa Keuangan, the Otoritas Jasa Keuangan (OJK) has the authority to regulate or stipulate provisions on the aspects of business and activities of the banking industry. This authority is implemented in the forms of OJK’s Regulations and OJK’s Circular Letters (OJK CL).

A. Banking Regulations Issued from 2019 up to June 2020

Throughout 2019 up to June 2020, the OJK has issued 23 OJK Regulations in the banking field as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>OJK Regulation</th>
<th>Concerning</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/POJK.03/2019</td>
<td>Implementation of Internal Audit Function in Commercial Banks</td>
<td>29-01-2019</td>
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<tr>
<td>2</td>
<td>11/POJK.03/2019</td>
<td>Prudential Principle In Asset Securitization Activities For Commercial Banks</td>
<td>28-03-2019</td>
</tr>
<tr>
<td>3</td>
<td>12/POJK.03/2019</td>
<td>Commercial Bank Reporting Through Otoritas Jasa Keuangan Reporting System</td>
<td>05-04-2019</td>
</tr>
<tr>
<td>4</td>
<td>13/POJK.03/2019</td>
<td>Rural Bank and Sharia Rural Financing Bank Reporting through Otoritas Jasa Keuangan Reporting System</td>
<td>02-05-2019</td>
</tr>
<tr>
<td>5</td>
<td>20/POJK.03/2019</td>
<td>concerning Sharia Rural Financing Bank Soundness Level System</td>
<td>09-09-2019</td>
</tr>
<tr>
<td>6</td>
<td>21/POJK.03/2019</td>
<td>Mergers, Consolidations, and Acquisitions of Rural Banks and Sharia Rural Financing Banks</td>
<td>13-09-2019</td>
</tr>
<tr>
<td>7</td>
<td>25/POJK.03/2019</td>
<td>Reporting of Foreign Customer Information regarding Taxation to Partner Countries or Partner Jurisdictions</td>
<td>16-10-2019</td>
</tr>
<tr>
<td>8</td>
<td>28/POJK.03/2019</td>
<td>Banking Synergy Within One Ownership For Development of Islamic Banking</td>
<td>19-11-2019</td>
</tr>
<tr>
<td>No.</td>
<td>OJK Regulation</td>
<td>Concerning</td>
<td>Date</td>
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<tr>
<td>9</td>
<td>29/POJK.03/2019</td>
<td>Sharia Rural Financing Bank Earning Asset Quality and Establishment of Provision for Earning Asset Write-Offs</td>
<td>29-11-2019</td>
</tr>
<tr>
<td>10</td>
<td>31/POJK.03/2019</td>
<td>Requirement to Meet Leverage Ratio for Commercial Banks</td>
<td>02-12-2019</td>
</tr>
<tr>
<td>11</td>
<td>32/POJK.03/2019</td>
<td>Amendment to OJK Regulation Number 19/POJK.03/2017 concerning Rural Bank and Sharia Rural Financing Bank Determination of Status and Supervision Follow Up.</td>
<td>12-12-2019</td>
</tr>
<tr>
<td>12</td>
<td>35/POJK.03/2019</td>
<td>Transparency of Sharia Rural Financing Bank Financial Condition</td>
<td>13-12-2019</td>
</tr>
<tr>
<td>13</td>
<td>36/POJK.03/2019</td>
<td>Submission of Reports through the Integrated Reporting Portal</td>
<td>18-12-2019</td>
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<tr>
<td>14</td>
<td>37/POJK.03/2019</td>
<td>Transparency and Publication of Bank Reports</td>
<td>19-12-2019</td>
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<td>15</td>
<td>38/POJK.03/2019</td>
<td>Amendment to OJK Regulation Number 32/POJK.03/2018 concerning Legal Lending Limit and Limit on Provision of Large Funds for Commercial Banks</td>
<td>19-12-2019</td>
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<tr>
<td>16</td>
<td>39/POJK.03/2019</td>
<td>Implementation of Anti Fraud Strategy for Commercial Banks</td>
<td>19-12-2019</td>
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<td>17</td>
<td>40/POJK.03/2019</td>
<td>Assessment of Commercial Bank Asset Quality</td>
<td>19-12-2019</td>
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<tr>
<td>18</td>
<td>41/POJK.03/2019</td>
<td>Mergers, Consolidations, Acquisitions, Integrations, and Conversions of Commercial Banks</td>
<td>23-12-2019</td>
</tr>
<tr>
<td>20</td>
<td>12/POJK.03/2020</td>
<td>Consolidations of Commercial Banks</td>
<td>17-03-2020</td>
</tr>
<tr>
<td>21</td>
<td>13/POJK.03/2020</td>
<td>Amendment to OJK Regulation Number 38/POJK.03/2016 concerning Implementation of Risk Management In The Use Of Information Technology By Commercial Banks</td>
<td>31-03-2020</td>
</tr>
<tr>
<td>22</td>
<td>18/POJK.03/2020</td>
<td>Written Instructions for Handling of Bank Problems</td>
<td>21-04-2020</td>
</tr>
<tr>
<td>23</td>
<td>34/POJK.03/2020</td>
<td>Policies for Rural Banks and Sharia Rural Financing Banks As The Impact of The Spreading of 2019 Coronavirus Disease</td>
<td>02-06-2020</td>
</tr>
</tbody>
</table>
Online Banking Provision Information System (SIKePO)

It is an application for banking provisions that are arranged in a systematic and comprehensive manner based on certain topics. SIKePO functions as a digital library of banking provisions that provide comprehensive, up-to-date, systematic, accurate, fast, and easy to use database.

Before SIKePO was developed, the search for various banking provisions required by users could not be done easily and quickly because they were relatively scattered and had not been grouped according to certain topics.

With the presence of SIKePO, users are expected to be able to:
1. find banking provisions in an effective and efficient manner;
2. understand the banking provisions comprehensively; and
3. know the track record data of the effectiveness of any provision.
SIKePO can be accessed by anyone using the internet network. Users can easily access SIKePO through the browser by clicking https://SIKePO.ojk.go.id or by scanning the QR code on the side.

**Figure 4.1.** Image SIKePO application Screenshot
The features available in SIKePO include:

1. **Codification of provisions**
   
   It is a terminology concerning the classification of each article of any provision based on certain topic and sub-topics. The codification feature in SIKePO can be accessed and viewed by users through the available drop-down menus and also through a simple search. This page also contains a track record of the effectiveness of the provisions and other interrelated provision.

2. **Search for provision**
   
   This feature lists the available provisions. Provisions can be searched through the search engines based on the provision type, number or title, year of issue, and classification. Provision can be downloaded in full. In addition, this feature is also includes an executive summary and frequently asked questions concerning each provision.
B. Summary of OJK Regulations in Banking field issued from 2019 up to June 2020

1. Implementation of the Internal Audit Function at Commercial Banks

It is necessary to enhance the provisions regarding implementation of the internal audit function as stipulated in BI Regulation Number 1/6/PBI/1999 in order to accommodate the development of governance practices and best practices concerning the internal audit function issued by The Basel Committee on Banking Supervision as well as the professional practice standards of internal audit published by The Institute of Internal Auditors.

Main Provisions

a. Bank obligation to have an internal audit function as well as the structure, authority and main tasks of the Internal Audit Work Unit (IAWU).
b. Professional ethics for the IAWU, which include independence, objectivity, competence and integrity.
c. Development of the internal audit charter, annual audit plan, and scope of internal audit activities.
d. Banks must make adjustments to their internal audit charters no later than 1 June 2019. Responsibilities of the Board of Directors, Board of Commissioners and the Audit Committee in carrying out the internal audit function.
e. Relationship and cooperation between IAWU and other control work units and external auditors.
f. The obligation of IAWU to communicate regularly with the OJK is in order to improve the effectiveness and efficiency of the internal audit function.
g. The IAWU’s function in any business group, for a bank as a
parent company and for a bank as a subsidiary company.

h. The use of external party services in conducting internal audits for special expertise and that are temporary in nature.

i. The obligation to submit reports on the implementation of the internal audit function to the OJK, namely:
   1. report on the appointment or dismissal of the head of the IAWU;
   2. special report regarding any internal audit findings that are predicted to endanger a Bank's business continuity;
   3. report on results of the independent external review conducted once in 3 (three) years, namely for the period from July up to June of the following third year; and
   4. report on the implementation and main results of the internal audits.

j. The OJK Regulation applies to conventional commercial banks, including branch offices of banks domiciling abroad, as well as sharia commercial banks and sharia business units.

2. Prudential Principle in Asset Securitization Activities for Commercial Banks

OJK Regulation Number 11/POJK.03/2019 concerning Prudential Principle in Asset Securitization Activities for Commercial Banks. It is necessary to enhance BI Regulation number 7/4/PBI/2005 concerning Prudential Principle in Asset Securitization Activities for Commercial Banks to comply with Basel 3 standards.
Main Provisions

a. In asset securitization, a Bank may carry out the following activities:
   1. Initial creditor (Originator);
   2. Provider of supporting credit (Credit Enhancement);
   3. Provider of liquidity facility;
   4. Service provider (Servicer);
   5. Investors; and/or
   6. Custodian bank

b. Amendment in the provision concerning Banks that can carry out asset securitization activities, namely Banks of the categories of BUKU 1, BUKU 2, BUKU 3, and BUKU 4 can carry out activities as referred to in letter a number 1) up to number 5). Meanwhile, Banks that can conduct activities as Custodian Banks as referred to in letter a number 6) are Banks of the categories of BUKU 3 and BUKU 4.

c. Application of risk weight in the calculation of RBWA for securitization exposure that is lower than Basel 2, as long as the due diligence/disclosure requirement for this exposure is met, namely between 15% - 1,250%.

d. Amendment in the submission of reports to the OJK to online submission through the OJK reporting system.

3. Commercial Bank Reporting Through Otoritas Jasa Keuangan Reporting System

In order to support the effectiveness of the supervisory function in the banking sector, a method for online submissions of reports by banks to the OJK that is efficient and fast is required through the OJK Reporting System.

Main Provisions

a. Bank obligation to prepare and submit reports to the OJK in a complete, accurate, up-to-date, comprehensive and timely manner.

b. The reports consist of:
   1. daily reports;
   2. weekly reports;
3. monthly reports;
4. quarterly reports;
5. semesterly reports;
6. annual reports; and
7. other reports

c. Each of these reports has reporting deadlines divided into a number of periods.

d. Bank obligation to make amendments on misinformation in reports based on bank findings, public accountant audit results, and/or OJK’s findings.

e. Reports and/or report amendments are submitted online through the OJK Reporting System with a deadline for submission until the end of the sixth month after the reporting data period. Submissions of reports and/or report amendments after the deadlines shall be done offline.

f. The OJK will inform the banks in the event that the OJK experiences technical problems. Banks are required to submit reports online no later than 1 (one) working day after any technical problem at the OJK is resolved.

g. A bank experiencing a force majeure shall notify the OJK in writing to obtain a postponement in the reporting deadline.

h. Banks are subject to administrative sanctions for violations of this OJK Regulation, including fines for late submissions of reports and misinformation based on the findings of the banks or the OJK. Any incorrectly related entries shall be imposed with sanctions only once.

i. The procedure for submissions of reports and impositions of administrative sanctions for the types of reports that are obliged to be submitted through the OJK Reporting System shall refer to this OJK Regulation.
4. Reporting of Rural Banks and Sharia Rural Financing Banks Through Otoritas Jasa Keuangan Reporting System

In order to regulate the obligation of RBs and SRFBs to prepare and submit reports to the OJK, a method for submitting reports through the OJK Reporting System is required.

Main Provisions

a. The obligation of RBs and SRFBs to prepare and submit RB and SRFB reports to the OJK through the OJK Reporting System in a complete, accurate, up-to-date, comprehensive, and timely manner.

b. RB and SRFB reports include:
   1. RB Monthly reports;
   2. SRFB Monthly reports;
   3. RB and SRFB business plans and reports on realizations of the business plans based on provisions of the OJK Regulation; and
   4. other reports submitted by RBs and SRFBs online based on provisions of the OJK Regulation.

c. The obligation to submit RB and SRFB reports through the Otoritas Jasa Keuangan Reporting System may be exempted for:
   1. RBs and SRFBs that have only been operating for a maximum period of 3 (three) months since the start of operational activities; and/or
   2. RBs and SRFBs that experience technical problems.

d. The obligation of RBs and SRFBs to appoint and convey the names of persons in charge of the RB and SRFB reports to the OJK.
e. The obligation of RBs and SRFBs to submit amendments to misinformation in RB and SRFB reports that have been submitted to the OJK.

f. Deadline for submission of RB and SRFB monthly reports is no later than the 10th of the following month after the relevant reporting month. Meanwhile, deadline for submission of amendments to RB and SRFB Monthly Reports is no later than the 15th day of the following month after the relevant reporting month.

g. Submissions of RB monthly reports through the OJK Reporting System shall be carried out starting from the position of May 2019 report, while submissions of SRFB monthly reports through the OJK Reporting System shall be carried out starting from the position of October 2019 report.

5. Assessment System for Soundness Level of Sharia Rural Financing Banks

This OJK Regulation is a conversion of Bank Indonesia Regulation Number 9/17/PBI/2007 concerning the Assessment System for the Soundness Level of Rural Banks Conducting Business Based on Sharia Principles (BI Regulation on SRFB Soundness Level) which does not have any changes in substance. This OJK Regulation stipulates assessment of the soundness level of SRFBs which includes assessments of the factors of capital, asset
quality, profitability, liquidity and management. With the enactment of this OJK Regulation, BI Regulation Number 9/17/PBI/2007 concerning the Assessment System for the Soundness Level of Rural Banks Conducting Business Based on Sharia Principles is declared no longer valid.

Main Provisions

a. Merger, consolidation and acquisition of a RB or SRFB can be carried out at the initiative of the RB or SRFB or by the instruction of the OJK, while still being required to obtain approval from the OJK.

b. A merger or consolidation can be carried out between a RB and a RB, a RB with a SRFB, or a SRFB with a SRFB. A RB may only merge or consolidate with a SRFB in the event that the entity resulting from the merger or consolidation becomes a SRFB.

c. The mechanism for conducting the merger or consolidation is as follows:
1. The RB/SRFB submits documents comprising of the deed plan and draft;
2. The OJK reviews the
preparatory documents for implementation of the merger or consolidation, in regard completeness and accuracy of the documents, financial condition, fit and proper test of the prospective main party and examination of prospective shareholders, examination of capital deposits, and examination of information technology readiness;

3. The RB/SRFB performs follow-up actions, such as announcement of a summary deed plan, submission of objections from creditors, submission of shareholder rights, implementation of a Shareholders General Meeting (SGM), and submission of the deed of merger or consolidation;

4. The OJK issues its approval or rejection based on examinations of the minute of the SGM, deed of merger or consolidation, evidence of announcements, and the RB/SRFB’s latest performance report;

5. Submission of approval or notification of merger or consolidation to the competent authorities; and

6. After obtaining a merger or consolidation approval, the RB/SRFB is obliged to submit documents comprising a closing balance sheet, an opening balance sheet, and a report on the implementation of the merger or consolidation.

d. The criteria for an acquisition of a RB/SRFB that results in a transfer of control is if the share ownership meets the following criteria:

1. become the shareholder with the largest share ownership in the RB/SRFB; or

2. the share ownership does not exceed that of the largest shareholder however it controls the management and/or policies of the RB/SRFB either directly or indirectly.
e. The mechanism for implementing the acquisition is as follows:

1. The RB/SRFB submits documents comprising of the plan and draft of the deed of the acquisition;
2. The OJK reviews the preparatory documents for implementation of the acquisition, in regard completeness and accuracy of the documents as well as sources of funds to be used to take over the RB/SRFB;
3. The RB/SRFB performs follow-up actions, such as announcement of a summary deed plan, submission of objections from creditors, submission of shareholder rights, and implementation of a Shareholders General Meeting (SGM);
4. The OJK issues its approval or rejection based on a review of document completeness and a fit and proper test of the party carrying out the acquisition;
5. The RB/SRFB performs a follow-up by incorporating the acquisition plan into the acquisition deed;
6. submission of approval or notification of amendments to the articles of association to the competent authorities; and
7. after obtaining the acquisition approval, the RB/SRFB is obliged to submit a report on the implementation of the acquisition.

f. Under certain conditions, the OJK may instruct a RB/SRFB to carry out a merger, consolidation, or acquisition.

Regulatory Track Record

OJK Regulation Number 21/POJK.03/2019 amends SK Dir No. 32/52/KEP/DIR concerning Requirements and Procedures for Mergers, Consolidations and Acquisitions of Rural Banks.

Information obtained from sikepo
7. Reporting of Foreign Customer Information regarding Taxation to Partner Countries or Partner Jurisdictions

As mandated by Act Number 9 of 2017 concerning Enactment of Government Regulations in Lieu of Law Number 1 of 2017 into Law concerning Access to Financial Information for Taxation Purposes, Financial Service Institutions (FSIs) have a role to submit reports on foreign customer information to the Directorate General of Taxes (DGT) through the OJK. This OJK Regulation supports the implementation of automatic exchange of financial information (AEOI) by FSIs in the banking, capital market and insurance sectors.

Main Provisions

a. Reporting FSIs include:

1. FSIs in the banking sector:
   a) Commercial Banks (including Sharia Commercial Banks);
   b) Rural Banks; and
   c) Sharia Rural Financing Banks

2. FSIs in the capital market sector:
   a) Securities Companies; and
   b) Custodian Banks

3. FSIs in the insurance sector:
   a) Life Insurance Companies and Sharia Life Insurance Companies; and
   b) General Insurance Companies and Sharia General Insurance Companies.

b. Financial information reported includes the identity of the financial account holder, financial account number, the identity of the Reporting FSI, financial account balance or value, and income related to the financial account.

c. Reporting FSIs are still obliged to submit reports of zero result in the event that there are no financial accounts that must be reported in one calendar year.

d. Reports of foreign customer information shall be submitted online through the foreign cus-
customer information submission system (sistem penyampaian informasi nasabah asing/SiPI-NA) no later than 60 (sixty) days prior to the expiration of the AEOI periods agreed by the Government of Indonesia and the governments of the partner countries or partner jurisdictions.

e. Each Reporting FSI is obliged to appoint 1 (one) officer responsible for report submissions. If necessary, the responsible officer can appoint 1 (one) executing officer.

f. To be able to submit reports, each Reporting FSI must register with SiPINA. Registration is performed online by attaching a system registration application letter, information on the responsible officer and executing officer, and other documents or information if required.

g. If there is an error of information in the report that has been submitted through SiPINA, the Reporting FSI can make amendments. Amendments shall be made based on requests from the DGT or at the Reporting FSI’s initiative through SiPINA.

h. The sanction that shall be imposed on Reporting FSIs that do not submit reports shall be in the form of written warnings.

i. At the time the OJK Regulation concerning Reporting of Foreign Customer Information regarding Taxation to Partner Countries or Partner Jurisdictions comes into force, the OJK Regulation Number 25/POJK.03/2015 and OJK CL Number 16/SEOJK.03/2017 are revoked and declared no longer valid.
8. Banking Synergy within One Ownership for the Development of Islamic Banking

Backdrop of the development of this regulation is as an implementation of the OJK strategic policy in 2019 regarding reformation of the industry’s business process and implementation of the Act on Islamic Banking regarding the obligation to separate SBUs from the SCBs by 2023. This regulation stipulates cooperation between SCBs and CCBs which have ownership relations through optimization of CCBs’ resources to provide added value for both the SCBs and CCBs. The exception for the synergy that can be carried out concerns SCB capital and management. This OJK Regulation was promulgated on 19 November 2019 and came into force from the date of promulgation.

The Otoritas Jasa Keuangan issued the OJK Regulation Number 28/POJK.03/2019 concerning Banking Synergy within One Ownership for the Development of Islamic Banking on 19 November 2019 as an effort to enhance the efficiency of the Islamic banking industry through optimization of Commercial Banks’ resources by Sharia Commercial Banks (SCBs) which have ownership relationship. The issuance of this OJK Regulation is also expected to step up the competitiveness of SCBs in providing services to CCBs’ customers and expand access to Islamic banking services for members of the public who are not yet familiar with, use, and/or receive Islamic banking services (financial inclusion). This OJK Regulation expands the scope of cooperation that can be conducted by SCBs and Commercial Banks that have ownership relationships, both vertical ownership relationships (synergy between parent and subsidiaries), horizontal ownership relationships (synergy between sister companies), or a combination of the two. Areas of commercial bank resources that can be synergized include, among others, HR, IT, and office networks. Examples of synergies include...
in the HR field include the use of the independent committee members at a Commercial Bank to concurrently serve as independent parties on the SCB committees and the use of human resources of the Commercial Bank as additional members of the SCB committees. An example of synergies in the IT field includes the use of the Commercial Bank data centers (DC) and disaster recovery centers (DRC) by the SCB. Meanwhile, an example of synergies in the office networks field includes the opening a SCB office network at the same address as the commercial bank office network (co-location or office sharing). This OJK Regulation even allows SCB customers to be served in the Commercial Bank office network through cooperation in the Commercial Bank Sharia Services. The activities that can be provided in the commercial bank office network range from fund accumulation, financing, and provision of other banking services based on sharia principles. In addition, a SCB can also conduct business activities based on the BUKU category and/or core capital of its parent Commercial Bank while still meeting other requirements as regulated in each of these business activities. However, Banking Synergy does not eliminate the SCB responsibility concerning the risks from activities that are synergized with the Commercial Bank. The banking synergy stipulated in this OJK Regulation does not include the use of the Commercial Bank capital for calculating the SCB maximum limit for fund channeling and the uses of the Commercial Bank management (Directors, Board of Commissioners, Sharia Supervisory Board, committees that must be formed by the SCB, and Executive Officers) for concurrent positions as the SCB management. To be able to implement Banking Synergy, the SCB and Commercial Bank must include a Banking Synergy plan in their respective business plans and submit an application for approval to the OJK. It is sufficient to submit one application for approval by the SCB (one door).
9. Earning Asset Quality and Establishment of Provision for Earning Asset Losses for Sharia Rural Financing Banks

Backdrop of the development of this regulation is the need for adjustments to the determination of the quality of financing and preventive steps an early warning system for SCB Non-Performing Financing for both the supervisors and the SCB concerned, as well as harmonization within the Financial Information Service System. This regulation stipulates among others the adjustment of the classification of asset quality into 5 categories, assessment of financing quality into 3 pillars, calculation of Provision for Earning Asset Losses, and financing restructuring. This OJK Regulation was promulgated in Jakarta on 29 November 2019 and came into force from 1 December 2019.

10. Obligation to Fulfill the Leverage Ratio for Commercial Banks

Development of this OJK Regulation was to comply with Basel III standards: Finalizing post-crisis reforms (Basel III Reforms) in 2017. The leverage ratio is a simpler measurement of capital...
and is not based on risk (non-risk based capital).

Main Provisions
a. Banks are required to provide adequate Core Capital based on the Total Exposure recorded in the report of financial position as well as the report of commitments and contingencies. Provision of adequate Core Capital is calculated using the Leverage Ratio.

b. The Leverage Ratio is measured by comparing the Core Capital (Tier 1) to the bank’s Total Exposure, with the minimum value that must be maintained by the bank is 3% (three percent).

c. The reports on the fulfilment of the obligation on the Leverage Ratio consist of:
   1. Report of Leverage Ratio Total Exposure; and

d. The application of the Leverage Ratio starts on 1 January 2020 and the report on the obligation to fulfill the Lever Ratio is submitted for the first time for the position at the end of March 2020.

11. Amendment to OJK Regulation Number 19/POJK.03/2017 concerning Determination of the Status and Supervision Follow-up for Rural Banks and Sharia Rural Financing Banks

OJK Regulation Number 32/POJK.03/2019 concerning Amendment to Otoritas Jasa Keuangan Regulation Number 19/POJK.03/2017 concerning Determination of the Status and Supervision Follow-up for Rural
Banks and Sharia Rural Financing Banks. This OJK Regulation was developed in order to regulate changes related to adjustment to the supervision measures for RBs and SRFBs under normal supervision which have significant problems, as well as adjustment to the assessment system of RB soundness level which is used as one of the criteria for RBs under intensive supervision.

Main Provisions include:

a. Supervision measures on RBs and SRFBs under normal supervision which have significant problems are removed in the context of simplification of the supervision process.

b. The assessment system of RB soundness level, which is used as one of the criteria for RBs under intensive supervision since 1 January 2020, continues to use the prevailing predicates for the soundness level assessment, namely Director Decree Number 30/12/KEP/DIR concerning Procedure for Assessment of the Soundness Levels of Rural Banks, until the enactment of the new provision concerning the assessment of the soundness levels of rural banks.

c. Administrative sanctions imposed on RBs and SRFBs that violate the obligation to submit action plans for RBs and SRFBs under normal supervision which have significant problems are removed to adjust to the removal of the provision as referred to in number 3.

d. The term fit and proper test contained in the administrative sanctions is harmonized with the term reassessment for the main party as stipulated in the OJK Regulation Number 34/POJK.03/2018 concerning Reassessment for Main Parties of Financial Service Institutions.
Chapter 04

12. Transparency of Sharia Rural Financing Bank Financial Condition

Backdrop of the amendments of the provisions in this OJK Regulation is the need for harmonization with several related provisions, including OJK Regulation Number 13/POJK.03/2019 concerning Reporting of Rural Banks and Sharia Rural Financing Banks through the Otoritas Jasa Keuangan Reporting System, Statement of Financial Accounting Standards (SFAS) 101, and OJK Regulation Number 48/POJK.03/2017 concerning Transparency of Rural Bank Financial Condition (OJK Regulation on RB Transparency). This OJK Regulation stipulates, among others, amendments in the timing and scope of submission of SRFB annual reports, addition to the media for the announcement of quarterly published financial reports, and amendment in the nominal values of the sanctions. This OJK Regulation was stipulated on 18 December 2019 and takes effect from 1 January 2020. And, this OJK Regulation revokes BI Regulation Number 7/47/PBI/2005 concerning Transparency of Sharia Rural Banks.
13. Submission of Reports through the Integrated Reporting Portal

In order to simplify the reporting mechanism, it is necessary to regulate the submissions of reports through the Integrated Reporting Portal which regulates the obligation to submit reports by banks through a one-door mechanism to the Authorities.

Main Provisions

a. The OJK Regulation applies to all banks, namely conventional commercial banks, sharia commercial banks, rural banks, and sharia rural financing banks.

b. Banks submit reports through the Authority Reporting Systems found on the Integrated Reporting Portal.

c. Banks register the persons in charge and/or officers for reporting in the Authority (OJK, BI, and IDIC) Reporting Systems according to the mechanism and procedure of each authority.

d. OJK can deactivate registered users of the Integrated Reporting Portal based on certain considerations.

e. This OJK Regulation comes into effect since its promulgation, namely on 18 December 2019.

f. The types, formats and procedures for preparing and submitting reports from the authorities are stipulated, among others, in:

1. Otoritas Jasa Keuangan Regulation concerning commercial bank reporting through the Otoritas Jasa Keuangan Reporting System;
2. Otoritas Jasa Keuangan Regulation concerning the reporting of rural banks and sharia rural financing banks through the Otoritas Jasa Keuangan Reporting System;
3. Otoritas Jasa Keuangan Regulation concerning
business plans of rural banks and sharia rural financing banks; and/or

4. Bank Indonesia regulation concerning commercial bank integrated reports.

4. Bank Indonesia regulation concerning commercial bank integrated reports.

14. Transparency and Publication of Bank Reports

POJK ini menggantikan POJK No.6/POJK.03/2015 tentang Transparency and Publication of Bank Reports and its amendment in OJK Regulation Number 32/POJK.03/2016. Backdrop of this replacement was the disclosure of pillar 3 according to the Basel Committee of Banking Supervision document, harmonization with provisions in the Capital Market sector for banks that are Issuers and/or Public Companies, and the application of SFAS 71 - Financial Instruments.

Main Provisions

a. Banks are required to prepare, announce and submit Publication Reports.

b. Information published and reported by banks in general consists of:

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### Summary of OJK Regulations in Banking field issued from 2019 up to June 2020

<table>
<thead>
<tr>
<th>Report Description</th>
<th>1. Finance and Performance Information</th>
<th>2. Risk and Capital Information</th>
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| **Periodization**  | • Monthly (January, February, April, May, July, August, October, November)  
• Quarterly (March, June, September)  
• Annual (December) | • Quarterly (March, June, September)  
• Annual (December) |
| **Scope**          | • Financial reports, performance reports, and/or general information  
• additional information for SCBs and SBUs  
• additional information for banks that are parts of business groups | • Information on capital risks (credit, market, operation, liquidity, legal, reputation, strategic, and compliance),  
• Additional risk for SCBs/SBUs (investment and yield risks)  
• governance |
| **Media for announcements** | • Website  
• Optional: printed or electronic newspapers (quarterly period) | Bank website |
| **Media for submissions to the OJK** | OJK Online Reporting Application (APOLO)  
In the event APOLO is not yet available, submissions are made off-line to bank supervisors | - |
<p>| <strong>Maintenance in website</strong> | 5 years | 5 years |</p>
<table>
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<th>3. Material Information or Facts</th>
<th>4. Base Lending Rate</th>
<th>5. Other Reports</th>
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<td>Incidental</td>
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<tr>
<td>Information that can influence stakeholders' decisions</td>
<td>Lowest interest rate</td>
<td>Reports of banks that are parts of business groups</td>
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<td>Bank website</td>
<td>Bank website</td>
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<td>APOLO In the event APOLO is not yet available, submissions are made off-line to bank supervisors</td>
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</table>

Summary of OJK Regulations in Banking field issued from 2019 up to June 2020
c. For banks that are issuers or public companies, harmonization with the Capital Market regulations is applicable as follows:

1. Financial Reports and Performance Information – Quarterly

The deadlines for publications and submissions to the OJK are as follows:

a) 3 months after the reporting period in case of having undergone audits by PAs;

b) 2 months after the reporting period in case of having undergone limited reviews by PAs; or

c) 1 month after the reporting period in case of not being audited/reviewed.

2. Financial Reports and Performance Information - Annual and Material Fact Information Reports

a) The scope of information meets the provisions in Banking and Capital Market sectors.

b) The deadlines for publication and submissions to the OJK shall comply with the provisions in the Capital Market sector.

c) Conveyed through the Electronic Reporting System (ERS).

d. Sanctions for late reporting consist of:

1. Offline (as long as APOLO is not yet available): 1 million rupiah per working day, with a maximum of 30 million rupiah.

2. Through APOLO: subject to sanctions in accordance with OJK Regulation on APOLO.

3. Through Electronic Reporting System (ERS): subject to sanctions in accordance with OJK Regulation on ERS.

e. Any bank that does not make an announcement on its website and/or does not submit complete reports will be subject to an administrative sanction in the form of a written warning.

f. This OJK Regulation comes into effect as of data position of 1 July 2020, and as such the obligation to prepare, announce, and submit the first Publication Reports in accordance with this OJK Regulation are as follows:
<table>
<thead>
<tr>
<th>Report Name</th>
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<tr>
<td>Material Information 1 July 2020 or Fact Report</td>
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<td>Annual periodic report</td>
<td>31 December 2020</td>
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15. Amendment to OJK Regulation Number 32/POJK.03/2018 concerning Legal Lending Limit and Provision of Large Funds for Commercial Banks

In order to reduce the potential for bank business failure as a result of the concentration of provision of funds, it is necessary to improve the provisions in accordance with international standards, including provisions concerning Prime Banks, central counterparties and reporting.

Main Provisions

- **a. Deletion of the exemption of LLL on placements with Prime Banks.**

- **b. Adjustments to the provisions regarding the exemptions of LLL calculation as follows:**
  1. The part of provision of funds that can be exempted from the LLL calculation is the provision of funds that has the guarantee of the central government of the Republic of Indonesia.
2). The part of provision of funds guaranteed by Standby letters of Credit (SBLC) issued by a Prime Bank, which is a related party to the bank, is exempted from the LLL calculation for a maximum of 90% of the bank’s total capital as long as it meets certain requirements.

c. Additions to the provisions concerning:

1. Procedure for calculating exposures to central counterparties in accordance with Basel standards related to the large exposure framework.

2. Coverage of report filling concerning provision of funds to 20 borrowers, other than related parties, which receive the largest amounts of provisions of funds.

d. Additions of the transitional provisions, namely:

1. Exemptions from LLL on provision of funds in the form of placements at each Prime Bank and provision of funds to borrowers which obtain guarantees from Prime Banks, other than related parties, which are currently ongoing and have been effective before the enactment of this OJK Regulation can continue until maturity.

2. In the case of the provision of funds in the form of placements with each Prime Bank and provision of funds to borrowers which obtain guarantees from Prime Banks, other than the related parties, that do not have maturity, the LLL exemption will remain valid no later than 18 months after this OJK Regulation comes into effect.
16. Implementation of Anti-Fraud Strategy for Commercial Banks

In order to improve data accuracy and accelerate report submissions concerning the implementation of anti-fraud strategies at banks, it is necessary to enhance the format of the report on the implementation of the anti-fraud strategy as well as the procedure for submissions of bank reports to the OJK, so that the reports may bring added value. For this purpose, provisions concerning the implementation of anti-fraud strategies need to be enhanced in a OJK Regulation.

Main Provisions
a. Types of actions classified as fraud consist of:
   1) deception;
   2) fraud;
   3) embezzlement of assets;
   4) information leakage;
   5) banking crime; and
   6) other actions which can be equated with fraud in accordance with the provisions of the legislations.

b. The implementation of the anti-fraud strategy contains at least 4 (four) pillars consisting of prevention; detection; investigation, reporting and sanctions; as well as monitoring, evaluation, and follow-up.

c. In order to control the risk of fraud, banks are required to implement risk management in accordance with the provisions, which contains at least strengthening of the following aspects:
   1) active supervision of the Board of Directors and the Board of Commissioners;
   2) policies and procedures;
   3) organizational structure and accountability;
   4) control and monitoring.

5) Requirement concerning submissions by Banks to the Otoritas Jasa Keuangan of:
   a) anti-fraud strategies according to the format in this OJK Regulation (Attachment I); and
   b) reports and/or amendments to reports on the implementation of anti-fraud strategy online through the OJK online reporting application.
(APOLO), which consist of:

- semesterly report on the implementation of anti-fraud strategy no later than the 15th of the following month after the end of the reporting month; and
- reports on frauds that have significant impacts no later than 3 (three) working days after a bank becomes aware of the occurrence of frauds.


Main Provisions

a. Changes in the nominal limit threshold for credit and provision of funds which are assessed only based on the accuracy of principal and/or interest payments.

b. Change in the limit on the amount of earning assets in determining the collateral valuer category as a reduction in the RLVI calculation.

c. Additional condition concerning the quality of securities determined to be in the current category, namely the securities must be actively traded on stock exchanges classified as the main stock exchanges in other countries.

d. Additional provision concerning the asset quality of debt securities and/or sukuk (sharia-compliant bond-like instruments) that are offered without going through public offerings.

e. The provision concerning Tak-

17. Assessment of Asset Quality for Commercial Banks

To maintain business sustainability, a bank needs to manage credit risk exposure at an adequate level, among others by maintaining asset quality and calculating Reserve for Losses from Value Impairment (RLVI). This OJK Regulation is an enhancement of Bank Indonesia Regulation Number 14/15/PBI/2012 concerning Assessment of Asset Quality for Commercial Banks.
en-Over Assets follow the financial accounting standards.
f. The Taken-Over Assets can only be executed if the credit is already classified as non-performing.
g. Deletion of the provision concerning receivable write-offs, with the consideration of its relevancy and by referring to financial accounting standards.
h. The restructuring report is submitted through the OJK reporting system, and the sanctions concerning reporting refer to the OJK Regulation Number 12/POJK.03/2019 concerning Commercial Bank Reporting through the Otoritas Jasa Keuangan Reporting System.
i. This OJK Regulation came into force as of 1 January 2020.

18. Mergers, Consolidations, Acquisitions, Integrations and Conversions of Commercial Banks

In line with the increasingly dynamic and complex banking industry challenges ahead, it is necessary to strengthen banks, among others by urging banks to consolidate through mergers, consolidations, acquisitions, and integrations with other banks in order to step up competitiveness. This OJK Regulation is an enhancement to Director Decree Number 32.51/KEP/DIR dated 14 May 1999 which is no longer relevant and needs to be aligned with the provisions of the legislations (Act on Limited Liability Companies, Act on Prohibition of Monopolistic Practices, and OJK Regulation concerning business mergers or business consolidations of public companies and acquisitions of public companies).

Main Provisions
a. General provisions stipulate the
principles for the executions of mergers, consolidations, acquisitions, integrations and conversions of commercial banks.
b. Requirements and procedures for mergers or consolidations.
c. Requirements and procedures for acquisitions.
d. Requirements and procedures for integrations.
e. Requirements and procedures for conversions.
f. Imposition of administrative sanctions.


The spreading of the 2019 coronavirus disease (COVID-19) has direct as well as indirect impacts on the performance and capacity of debtors including micro, small and medium business (MSME) debtors that have the potential to disrupt banking performance and financial system stability, which in turn can affect economic growth. Therefore, to promote optimization of the banking intermediation function, maintain financial system stability, and support economic growth, an economic stimulus policy is needed as a countercyclical policy against the impacts on the spreading of the COVID-19.

Main Provisions
a. This OJK Regulation applies to CCBs, SCBs, SBUs, RBs, and SRFBs.
b. Banks can implement policies
that support economic growth stimuli for debtors affected by the spreading of COVID-19, including MSME debtors, while still paying attention to the prudential principle.

c. Debtors affected by the spreading of COVID-19, including MSME debtors, are debtors which have difficulty meeting obligations to the Banks because the debtors or debtors’ businesses are affected by the spreading of COVID-19, either directly or indirectly in the economic sectors, including tourism, transportation, hotel, trades, manufacturing, agriculture, and mining industries.

d. The stimulus policy referred to consists of:

1. Assessment of the quality of credit/financing/other provisions of funds shall only be based on the accuracy of their principal and/or interest payments with a ceiling of up to IDR 10 billion; and

2. Improvement of the quality credit/financing to become current after restructuring during the validity period of this OJK Regulation. This provision concerning restructuring can be applied by Banks regardless of credit/financing ceiling limits or the types of debtors.

e. The procedures for restructuring of credit/financing are as stipulated in the OJK regulation concerning assessment of asset quality, among others through:

1. lower interest rates;
2. extension of maturity period;
3. reduction of principal arrears;
4. reduction of interest arrears;
5. addition to credit/financing facilities; and/or
6. conversion of credit/financing into Temporary Equity Participation.

f. Banks can provide new credit/financing/provisions of funds to debtors which have received special treatments in accordance with this OJK Regulation with determination of the quality of credit/financing/
other provisions of funds applied separately from the quality of previous credit/ financing/other provisions of funds.

g. Banks shall submit periodic reports concerning the implementation of this OJK Regulation for the purpose of monitoring by the Supervisors starting with data position of the end of April 2020.

h. This regulation comes into force from the time of promulgation up to 31 March 2021.

Main Provisions

a. Commercial Bank Consolidation

A bank’s Controlling Shareholder (CS) can own 1 (one) bank or several banks by meeting the bank consolidation scheme, through:

1. Merger, consolidation, or integration;
2. Acquisition followed by merger, consolidation, or integration;
3. Establishment of a Bank Business Group (BBG) for banks that are already owned;
4. Establishment of a BBG due to separation of SBUs; or
5. Establishment of a BBG due

20. Consolidations of Commercial Banks

Consolidations of Commercial Banks constitute an effort to strengthen the structure, resilience and competitiveness of the banking industry so as to support national economic stability and growth, as well as an effort to boost the banking industry to reach a more efficient level towards higher economies of scale, so that banks are not only resilient in the domestic sphere, but is also competitive at regional and global levels.
b. Fulfillment of the minimum core capital for commercial banks and minimum CEMA (Capital Equivalency Maintained Assets) for branch offices of banks domiciling abroad.

Minimum core capital and minimum CEMA that must be met is no less than Rp.3,000,000,000,000.00 (three trillion rupiah) no later than 31 December 2022.

c. Establishment of BBG.

d. Fulfillment of Minimum Core Capital for banks in a consolidation scheme and for banks owned by local governments.

e. Other stipulations include:

1. Parties that are exempted from the provisions stipulated in the OJK Regulation concerning share ownership of commercial banks,

2. Banks that meet the bank consolidation scheme by being within a BBG can carry out the same business activities as the business activities of the bank that is the Parent Company or the bank that is an operator of the Parent Company, with the approval of the OJK.

3. Stipulation concerning the limits on capital participations of regional government-owned banks in a SCB resulting from the Separation of SBUs is exempted from the provision concerning limits on capital participations as stipulated in the OJK Regulation concerning business activities and office networks based on bank core capital.
21. Application of Risk Management in the Use of Information Technology (RMIT) by Commercial Banks

This OJK regulation was issued in order to support the use of integrated Electronic Systems so that banks can improve operational effectiveness and efficiency as well as provide better banking services to customers.

Main Provisions

a. Deletion of restrictions on the use of data in electronic systems located outside the territory of Indonesia.

b. Addition of 1 (one) electronic system criteria that can be located outside the territory of Indonesia, namely electronic systems for services to global customers.

c. OJK’s authority to request Banks to locate the electronic systems in the territory of Indonesia.

d. Banks’ obligation to continue implementing the action plans that have been submitted to the OJK is in accordance with the OJK Regulation on RMIT.

e. Banks’ obligation to ensure that data used in electronic systems located outside the territory of Indonesia is not used for purposes other than the stipulated criteria. Violations of this obligation is subject to administrative sanctions.


OJK Regulation Number 13 / POJK.03 / 2020 amend OJK Regulation Number 38 / POJK.03 / 2016 concerning the Implementation of Risk Management in the Use of Information Technology by Commercial Banks.

Information obtained from Regulatory Track Record
22. Written Instructions for Handling of Bank Problems

Article 23 paragraph (2) of Government Regulation in Lieu of Law Number 1 of 2020 concerning Policies concerning State Finance and Financial System Stability for Handling 2019 Corona Virus Disease (COVID-19) Pandemic and/or in the Context of Facing Threats that Endanger the National Economy and/or Financial System Stability gives the authority to the OJK to issue Written Instructions to Banks for undertaking mergers, consolidations, acquisitions, and/or integrations, or for accepting mergers, consolidations, acquisitions, and/or integrations, with the aim of:

a. maintaining financial system stability in the midst of the 2019 Corona Virus Disease (COVID-19) pandemic; and/or
b. facing the threats of an economic and/or financial system stability crisis.

Main Provisions

a. The scope of the stipulation applies to Banks, namely conventional commercial banks (CCBs), sharia commercial banks (SCBs), rural banks (RBs), sharia rural financing banks (SRFBs), and branch offices of banks domiciling abroad.
b. OJK’s authority to give written instructions to banks to:
   1. undertake mergers, consolidations, acquisitions and/or integrations; and/or
   2. accept mergers, consolidations, acquisitions and/or integrations.
c. Written orders are issued to Banks that meet the criteria based on OJK’s assessments.
d. Any Bank that is given a written instruction is oblige to prepare an action plan, as well as implement and maintain the smooth process of the merger, consolidation, acquisition and/or integration in accordance with the action plan.
e. In the execution of a Written Instruction by a Bank to
conduct or accept a merger, consolidation, acquisition and/or integration:

1. There are several adjustments to the process of merger, consolidation, acquisition, and/or integration.

2. Based on OJK’s approval, a CCB or SCB may be exempted from the provisions concerning sole ownership in Indonesian banks, share ownership of commercial banks, and/or deadline for fulfillment of minimum core capital.

3. In regard any RB or SRFB, the office network can still be maintained in accordance with the regions of the RB or SRFB existing office networks.

23. Policies for Rural Banks and Sharia Rural Financing Banks as an Impact of the Spreading of 2019 Coronavirus Disease

The spreading of the COVID-19 in the territory of Indonesia has a significant impact on the performances of RBs and SRFBs where increases in the potential for credit risk and weakening of cash inflows can disrupt the performances of RBs and SRFBs as well as can affect the growth of the RB and SRFB industry. Therefore, to promote optimization of the performance of the RB and SRFB industry, it is necessary to adopt a policy regarding the provisions applicable to RBs and
SRFBs in response to the impact of the spreading of COVID-19 while still observing the prudential principle.

Main Provisions

a. RBs and SRFBs can implement policies on the provisions applicable to RBs and SRFBs in response to the impact of the spreading of COVID-19. These policies concern:

1. General Provision for Earning Asset Losses for earning assets with current quality can be established at 0% (zero percent) or less than 0.5% (zero point five percent) of earning assets with current quality as stipulated in OJK Regulation concerning Earning Asset Quality and Establishment of Provision for Earning Asset Losses for Rural Banks;

2. The percentage of the value of Taken-Over Collaterals as a reduction factor of core capital in the calculation of Minimum Capital Requirement for RBs and SRFBs at the reporting position for March 2020;

3. Provision of funds in the form of interbank fund placements at another RB or SRFB to overcome liquidity problems at the other RB or SRFB is exempted from the provision concerning the Legal Lending Limit or the Maximum Limit for Funds Channeling. Interbank fund placements may be made to all RBs which are related as well as unrelated parties at a maximum of 30% (thirty percent) of the capital of the RB and SRFB; and/or

4. Provision of funds for education and training for human resource development in 2020 can be allocated at less than 5% (five percent) of the realized HR costs in the previous year

b. RBs and SRFBs shall perform documentation and administration of each applied policy.
c. For any RB and SRFB that implements a policy concerning provision of funds in the form of fund placements by the bank at another RB or SRFB to deal with liquidity problems at the other RB or SRFB, the RB and SRFB shall submit reports on the provision of funds in the form of fund placements between banks to resolve liquidity problems no later than the 10th (ten) of the following month after the provision of funds.

d. Implementations of the policies for RBs and SRFBs related to Provision for Earning Asset Losses and Taken-Over Assets are retroactive as of 1 April 2020.

e. This provision is in force from the time of promulgation until 31 March 2021.
Appendix
List of Provisions In Banking Field Still In Force Up to June 2020

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| 39 Implementation of Consolidated Risk Management For Banks That Exercise Control Over Subsidiary Companies | OJK Regulation Number 38/POJK.03/2017 dated 12 July 2017 concerning Implementation of Consolidated Risk Management For Banks That Exercise Control Over Subsidiary Companies |
| 40 Credit or Financing Extended to Securities Companies and Credit or Financing With Share Collaterals | OJK Regulation Number 40/POJK.03/2017 dated 12 July 2017 concerning Credit or Financing Extended to Securities Companies and Credit or Financing With Share Collaterals |
- BI Regulation Number 11/19/PBI/2009 dated 4 June 2009 concerning Risk Management Certification For Commercial Bank Members of Management and Officers |
<p>| 42 Implementation of Anti Money Laundering and Combating the Financing of Terrorism Program in Financial Services Sector | OJK Regulation Number 12/POJK.01/2017 dated 21 March 2017 concerning Implementation of Anti Money Laundering and Combating the Financing of Terrorism Program in Financial Services Sector |</p>
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- OJK Regulation Number 12/POJK.03/2015 dated 24 August 2015 concerning Prudential Stipulation In The Context Of National Economic Stimulus for Sharia Commercial Banks and Sharia Business Units |
<p>| 47 Requirement To Meet Liquidity Coverage Ratio For Commercial Banks | OJK Regulation Number 42/POJK.03/2015 dated 23 December 2015 concerning Requirement To Meet Liquidity Coverage Ratio For Commercial Banks |
| 48 Special Treatment for Bank Credit or Financing for Certain Areas in Indonesia Affected by Natural Disasters | OJK Regulation Number 45/POJK.03/2017 dated 12 July 2017 concerning Special Treatment for Bank Credit or Financing for Certain Areas in Indonesia Affected by Natural Disasters |</p>
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**B.4. Regulations concerning Accounting Reports and Standards**

<p>| 1 Transparency of Bank Financial Condition | OJK Regulation Number 37/POJK.03/2019 dated 19 December 2019 concerning Transparency and Publication of Bank Reports |
| 2 Transparency of RB Financial Condition | OJK Regulation Number 48/POJK.03/2017 dated 12 July 2017 dated Transparency of Rural Bank Financial Condition |
| 3 Transparency of SRFB Financial Condition | OJK Regulation Number 35/POJK.03/2019 dated 13 December 2019 concerning Transparency of Sharia Rural Financing Bank Financial Condition |</p>
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| 5 Commercial Bank reports            | - BI Regulation Number 14/12/PBI/2012 dated 15 October 2012 concerning Commercial Bank Head Office Reports  
| 6 RB and SRFB reports                | OJK Regulation Number 13/POJK.03/2019 dated 2 May 2019 concerning Rural Bank and Sharia Rural Financing Bank Reporting through Otoritas Jasa Keuangan Reporting System |
| 7 Credit Information                 | - OJK Regulation Number 18/POJK.03/2017 dated 26 April 2017 concerning Reporting of and Request for Debtor Information through Financial Information Services System  
                                           - BI Regulation Number 15/1/PBI/2013 dated 18 February 2013 concerning Credit Information Management Institution |
| 8 Commercial Bank Reporting          | OJK Regulation Number 12/POJK.03/2019 dated 5 April 2019 concerning Commercial Bank Reporting Through Otoritas Jasa Keuangan Reporting System |
| 9 Submission of Reports through the  | OJK Regulation Number 36/POJK.03/2019 dated 18 December 2019 concerning Submission of Reports through the Integrated Reporting Portal |
| Integrated Reporting Portal          |                                                                                     |

**B.5. Regulations concerning Bank Supervision**

<p>| 1 Bank Business Plan                 | OJK Regulation Number 5/POJK.03/2016 dated 27 January 2016 concerning Bank Business Plan |
| 2 Rural Bank and Sharia Rural        | OJK Regulation Number 37/POJK.03/2016 dated 30 November 2016 concerning Rural Bank and Sharia Rural Financing Bank Business Plans |
| Financing Bank Business Plans        |                                                                                     |</p>
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**B.6. Regulations concerning Consumer Education and Protection**

| 1 | Consumer Protection | OJK Regulation Number 18/POJK.07/2018 dated 10 September 2018 concerning Consumer Complaint Services in Financial Services Sector |
|   |                     | - OJK Regulation Number 1/POJK.07/2013 dated 26 July 2013 concerning Consumer Protection in Financial Services Sector |
| 2 | Alternative Dispute Resolution Bodies in Financial Services Sector | OJK Regulation Number 1/POJK.07/2014 dated 16 January 2014 concerning Alternative Dispute Resolution Bodies in Financial Services Sector |
| 3 | Financial Literacy and Inclusion | OJK Regulation Number 76/POJK.07/2016 dated 28 December 2016 concerning Enhancement of Financial Literacy and Inclusion in The Financial Services Sector for Consumers and/or the Public |

**B.7. Other Regulations**

<p>| 1 | Bank Secrecy | BI Regulation Number 2/19/PBI/2000 dated 7 September 2000 concerning Requirement and Procedure for Issuance Written Orders or Permits For Disclosing Bank Secrecy |
| 2 | Authority On Criminal Investigations in Financial Services Sector | OJK Regulation Number 22/POJK.01/2015 dated 28 December 2015 concerning Criminal Investigations in Financial Services Sector |</p>
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## Glossary Of Bank Performance Indicators

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<tr>
<td>1</td>
<td>Capital Adequacy Ratio (CAR)</td>
<td>Capital adequacy ratio obtained from calculation (capital / RBWA) x100%. RBWA = Risk-Based Weighted Assets.</td>
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<tr>
<td>2</td>
<td>Return on Asset (ROA)</td>
<td>One form of profitability ratios for measuring a company's capability to generate profits against the average total assets owned by a bank.</td>
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<tr>
<td>3</td>
<td>Operational Cost over Operational Income (OCOI)</td>
<td>Efficiency measurement based on the ratio of operational cost to operational income.</td>
</tr>
<tr>
<td>4</td>
<td>Net Interest Margin (NIM)</td>
<td>It is an indicator of bank profitability obtained from the ratio of Net Interest Income to the average Total Earning Assets (BI CL Number 13/24/DPNP dated 25 October 2011).</td>
</tr>
<tr>
<td>5</td>
<td>Net Operating Margin (NOM)</td>
<td>It is an indicator of profitability for Islamic Banking which is measured by the ratio between funds channeling income after yield sharing and then deducted by operational costs to the average earning assets.</td>
</tr>
<tr>
<td>No.</td>
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<tr>
<td>6</td>
<td>Cash Ratio (CR)</td>
<td>Comparison between liquid assets and current liabilities as stipulated in the provisions of legislations governing the assessment procedure for the soundness level of RBs and the assessment system for the soundness level of RBs based on sharia principles (OJK Regulation Number 19/POJK.03/2017 concerning RB and SRFB Determination of Status and Supervision Follow Up).</td>
</tr>
<tr>
<td>7</td>
<td>Non Performing Loan (NPL) atau Non Performing Financing (NPF) Gross</td>
<td>The portions of credit/financing which quality are of substandard, doubtful, or non-performing categories as referred to in the provisions of legislations regarding the assessment of commercial bank asset quality and OJK regulation regarding the assessment of the quality of assets of sharia commercial banks and sharia business units over total credit.</td>
</tr>
<tr>
<td>8</td>
<td>Non Performing Loan (NPL) atau Non Performing Financing (NPF) Net</td>
<td>The portions of credit/financing which quality are of substandard, doubtful, or non-performing categories after being deducted with Reserve for Losses from Value Impairment (RLVI) over total credit</td>
</tr>
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<td>No.</td>
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<tr>
<td>9</td>
<td>Loan to Deposit Ratio (LDR) atau Financing to Deposit Ratio (FDR)</td>
<td>The ratio of credit/financing extended to third parties in Rupiah and foreign currencies, excluding credit to other banks, over third party funds, which include giro (demand deposits), savings deposits and term deposits in Rupiah and foreign currencies, excluding interbank funds (BI Regulation Number 15/15/PBI/2013).</td>
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Indonesia Banking Booklet 2020

Department of Banking Licensing and Information
Indonesia Financial Services Authority

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