FINANCIAL SERVICES AUTHORITY REGULATION
NUMBER 42/POJK.03/2015
CONCERNING
LIQUIDITY COVERAGE RATIO REQUIREMENT FOR COMMERCIAL BANKS

WITH THE BLESSINGS OF GOD ALMIGHTY

BOARD OF COMMISSIONERS OF
FINANCIAL SERVICES AUTHORITY,

Considering:

a. whereas in the framework of creating a sound banking sytem that is capable of developing and competing both at national as well as international levels, it is necessary for banks to have adequate liquidity for anticipating crisis conditions;
b. whereas in the framework of stepping up bank liquidity, it is necessary to step up the quantity of high quality financial assets for anticipating net cash outflows in accordance with international standard;
c. whereas based on considerations referred to in letter a and letter b, it is deemed necessary to enact a Financial Services Authority Regulation concerning Liquidity Coverage Ratio Requirement for Commercial Banks;

In view of:

1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
2. Act Number 21 of 2011 concerning Financial Services Authority (State Gazette of the Republic of Indonesia Number 111 of 2011, Supplement to the State Gazette of the Republic of Indonesia Number 5253);

HAS DECREED:

To enact: FINANCIAL SERVICES AUTHORITY REGULATION CONCERNING LIQUIDITY COVERAGE RATIO REQUIREMENT FOR COMMERCIAL BANKS.

CHAPTER I
GENERAL PROVISIONS
Article 1

The terminologies used in this Financial Services Authority Regulation have these following meanings:

1. Bank is Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, including branch office of bank domiciling abroad, which conducts business activities in conventional manner.
2. Liquidity Coverage Ratio, hereinafter abbreviated as LCR, is the comparison between High Quality Liquid Assets and total net cash outflows during the next 30 (thirty) days under a stress scenario.
3. High Quality Liquid Assets, hereinafter abbreviated as HQLA, comprises cash and/or financial assets that can easily be converted into cash with little or no reduction in the value for meeting Bank's liquidity requirement during the next 30 (thirty) days under a stress scenario.
4. Total Net Cash Outflows, hereinafter referred to as Net Cash Outflows, is total estimated cash outflows minus total estimated cash inflows that are projected to occur during the next 30 (thirty) days under a stress scenario.
5. Deposits are Deposits as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.
6. Funding is receipt of funds from third parties that create obligations on the part of the Bank in the form of Deposits, debt securities, securities issued, loans received and other forms of similar obligations.

Article 2

(1) Bank is obliged to maintain adequate liquidity.

(2) Fufilment of adequate liquidity as referred to in paragraph (1) shall be calculated by using LCR.
(3) Calculation of LCR as referred to in paragraph (2) shall be calculated in rupiah.
(4) Fulfilment of LCR as referred to in paragraph (2) shall be set at minimum 100% (one hundred percent) continuously.
(5) Financial Services Authority has the authority to set an LCR that is higher than the required LCR as referred to in paragraph (4) in the event the Financial Services Authority considers a Bank to be in a condition that requires larger liquidity.

Article 3

(1) Bank is obliged to inform Financial Services Authority of Bank's liquidity condition in the case where Bank:
   a. is not able to meet LCR up to 100% (one hundred percent); or
   b. has the potential of not being able to meet LCR up to 100% (one hundred percent).
(2) In the event conditions referred to in paragraph (1) occur, Bank is obliged:
   a. to analyze Bank's liqidity condition, covering:
      1. reasons or factors that have the potential or have caused Bank's failure in meeting LCR requirement as referred to in Article 2 paragraph (4);
      2. measures that have been or are going to be undertaken to correct the liquidity condition; and
      3. length of time of the liquidity stress estimated by Bank;
   b. to submit an analysis report on Bank's liquidity condition as referred to in letter a and further information on Bank's liquidity condition to Financial Services Authority; and
   c. to undertake measures required to correct the liquidity condition, covering among others:
      1. lessening of bank exposure to liquidity risk;
      2. strengthening of policies, processes, and procedures of Bank's liquidity risk management; and/or
      3. enhancement of Bank's contingency funding plan.
(3) Bank may use HQLA that cause Bank's LCR to come to less than 100% (one hundred percent) with the approval of Financial Services Authority, in the case where Bank's liquidity condition as referred to in paragraph (1) has the potential to disrupt Bank's business sustainability.

Article 4

In the case where Bank owns and/or undertakes control over a subsidiary company, the obligation to meet LCR as referred to in Article 2 applies on Bank both at individual level as well as at consolidation level.

Article 5

Fulfilment of LCR as referred to in Article 2 applies to:

a. Banks included in the Commercial Banks based on Business Activities (CBBA) 3 category;
b. Banks included in the CBBA 4 category; and
c. foreign banks.

CHAPTER II

HIGH QUALITY LIQUID ASSET

Part One

General Provisions

Article 6

(1) Bank is obliged to own HQLA for the purpose of meeting LCR.
(2) Bank is obliged to have a policy concerning HQLA, covering at least:
    a. identification of legal entity, geographical location, type of currency of HQLA and/or account in which HQLA is placed: and
    b. exclusion of certain assets from HQLA based on operational reasons.
(3) Value of HQLA that is taken into account in the calculaton of LCR is the market value of HQLA.

Article 7

(1) Components HQLA that are taken into account in fufilment of LCR as referred to in Article 2 comprise:
    a. Level 1 HQLA: and
    b. Level 2 HQLA, covering:
        1. Level 2A HQLA; and
        2. Level 2B HQLA.

(2) The amount of Level 1 HQLA that can be taken into account in fulfilment of LCR is unlimited.
(3) The amount of Level 2 HQLA that can be taken into account in fulfilment of LCR shall be no higher than 40% (forty percent) of total HQLA.
(4) The amount of Level 2B HQLA that can be taken into account in fulfilment of LCR shall be no higher than 15% (fifteen percent) of total HQLA.
(5) Calculation of the caps on Level 2 HQLA and Level 2B HQLA shall use the formula as referred to in Attachment I of this Financial Services Authority Regulation.

Part Two
HQLA Requirements

Article 8

HQLA as referred to in Article 6 paragraph (1) should meet:

a. fundamental requirement;
b. requirement related to market characteristics;
c. operational requirement; and
d. requirement of being diversified.

Article 9

(1) Fundamental requirement for HQLA as referred to in Article 8 letter a covers:
    a. having low risk;
    b. having assessment method that is easy and definite;
    c. having low correlations with risky assets; and
    d. being listed at recognized bourses.
(2) Requirement for HQLA related to market characteristics as referred to in Article 8 letter b covers:
    a. having active and adequate markets;
    b. having low market volatility; and
    c. historically have been assets desired by market players when crises occur (flight to quality occurs).
(3) Operational requirement as referred to in Article 8 letter c covers:
    a. being free from all kinds of claims, except assets that are kept or agreed upon with Bank Indonesia but have not been used to generate liquidity;

b. have not been set for covering operational costs;

c. being able to be used legally and contractually by Bank in stressed conditions;

d. assets that can be accepted as non-segregated collateral in derivative transactions and can legally be repledged as collateral, can be included in HQLA category if Bank calculates outflows related to the assests that are repledged as collateral;

e. being available and capable to be monetized in stressed conditions and there are adequate procedure and system;

f. financial assets are under the control of a special function that is responsible for managing Bank’s liquidity and has the authority to liquidate assets:

g. being able to periodically be monetized in a certain amount through repo or sale for the purpose of testing accessibility to the markets, effectiveness of asset liquidation process, and/or availability of assets;

h. Bank cannot include assets that have the right to be repledged into the HQLA category if the asset original owners have the contractual right to withdraw the assets during a 30 (thirty) day stress period; and

i. subsidiary company’s financial assets meeting HQLA requirements, which are used to meet liquidity requirements, can only be taken into account in LCR at consolidation level, as long as the related risk reflected in the subsidiary company’s Net Cash Outflows is taken into account in the calculation of consolidated LCR.

(4) Requirement of being diversified as referred to in Article 8 letter d covers:

a. being spread out in various types of financial assets, issuers, and types of currencies; and

b. having policies and limits related to types of financial assets, issuers, and types of currencies.

(5) The requirement of being diversified as referred to in paragraph (4) is waived for HQLA in the forms of:

a. cash;

b. debt securities issued by Central Government;

c. securities issued by Bank Indonesia; and

d. placements at Bank Indonesia.

Part Three

HQLA Components

Article 10

(1) Level 1 HQLA as referred to in Article 7 paragraph (1) letter a comprises:
    a. cash and cash equivalents
    b. placements at Bank Indonesia;
    c. securities issued or guaranteed by the governments of other countries, the central banks of other countries, public sector entities, multilateral development banks, and/or international institutions as referred to in the regulation concerning guide for calculation of risk-based weighted assets for credit risk by using the standard approach, which meet the requrements of:
        1. being subjected to risk weight of 0% (zero percent) in the calculation of Risk-Based Weighted Assets (RBWA) for credit risk using the standard approach;
        2. being traded in active markets;
        3. having been proven to be a reliable source of liquidity in the markets both under normal as well as stressed conditions; and
        4. not constituting an obligation of a financial service institution and/or any of its affiliated entities;
    d. securities issued by Central Government and Bank Indonesia in rupiah and foreign currencies; and
    e. securities issued by the governments and central banks of other countries with risk weight of more than 0% (zero percent) in foreign currencies as long as:
        1. Bank has a subsidiary company or branch in the relevant other country; and
        2. of an amount no higher than the outflow requirement in the currency of the country that issues the said foreign currency securities.

(2) For the purpose of meeting LCR, Level 1 HQLA as referred to in paragraph (1) shall not be subjected to value reductions (haircuts).

Article 11

(1) Level 2A HQLA as referred to in Article 7 paragraph (1) letter b number 1 comprises:
    a. securities issued or guaranteed by the governments of other countries, the central banks of other countries, public sector entities, and/or multilateral development banks that meet the requirements of:

1. being subjected to risk weight of 20% (twenty percent) in the calculation of Risk-Based Weighted Assets (RBWA) for credit risk by using the standard approach;
2. being traded in active markets;
3. having been proven to be a reliable source of liquidity in the markets both under normal as well as stressed conditions, with the criteria of:
   a) price decline not exceeding 10% (ten percent); or
   b) increase haircut not exceeding 10% (ten percent),

   during a 30 (thirty) day stress period; and
4. not constituting an obligation of a financial service institution and/or any of its affiliated entities;

b. securities comprising debt securities issued by corporations, including commercial papers and covered bonds, but excluding subordinated bonds, which meet the requirements of:
1. not issued by a financial service institution and/or any of its affiliated entities;
2. securities in the form of covered bonds may be those issued by a financial service institutions and/or any of its affiliated entities but may not be issued by the reporting Bank or any of its affiliated parties;
3. having a long-term credit rating of at lowest AA- or in the absence of a long term rating, a short-term credit rating equivalent in quality to the long-term rating from a recognized rating institution or having a probability of default corresponding to a credit rating of at the lowest AA-;
4. being traded in active markets; and
5. having been proven to be a reliable source of liquidity in the markets both under normal as well as stressed conditions, with the criteria of:
   a) price decline not exceeding 10% (ten percent); or
   b) increase haircut not exceeding 10% (ten percent),

   during a 30 (thirty) day stress period;

(2) For the purpose of meeting LCR, Level 2A HQLA as referred to in paragraph (1) shall be subjected to a 15% (fifteen percent) haircut from the market price.

Article 12

(1) Level 2B HQLA as referred to in Article 7 paragraph (1) letter b number 2 comprises:

a. Residential mortgage backed securities that meet the criteria of:

1. not issued by the reporting Bank or any of its affiliated entities;
2. underlying assets have not been originated by the reporting Bank or any of its affiliated entities;
3. having a long-term credit rating of at the lowest AA or in the absence of a long term rating, a short-term credit rating equivalent in quality to the long-term rating from a recognized rating institution;
4. being traded in active markets; and
5. having been proven as a reliable source of liquidity in the markets both under normal as well as stressed conditions, with the criteria of:
   a) price decline not exceeding 20% (twenty percent); or
   b) increase haircut not exceeding 20% (twenty percent),

   during a 30 (thirty) day stress period;
6. underlying assets only comprise residential mortgage backed credits;
7. credit collateral used comprise loans that are categorized as full recourse with a maximum ratio of credit value over collateral value (loan-to-value ratio/LTV) of 80% (eighty percent); and
8. securitizaton should be of risk retention nature;

b. securities in the form of debt securities issued by corporations, including commercial papers, which meet the requirements of:
   1. not issued by a financial service institution or any of its affiliated entities;
   2. having a long-term credit rating of no higher than A+ and no lower than BBB- or in the absence of a long term rating, a short-term credit rating equivalent in quality to the long-term rating from a recognized rating institution or having a probability of default corresponding to a credit rating of no higher than A+ and no lower than BBB-;
   3. being traded in active markets; and
   4. having been proven as a reliable source of liquidity in the markets both under normal as well as stressed conditions, with the criteria of:
      a) price decline not exceeding 20% (twenty percent); or
      b) increase haircut not exceeding 20% (twenty percent),

      during a 30 (thirty) day stress period;

c. common shares owned by non-Bank subsidiary company that meet the criteria of:
   1. not issued by a financial service institution or any of its affiliated entities;
   2. being listed at recognized bourses;

3. denominated in rupiah;
4. being traded in active markets; and
5. having been proven as a reliable source of liquidity in the markets both under normal as well as stressed conditions, with the criteria of:
   a) price decline not exceeding 40% (forty percent); or
   b) increase haircut not exceeding 40% (forty percent),

   during a 30 (thirty) day stress period;

(2) For the purpose of meeting LCR, Level 2B HQLA as referred to in paragraph (1) shall be subjected to haircuts of:

a. 25% (twenty five percent) of market price for residential mortgage backed securities as referred to in paragraph (1) letter a; or
b. 50% (fifty percent) of market price for securities in the form of debt securities issued by corporations as referred to in paragraph (1) letter b and common shares owned by non-Bank subsidiary company as referred to in paragraph (1) letter c.

CHAPTER III
CASH OUTFLOWS
Part One
General Provisions

Article 13

(1) For the purpose of meeting LCR, Bank is obliged to calculate cash outflows for the next 30 (thirty) days, which originate from:

a. Individual customer deposits (retail deposit);
b. Funding originating from Micro-scale Business and Small-scale Business customers;
c. Funding originating from corporate customers;
d. Funding backed by collateral (secured funding); and
e. Other cash outflows (additional requirements).

(2) The amount of cash outflows that is taken into account in meeting LCR is the same as the amounts of outstanding liabilities in the balance sheet and commitments in the off-balance sheet accounts multiplied by the run-off rates.

Part Two

Individual Customer Deposits (Retail Deposit) and Funding Originating from Micro-scale Business and Small-scale Business Customers

Article 14

Individual customer deposits as referred to in Article 13 paragraph (1) letter a and Funding originating from Micro-scale Business and Small-scale Business cutomers as referred to in Article 13 paragraph (1) letter b that are taken into account in LCR are those that:

a. having maturity of up to 30 (thirty) days; or
b. having maturity of more than 30 (thirty) days but can be withdrawn at any time by the customers without being imposed with significant penalties; and
c. Deposits that are not being used as guarantees for the next 30 (thirty) days.

Article 15

(1) Funding originating from Micro-scale Business and Small-scale Business customers that is taken into account in LCR, in addition to having to meet the criteria referred to in Article 14, should also meet the criteria of:
    a. customers categorized as Micro-scale Businesses and Small-scale Businesses are as referred to in the Act that provides for micro-, small, and medium-scales businesses; and
    b. total Funding from each customer is no higher than Rp5,000,000,000.00 (five billion rupiah).
(2) Any customer, not categorized as Micro-scale Business and Small-scale Business as referred to in the Act that provides for micro-, small, and medium-scales businesses but has a total Funding is up to Rp5,000,000,000.00 (five billion rupiah) and is treated as an individual customer, can be categorized as a Micro-scale Business and Small-scale Business customer.

Article 16

In the framework of calculating cash outflows, Bank is obliged to classify individual customer Deposit as referred to in Article 13 paragraph (1) letter a into

a. Stable deposit; and
b. Less stable deposit

Article 17

(1) Stable deposit as referred to in Article 16 letter a is a Deposit that meets the criteria of being guaranteed by the Deposit Guarantee Institution and meets the criteria of:

   a. the customer has relation or is related to the Bank so that possibility of the withdrawal of the deposit is very small; or

   b. the Deposit account is routinely used for the need of customer's transactions.

(2) The run-off rate for the individual customer Deposits that are included in stable Deposit as referred to in paragraph (1) is set at 5% (five percent) of the value of stable Deposit.

Article 18

(1) Less stable Deposit as referred to in Article 16 letter b is individual customer Deposit that does not meet the requirements referred to in Article 17 paragraph (1).

(2) The run-off rate for the individual customer Deposits that are included in less stable Deposit as referred to in paragraph (1) is set at 10% (ten percent) of the value of less stable Deposit.

(3) Financial Services Authority has the authority to set a higher run-off rate for individual customer Deposits that are included in less stable Deposit as referred to in paragraph (1) in the case the Financial Services Authority asseses that the run-off rate for a certain type of Deposit is higher compared to the run-off rate for other types of Deposits.

Article 19

For the purpose of calculating cash outflows, Bank is obliged to classify Funding from Micro-scale Business and Small-scale Business customers as referred to in Article 13 paragraph (1) letter b into:

   a. Stable Fumding; and

   b. Less stable Funding.

Article 20

(1) The requirements for stable Funding as referred to in Article 19 letter a shall refer to the requirements for stable Deposit as referred to in Article 17 paragraph (1).

(2) The run-off rate for Funding from Micro-scale Business and Small-scale Business customers that are included in stable Deposit as referred to in paragraph (1) is set at 5% (five percent) of the value of stable Deposit.

Article 21

(1) Less stable Funding as referred to in Article 19 letter b is Funding originating from Micro-scale Business and Small-scale Business customers that do not meet the requirements as referred to in Article 20 paragraph (1).

(2) The run-off rate for Funding originating from Micro-scale Business and Small-scale Business customers that are included in less stable Deposit as referred to in paragraph (1) is set at 10% (ten percent) of the value of less stable Deposit.

Part Three
Funding Originating From Corporate Customers

Article 22

(1) Funding originating from corporate customers as referred to in Article 13 paragraph (1) letter c that is taken into account in LCR is Funding that meets the requirements of:
   a. having maturities or residual maturities of up to 30 (thirty) days or less, including Funding with undetermined maturity; or
   b. Funding with the option of being able to be monetized by corporate customers within the period of 30 (thirty) days or less.

(2) In the case where there are clear and binding agreements concerning corporate customers being able to undertake withdrawals of Funding only after first providing the Bank with notifications of more than 30 (thirty) days prior to withdrawals, Funding originating from corporate customers can be excluded from the calculation of cash outflows.

Article 23

For the purpose of calculating cash outflows, Bank is obliged to classify Funding originating from corporate customers as referred to in Article 13 paragraph (1) letter c into:

a. Operational Deposit; or
b. Non-operational Deposit and/or non-operational other liabilities.

Article 24

(1) Operational Deposit as referred to in Article 23 letter a is Deposit that meets the requirements of:

a. being used by corporate customers for clearing, custodian or cash management activities that meet the criteria of:
   1. constituting Deposits that corporate customers are obliged to place at the Bank in order to use other services or products of the Bank;
   2. corporate customers significantly depend on the Bank in order to provide clearing, custodian, cash management facilities for the next 30 (thirty) days;
   3. constituting Deposits that are used to meet the prerequisite for corporate customers to be able to execute clearing, custodian or cash management activities;
   4. there are agreements that are legally binding with the corporate customers; and
   5. when the agreements are going to be cancelled before the period of 30 (thirty) days, corporate customers should:
      (i) provide notifications to the Bank no later than 30 (thirty) days earlier; or
      (ii) be imposed with significant penalties; and
b. being placed in separate accounts that do not give economic incentives to the customers to place their funds in those accounts in excessive amounts for purposes outside transactional purposes.

(2) Bank should have a method for determining the value of Deposit that can be classified as operational Deposit.

(3) In the event Bank is not able to determine the value of Deposit that can be classified as operational Deposit, then all Deposit shall be classified as non-operational Deposit and/or non-operational other liabilities.

(4) The run-off rates for operational Deposit as referred to in paragraph (1) are set at:
   a. 5% (five percent) from the value of operational Deposit if it meets the criteria of being guaranteed by the Deposit Guarantee Institution; or
   b. 25% (twenty percent) from the value of operational Deposit if it does not meet the criteria of being guaranteed by the Deposit Guarantee Institution

Article 25

(1) Deposits originating from corporate customers that do not meet the requirements of operational Deposit as referred to in Article 24 paragraph (1) are classified as non-operational Deposit and/or non-operational other liabilities as referred to in Article 23 letter b.

(2) The run-off rates for non-operational Deposits or non-operational other liabilities as referred to in paragraph (1) are set at:

a. For non-operational Deposit and/or non-operational other liabilities originating from non-financial companies, Central Government, Bank Indonesia, governments of other countries, central banks of other countries, multilateral development banks, and/or public sector entities, the rates are set at:

1. 20% (twenty percent) from the value of non-operational Deposit and/or non-operational other liabilities if it meets the criteria of being guaranteed by the Deposit Guarantee Institution; or

2. 40% (forty percent) from the value of non-operational Deposit and/or non-operational other liabilities if it does not meet the criteria of being guaranteed by the Deposit Guarantee Institution;

b. For non-operational Deposit and/or non-operational other liabilities originating from other entities, the rate is set at 100% (one hundred percent) from the value of non-operational Deposit and/or non-operational other liabilities; and/or

c. For securities in the form of debt securities issued by the Bank, the run-off rate is set at 100% (one hundred percent) regardless of who the holders of the securities are.

Part Four

Funding Backed With Collateral (Secured Funding)

Article 26

(1) Bank is obliged to calculate run-off rate for Funding backed by collateral (secured funding) as referred to in Article 13 paragraph (1) letter d that is going to mature within within 30 (thirty) day period.

(2) The run-off rates for Funding backed by collateral (secured funding) as referred to in paragraph (1) are set at:

a. 0% (zero percent) of Funding in the case where the collateral constitute Level 1 HQLA or the transaction counterparty is Bank Indonesia;

b. 15% (fifteen percent) of Funding in the case where the collateral constitute Level 2A HQLA;

c. 25% (twenty five percent) of Funding in the case where:

1. the transaction counterparties are Central Government, public sector entities or multilateral development banks with collateral other than Level 1 or Level 2A HQLA; or
2. the collateral that constitute residential mortgage backed securities that meet the criteria of Level 2B HQLA;

d. 50% (fifty percent) of Funding in the case where the collateral constitute Level 2B HQLA other than collateral referred to in paragraph (2) letter c number 2; or
e. 100% (one hundred percent) of Funding for collateral backed Funding (secured funding) that does not meet the criteria referred to in letter a, letter b, letter c, and letter d.

Part Five
Other Cash Outflows (Additional Requirements)

Article 27
For the purpose of LCR calculation, Bank is obliged to calculate other cash outflows (additional requirements) as referred to in Article 13 paragraph (1) letter e, which covers:

a. derivative transactions;
b. increased liquidity needs;
c. loss of Funding;
d. drawdowns on committed credit and liquidity facilities;
e. other contractual obligations to extend funds;
f. other contingent Funding obligations; and
g. other contractual cash outflows.

Article 28
(1) Bank is obliged to calculate estimated cash outflows for the next 30 (thirty) days on derivative transactions as referred to in Article 27 letter a based on prevailing valuation at each Bank.
(2) Cash inflows and cash outflows originating from derivative transactions may be calculated on a net basis by counterparty, where a valid master netting agreement exists.
(3) Cash inflows and cash outflows originating from foreign currency derivative transactions may be calculated on a net basis by counterparty without the existence of a

valid master netting agreement in the event the derivative transaction constitutes a transfer of fund principal in its entirety and simultaneously or on the same day.

(4) Calculation of other cash outflows (additional requirements) related to settlements of derivative transactions as referred to in paragraph (1) may be deducted by cash inflows from the use of collateral by the Bank as long as they meet the requirements of:
   a. meeting the criteria as HQLA;
   b. not calculated as part of HQLA in meeting LCR; and
   c. Bank has the legal right and operational capability to use the collateral in generating new funds.

(5) The run-off rate for derivative transactions as referred to in paragraph (1) is set at 100% (one hundred percent) of the derivative transaction values.

Article 29

Bank is obliged to calculate estimated cash outflows for the next 30 (thirty) days on increased liquidity needs as referred to in Article 27 letter b in relation to:

a. Bank's rating downgrade in Funding transactions, derivative tansactions, and other contracts;
b. changes in mark-to-market values of derivative transactions or other transactions;
c. potential changes in the values of collateral for derivative and other transactions;
d. excess non-segregated collateral held by the Bank that could contractually be called at any time by the counterparty;
e. obligation to provide collateral on certain transactions for which the counterparty has not yet demanded the collateral to be posted; and
f. potential for substitution of HQLA collateral to non-HQLA collateral.

Article 30

The run-off rate for increased liquidity needs related to Bank's downgrade in Funding transactions, derivative tansactions, and other contracts as referred to in Article 29 letter a is set at 100% of the amount of collateral that would be posted for, or contractual cash outflows associated with, any long-term downgrade up to and including a 3-notch downgrade.

Article 31

The run-off rate for increased liquidity needs related to changes in mark-to-market values of derivative transactions or other transactions as referred to in Article 29 letter b is set at the largest absolute net 30-day collateral flow realised during the preceding 24 months.

Article 32

The run-off rate for increased liquidity needs related to potential changes in the values of collateral for derivative and other transactions as referred to in Article 29 letter c is set at 20% (twenty percent) of the value of non-Level 1 HQLA collateral after haircuts have been applied that originate from the value of all collateral after deducted by collateral received from counterparty as long as the collateral received can be repledged

Article 33

The run-off rate for increased liquidity needs related to excess non-segregated collateral held by the Bank that could contractually be called at any time by the counterparty as referred to in Article 29 letter d is set at 100% (one hundred percent) of the value of non-segregated collateral that could contractually be called at any time by the counterparty because the value of the collateral is in excess of the counterparty's collateral requirements.

Article 34

The run-off rate for increased liquidity needs related to the obligation to provide collateral on certain transactions for which the counterparty has not yet demanded the collateral to be posted as referred to in Article 29 letter e is set at 100% (one hundred percent) of the value of the collateral that is contractually required to be provided.

Article 35

The run-off rate for increased liquidity needs related to the potential for substitution of HQLA collateral to non-HQLA collateral as referred to in Article 29 letter f is set at 100% (one hundred percent) of the value of HQLA that can be substituted for non-HQLA asset.

Article 36

(1) Bank is obliged to calculated estimated cash outflows for the next 30 (thirty) days on the risk of loss of Funding as referred to in Article 27 letter c related to:
   a. loss of Funding originating from asset-backed securities, covered bonds, and other structured financing instruments issued by the Bank; or

b. loss of Funding originating from asset-backed commercial papers, conduits, securities investment vehicles, and other similar financing facilities.

(2) The run-off rate for loss of Funding originating from asset-backed securities, covered bonds, and other structured financing instruments issued by the Bank as referred to in paragraph (1) letter a is set at 100% (one hundred percent) of funding transactions maturing within the 30-day period.

(3) The run-off rate for loss of Funding originating from asset-backed commercial papers, conduits, securities investment vehicles, and other similar financing facilities as referred to in paragraph (1) letter b is set at 100% (one hundred percent) of:

a. Funding maturing within the next 30 (thirty) days; and

b. assets that have the potential to be repaid prior to maturity.

(4) Where the structured Funding activities of the Bank are conducted through a special purpose entity, the Bank should, in determining the HQLA requirements, take into account that:

a. debt instruments issued by the entity maturing within 30 (thirty) days be subjected to run-off rate of 100% (one hundred percent); or

b. any embedded options in financing arrangements that may potentially trigger the return of assets or the need for liquidity is subjected to run-off rate of 100% (one hundred percent) of the value of assets that could potentially be returned.

Article 37

(1) The run-off rates of other cash outflows (additional requirements) related to committed obligations in the form of credit facilities as referred to Article 27 letter d are set at:

a. 5% (five percent) of the undrawn credit facilities where the facilities are extended to individuals or Micro-scale Businesses and Small-scale Businesses;

b. 10% (ten percent) of the undrawn credit facilities where the facilities are extended to non-financial corporations, Central Government, Bank Indonesia, governments of other countries, central banks of other countries, public sector entities, and/or multilateral development banks;

c. 40% (forty percent) of the undrawn credit facilities where the facilities are extended to Banks and/or financial service institutions; and/or

d. 100% (one hundred percent) of the undrawn credit facilities where the facilities are extended to entities other than those referred to in letter a, letter b, and letter c.

(2) The run-off rates of other cash outflows (additional requirements) related to committed obligations in the form of liquidity facilities as referred to Article 27 letter d are set at:

a. 5% (five percent) of the undrawn liquidity facilities where the facilities are extended to individuals or Micro-scale Businesses and Small-scale Businesses;

b. 30% (thirty percent) of the undrawn liquidity facilities where the facilities are extended to non-financial corporations, Central Government, Bank Indonesia, governments of other countries, central banks of other countries, public sector entities, and/or multilateral development banks;

c. 40% (forty percent) of the undrawn liquidity facilities where the facilities are extended to Banks; and/or

d. 100% (one hundred percent) of the undrawn liquidity facilities where the facilities are extended to financial service institutions and/or entities other than those referred to in letter a, letter b, and letter c.

(3) In the case where the committed credit facilities and/or liquidity facilities have HQLA collateral, the collateral can be taken into account as a reduction to cash outflows as long as it has not been taken into account as HQLA and meet the requirements:

a. if the HQLA have already been posted as collateral by the third party to secure the facilities or that are contractually obliged to be posted when the third party will draw down the facility

b. if the Bank is legally entitled to re-use the collateral for securing new funds once the facility is drawn, and

c. there is no correlation between the probability of drawing the facility and the market value of the collateral.

Article 38

(1) The run-off rate for other contractual obligations to extend funds as referred to in Article 27 letter e is set at 100% (one hundred percent) of contractual obligations to extend funds to financial service institutions within a 30 (thirty) day period.

(2) If the total of all contractual obligations to extend funds to individuals and non-financial corporations within the next 30 (thirty) days, which are not captured in the other categories, exceeds 50% (fifty percent) of the total contractual inflows due in the next 30 (thirty) days, the run-off rate is set at 100% (one hundred percent) of the positive difference between:

a. contractual obligations to extend funds; and

b. 50% (fifty percent) of the total cash inflows.

Article 39

(1) Other cash outflows (additional requirements) related to other contingent Funding obligations as referred to in Article 27 letter f comprise:

a. obligations originating from trade finance instruments;

b. obligations originating from unconditionally revocable uncommitted credit facilities and liquidity facilities;

c. obligations originating from letters of credit (L/C) and guarantees unrelated to trade finance obligations;

d. obligations originating from potential requests for debt repurchases of the Bank's own debts or related to securities investment vehicles (SIV) and other financing facilities;

e. obligations originating from structured products where customers anticipate ready marketability;

f. obligations originating from managed funds that are sold with the objective of maintaining a stable value;

g. obligations to cover potential repurchases of securities in the form of debt securities, with or without collateral, having maturities greater than 30 (thirty) days for issuers with an affiliated dealer or market maker; and/or

h. non contractual obligations where customer short positions are covered by other customers’ collateral.

(2) The run-off rates of other contingent Funding obligations as referred to in paragraph (1) are set at:

a. 3% (three percent) for obligations originating from trade finance instruments;

b. 0% (zero percent) for obligations originating from unconditionally revocable uncommitted credit facilities and liquidity facilities;

c. 5% (five percent) for obligations originating from letters of credit (L/C) and guarantees unrelated to trade finance obligations;

d. 5% (five percent) for obligations originating from potential requests for debt repurchases of the Bank's own debts or related to securities investment vehicles (SIV) and other financing facilities;

e. 5% (five percent) for obligations originating from structured products where customers anticipate ready marketability;

f. 5% (five percent) for obligations originating from managed funds that are sold with the objective of maintaining a stable value;

g. 5% (five percent) for obligations to cover potential repurchases of securities in the form of debt securities, with or without collateral, having maturities greater than 30 (thirty) days for issuers with an affiliated dealer or market maker; and/or

h. 50% (fifty percent) for non contractual obligations where customer short positions are covered by other customers' collateral.

Article 40

The run-off rate of other contractual cash outflows as referred to in Article 27 letter g is set at 100% (one hundred percent) of other contractual obligations within a 30 (thirty) day period.

CHAPTER IV

CASH INFLOWS

Part One

General Provisions

Article 41

(1) For the purpose of meeting LCR as referred to in Article 2, Bank is obliged to calculate cash inflows for the next 30 (thirty) day originating from:

   a. loans backed by collateral (secured lending);

   b. claims by counterparty; and/or

   c. other cash inflows.

(2) Bank is not allowed to take into account commitment claims (committed facility) of credit facilities and liquidity facilities as sources of cash inflows.

(3) The amount of cash inflows that can be taken into account in LCR is capped at 75% (seventy five percent) of total cash outflows as referred to in Article 13.

(4) In calculating cash inflows as referred to in paragraph (1), Bank may only take into account contractual cash inflows that meet the requirements of:

   a. originating from claims which quality is Current; and

   b. no default is expected withian the next 30 (thirty) days.

(5) Cash inflows that can be taken into account in meeting LCR amounts to the contractual claim values multiplied by the inflow rates.

Part Two
Loans Backed By Collateral (Secured Lending)

Article 42

(1) The inflow rates of loans backed by collateral (secured lending) as referred to in Article 41 paragraph (1) letter a are set based on the type of underlying assets, namely:

a. 0% (zero percent) of the contractual value in the case of Level 1 HQLA collateral;

b. 15% (fifteen percent) of the contractual value in the case of Level 2A HQLA collateral;

c. 25% (twenty five percent) of the contractual value in the case where the collateral is asset-backed security that meets the requirement of Level 2B HQLA;

d. 50% (fifty percent) of the contractual value in the case where the collateral is Level 2B HQLA other than asset-backed securities;

e. 50% (fifty percent) of the contractual value in the case where the transaction constitutes margin lending with collateral that does not meet the requirement of HQLA; and/or

f. 100% (one hundred percent) of the contractual value in the case where the collateral does not meet the requirements as referred to in letter a up to letter e.

(2) In the case the collateral obtained by the Bank in a collateral backed borrowing (secured lending) transaction, is rehypothecated or reused to cover short position of the Bank, then the inflow rate of the collateral backed borrowing (secured lending) transaction is set at 0% (zero percent).

Part Three
Claims By Counterparty

Article 43

(1) Bank is obliged to calculate cash inflows based on counterparty as referred to in Article 41 paragraph (1) letter b:

a. individual as well as Micro-scale Business and Small-scale Business customers;

b. other customers comprising:

   1. financial service institutions and Bank Indonesia; and

   2. others.

(2) Cash inflows originating from loans that have no specific maturity are not allowed to be taken into account as cash inflows in LCR calculation.

(3) In the case where the cash inflows originate from payments of principals, fees or interests associated with an open maturity loan as referred to in paragraph (2), which contractually matures within 30 days, the cash inflows can be taken into account as cash inflows in LCR calculation.

(4) Credit facilities that have been agreed to be extended (revolving credit facilities) cannot be taken into account as cash inflows in LCR calculaton.

Article 44

Inflow rate of claims to individual customers and claims to Micro-scale Businesses and Small-scale Businesses as referred to in Article 43 paragraph (1) letter a originating from payments of principals and interests on credits which quality is Current is set at 50% (fifty percent) of the contractual values.

Article 45

(1) The inflow rates of claims to financial service institutions and Bank Indonesia as referred to in Article 43 paragraph (1) letter b number 1 are set at:
    a. inflow rate of cash inflows originating from payments of principals and interests on credits which quality is Current is set at 100% (one hundred) percent of the contractual values;
    b. inflow rate of cash inflows originating from securities that cannot be taken into account as HQLA with residual maturities of less than 30 (thirty) days is set at 100% (one hundred percent) of the contractual value;

(2) The inflow rate of cash inflows from fund placements at other banks for the purpose of operational activities is set at 0% (zero percent) of the contractual value.

Article 46

The inflow rates of claims to non-financial corporate customers, Central Government, governments of other coumtries, public sector entities, and multilateral development banks as referred to in Article 43 paragraph (1) letter b number 2 are set at:

a. the inflow rate originating from payments of principals and interests on credits which quality is Current is set at 50% (fifty percent) of the contractual value; and/or

b. the inflow rate originating from securities that cannot be taken into account as HQLA with residual maturities of less than 30 (thirty) days is set at 100% (one hundred percent) of the contractual value.

Part Four
Other Cash Inflows
Article 47

Bank is obliged to calculate other cash inflows as referred to in Article 41 paragraph (1) letter c originating from:

a. claims on derivative transactions; and
b. other contractual claims.

Article 48

(1) The inflow rate as referred to in Article 47 letter a is set at 100% (one hundred percent) of the value of claim on derivative transaction.

(2) In the event Bank delivers HQLA collateral on a derivative transaction, the calculation of cash inflows from claim on the derivative transaction should be deducted by the value of collateral provided.

Article 49

The inflow rate on other contractual claims as referred to in Article 47 letter b is set at 50% (fifty percent) of the value of the claim.

Article 50

(1) In developing the consolidated report of bank that operates cross border, the following is set:
   a. the inflow rate used for corporate customers shall follow that of the bank's home country; and
   b. the inflow rate used for individual or Micro-scale Business and Small-scale Business customers follows that of the bank branch's host country.

(2) The inflow rate used for individual or Micro-scale Business and Small-scale Business customers as referred to in paragraph (1) letter b can use the inflow rate of the home country when the following criteria are met:
   a. there is no requirement on the Deposit of individuals as well as Micro-scale Businesses and Small-scale Businesses at the bank branch's host country;

b. bank branch office operates in a country that has not implemented LCR; and/or
c. at its discretion, the banking supervisory authority of the home country applies the home country's inflow rate when the inflow rate is tighter than the requirement of the Bank branch's host country.

Article 51

In addition to the obligation to calculate LCR as referred to in Article 2, Bank monitors the condition and adequacy of liquidity by using certain indicators.

CHAPTER V
CALCULATION AND REPORTING OF LCR
Part One
General Provisions

Article 52

Bank is obliged to calculate and report LCR both at individual as well as at consolidation level as follows:

a. daily;
b. monthly; and
c. quarterly.

Part Two
Calculation and Reporting of Daily LCR

Article 53

(1) The obligation to calculate daily LCR as referred to in Article 52 letter a shall become effective starting:
 a. 1 April 2017, for Banks included in Commercial Banks based on Business Activities (CBBA) 4 category and bank branch offices domiciling overseas; and
 b. 1 October 2017, for Banks included in CBBA 3 category and foreign banks other than branch offices of banks domiciling overseas.
(2) Bank is obliged to submit daily LCR report as referred to in Article 52 letter a online through the Financial Services Authority reporting system.

(3) The procedure for daily LCR online reporting as referred to in paragraph (2) shall be further stipulated in a Financial Services Authority circular letter.
(4) In the case where the daily LCR online reporting system as referred to in paragraph (2) is not yet available and/or under certain conditions, Financial Services Authority can request Bank to submit the daily report offline.

Part Three
Calculation and Reporting of Monthly LCR

Article 54
(1) Bank is obliged to develop monthly LCR report as referred to in Article 52 letter b based on report's daily average.
(2) In the case where Bank is not yet obliged to conduct calculation of daily LCR as referred to in Article 53 paragraph (1), Bank may calculate monthly LCR value based on the position at the end of the reporting month.

Article 55
(1) Bank is obliged to submit monthly LCR report as referred to in Article 52 letter b online through the Financial Services Authority reporting system.
(2) In the case where the Financial Services Authority reporting system as referred to in paragraph (1) is not yet available, Bank is obliged to submit the monthly report offline.
(3) Bank is obliged to submit monthly LCR report as referred to in paragraph (1) and paragraph (2) no later than:
    a. 15 (fifteen) days after the end of the reporting month, for individual monthly LCR report; and
    b. 30 (thirty) days after the end of the reporting month, for consolidated monthly LCR report.
(4) Submission of monthly LCR report offline as referred to in paragraph (2) shall be directed to:
    a. Related Department of Bank Supervision or Jabodetabek, Banten, Lampung, dan Kalimantan Regional Office 1 for Banks which head offices or branch offices of banks domiciling overseas are located in the Jakarta, Bogor, Depok, Tangerang, and Bekasi (Jabodetabek) as well as Banten Province area; or

b. Financial Services Authority Regional or Local Office for Banks which head offices are located outside the Jakarta, Bogor, Depok, Tangerang, and Bekasi (Jabodetabek) as well as Banten Province area.

(5) In the case where the end of the report submission period referred to in paragraph (1) falls on a Saturday, Sunday, and/or holiday, the report shall be submitted on the next working day.

Article 56

(1) The obligation for submitting monthly LCR report as referred to in Article 52 letter b for the first time shall be fulfilled for report position of:

a. 31 December 2015, for Banks that are included in CBBA 4 category and branch offices of banks domiciling overseas; and

b. 30 June 2016, for Banks included in CBBA 3 category and foreign banks other than branch offices of banks domiciling overseas

(2) Monthly LCR report shall be developed using the format referred to in Attachment II, which is an integral part of this Financial Services Authority Regulation.

Part Four

Calculation and Reporting of Quarterly LCR

Article 57

(1) Bank is obliged to calculate and publicize quarterly LCR report as referred to in Article 52 letter c based on daily average LCR reports.

(2) In the case where Bank is not yet obliged to perform calculation of daily LCR as referred to in Article 53 paragraph (1), Bank can calculate quarterly LCR value based on the average position at the end of the reporting month.

(3) Bank is obliged to publicize the calculation and/or value of quarterly LCR as referred to in paragraph (1) for the positions of March, June, September, and December.

(4) Bank is obliged to publicize the calculation and/or value of quarterly LCR as referred to in Article 52 letter c through:

a. Bank's website for the calculation and/or value of quarterly LCR; and

b. at least 1 (one) Indonesian daily printed newspaper that has wide circulation and online together with the quarterly publicized report.

(5) The obligation to publicize quarterly LCR calculation and value as referred to in paragraph (4) letter a shall be fulfilled no later than:

a. the 15th of the second month after the end of the reporting month for reports, for the positions of the end of March, June, and September;

b. the end of March in the following year after the end of the reporting month, for reporting position of the end of December.

(6) The procedure, format, and periods for the publication of quarterly LCR as referred to in paragraph (4) letter b shall be in accordance with the publication procedure, format, and periods stipulated in Financial Services Authority Regulation concerning transparency and publication of Bank reports.

(7) Bank is obliged to maintain the announcement of quarterly LCR report at Bank's website as referred to in paragraph (4) letter a for no less than the latest 5 (five) accounting years.

Article 58

(1) The obligation to publicize quarterly LCR calculation and value through Bank's website as referred to in Article 57 paragraph (4) letter a for the first time shall be fulfilled for report position of:

a. March 2016, for Banks that are included in CBBA 4 category and branch offices of banks domiciling overseas; and

b. September 2016, for Banks included in CBBA 3 category and foreign banks other than branch offices of banks domiciling overseas

(2) Quarterly LCR calculation report shall be developed using the format referred to in Attachment III, which is an integral part of this Financial Services Authority Regulation.

Article 59

(1) The obligation to publicize quarterly LCR value through a newspaper as referred to in Article 57 paragraph (4) letter b for the first time shall be fulfilled for report position of March 2019.

(2) Bank shall be declared not to have publicized the quarterly LCR value through a newspaper as referred to in paragraph (1) when the quarterly publicized report announced does not state information concerning LCR value.

Part Five

Reporting for Banks Which Categories Change

Article 60

(1) Banks included in the CBBA 1 and CBBA 2 categories, which initially are not required to meet LCR requirement, then change to be Banks included in the CBBA 3 and CBBA 4 categories or foreign banks as referred to in Article 4 are obliged to calculate and submit LCR report.

(2) The obligation to submit LCR report as referred to in paragraph (1) is set as follows:

   a. monthly LCR report shall be submitted for the first time on the third month since the Bank is declared to be a Bank included in the CBBA 3 or CBBA 4 category, or a foreign bank;

   b. quarterly LCR report shall be sumitted for the first time in the following reporting quarter after the monthly report referred to in letter a is submitted.

(3) In the case where a Bank that is initially included in the CBBA 3 or CBBA 4 category or a foreign bank and then is changed into a Bank that is not included in those categories as referred to in Article 4, the Bank is still obliged to meet the stipulation concerning calculaton and reporting of LCR as provided in this Financial Services Authority Regulatiion.

CHAPTER VI
STAGES FOR FULFILMENT OF LCR

Article 61

(1) The obligation to meet LCR shall be fulfill in stages.

(2) The stages for fulfilment of LCR as referred to in paragraph (1) are set no less than:

   1. For Banks that are included in CBBA 4 category and branch offices of banks domiciling overseas:

      a. 70% (seventy percent) since 31 December 2015;

      b. 80% (eighty percent) since 31 December 2016;

      c. 90% (ninety percent) since 31 December 2017;

      d. 100% (one hundred percent) since 31 December 2018;

   2. For Banks included in CBBA 3 category and foreign banks other than branch offices of banks domiciling overseas

      a. 70% (seventy percent) since 30 June 2016;

b. 80% (eighty percent) since 30 June 2017;

c. 90% (ninety percent) since 31 December 2017;

d. 100% (one hundred percent) since 31 December 2018;

(3) Bank is obliged to meet LCR according to the stages referred to in paragraph (2).

Article 62

Bank is obliged to inform Financial Services Authority and undertake measures as referred to in Article 3 concerning Bank's liquidity condition in the event Bank is not able and/or has the potential of not being able to meet LCR in accordance with the stages as referred to in Article 61 paragraph (2).

CHAPTER VII
SANCTIONS

Article 63

Any Bank that does not meet this Financial Services Authority Regulation and violates the provisions set in Article 2 paragraph (1), Article 3 paragraph (1) and paragraph (2), Article 6 paragraph (1) and paragraph (2), Article 13 paragraph (1), Article 15 paragraph (1), Article 16, Article 19, Article 23, Article 26 paragraph (1), Article 27, Article 28 paragraph (1), Article 29, Article 36 paragraph (1) and paragraph (4), Article 41 paragraph (1) and paragraph (2), Article 43 paragraph (1) and paragraph (2), Article 47, Article 52, Article 53 paragraph (2), Article 54 paragraph (1), Article 55 paragraph (1), paragraph (2) and paragraph (3), Article 57 paragraph (1), paragraph (3), paragraph (4), and paragraph (7), Article 60 paragraph (1) dan paragraph (3), Article 61 paragraph (3), or Article 62, shall be imposed with administrative sanctions in the forms of:

a. written reminder;

b. prohibition to transfer profit for branch office of bank domiciling overseas;

c. postponement of division of dividends on all share ownerships of shareholders that have made capital deposits;

d. freezing of certain business activities;

e. prohibition for opening office network;

f. downgrade of Bank's soundness level (rating); and/or

g. stating of Bank’s members of management and/or shareholders in the list of persons prohibited from becoming Bank shareholders and members of management in accordance with the regulation concerning the fit and proper test for Commercial Banks.

Article 64

In addition to sanctions referred to in Article 63, Bank that is late in submitting the monthly LCR report as referred to in Article 55 paragraph (3) shall be imposed with the sanction of penalty payment in the amount of Rp1,000,000.00 (one million rupiah) for each working day of delay or no more than Rp50,000,000.00 (fifty million rupiah).

Article 65

Bank that does not state the value of LCR in the quarterly publicized report shall be imposed with sanctions in accordance with Financial Services Authority Regulation concerning transparency and publication of Bank reports.

CHAPTER VIII
CONCLUDING PROVISIONS

Article 66

This Financial Services Authority Regulation shall come into effect as of the date of enactment.

For public information, orders this Financial Services Authority Regulation be published in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta
On 23 December 2015
CHAIRMAN OF BOARD OF COMMISSIONERS
FINANCIAL SERVICES AUTHORITY

MULIAMAN D. HADAD

Enacted in: Jakarta
On 23 December 2015

MINISTER OF LAW AND HUMAN RIGHT
REPUBLIC OF INDONESIA

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 369 OF 2015

ELUCIDATION

TO

FINANCIAL SERVICES AUTHORITY REGULATION

NUMBER 42/POJK.03/2015

CONCERNING

LIQUIDITY COVERAGE RATIO REQUIREMENT FOR COMMERCIAL BANKS

I. GENERAL REVIEW

Experiences from the financial and economic crises that have occurred in various countries in 2008 have shown that although a Bank has adequate capital, if it does not have adequate liquidity for facing pressures or stresses, then the Bank's business sustainability can be disrupted.

The adequacy of liquidity can be met by maintaining adequate liquid assets of high quality (High Quality Liquid Assets/HQLA) that are unencumbered. Liquid assets are classified as high quality assets if the assets' capability to generate liquidity through sale or repo remains intact, despite being in a stressed condition, which occurs both at the individual Bank (idiosyncratic) as well as in a stessed condition that is widespread and occurs in the overall financial markets, both domestically as well as internationally (market-wide shock). The liquidity level of an asset will depend on the underlying stess scenario, nominal value that can be monetized, and timeframe for liquidation of the asset.

As such, similar with the case of capital, there is a need for a standard for calculating liquidity ratio for the purpose of measuring the minimum level of liquidity that should be maintained by a Bank, which is adjusted to the prevailing international standard, namely Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools.

Determination of LCR has the purpose of ensuring that Bank has adequate stock of unencumbered HQLA comprising cash and/or assets that can be easily and immediately converted into cash at little or no loss of value for meeting Bank's liquidity need in 30 (thirty) day period of stress scenario.

At a minimum, the stock of unencumbered HQLA owned by a Bank should enable the Bank to survive during 30 days of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken by the Bank, or that the Bank has discontinued its business activities in accordance with prevailing mechanism. The 30 (thirty) day period is also expected to provide time for the Financial Services Authority to take certain actions deemed necessary.

In addition, Banks should also be aware of any potential mismatches that can occur within the next 30-day period and ensure that Banks have sufficient stock of HQLA to meet any cash flow gaps that occur throughout the period, given the uncertain timing of cash inflows and cash outflows.

The scenario for LCR calculation entails a combination of idiosyncratic and market-wide shock that would result in:

a. the run-off of a proportion of individual customer Deposits (retail deposits);
b. a partial loss of the capacity to secure Funding originating from corporate cutomers (unsecured wholesale funding);
c. a partial loss of a source of short-term Funding with certain collateral and counterparties;
d. additional contractual cash outflows that would arise from a downgrade in the bank's rating by up to and including three rating levels (notches), including collateral posting requirements;
e. increases in market volatilities that impact the quality of collateral or potential future risk of derivative products and thus require larger collateral haircuts, additional collateral, or other liquidity needs;
f. unscheduled draws on committed but unused credit and liquidity facilities that the bank has provided to third parties; and
g. the potential need for the Bank to buy back debts or honour non-contractual obligations in the interest of mitigating reputational risk.

With regards the points explained above, it is deemed necessary to enact a regulation concerning Liquidity Coverage Ratio Requirement for Commercial Banks.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

Self-explanatory.

Paragraph (2)

LCR is calculated with the following formula:

HQLA $\geq$ 100%

Total Net Cash Outflows in the next 30 days

In addition to calculating LCR, Bank conducts resilience test under stressed condition (stress test) based on own scenarios concerning things that can disrupt Bank's business activities by using longer periods than LCR period. When required, stress test results can be submitted to Financial Services Authority for the purpose of assessing the related Bank's liquidity capacity

Paragraph (3)

Conversion of foreign currencies into rupiah is performed using Bank Indonesia's middle exchange rates.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 3

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Measures required are measures referred to in letter a number 2.

Paragraph (3)

In giving approval, Financial Services Authority shall consider various factors, such as current economic condition, future economic and financial conditions, impact on financial system stability as well as availability of the sources of contingency Funding. Financial Services Authority shall conduct assessment of Bank's soundness condition and risk profile as well as analysis report of Bank's liquidity condition as required in paragraph (2) letter a.

Article 4

"Control" means control as referred to in Financial Services Authority regulation concerning transparency and publication of Bank reports.

"Subsidiary company" means a legal entity or company that is owned and/or controlled by Bank, both directly as well as indirectly and located both domestically as well as overseas, which conducts business activities in the financial field, comprising:

a. subsidiary company, which is a subsidiary company with Bank's ownership of more than 50% (fifty percent);
b. participation company, which is a subsidiary company with Bank's ownership of 50% (fifty percent) or less but Bank has control over the company;
c. company with Bank's ownership of more than 20% (twenty percent) up to 50% (fifty percent), which meets the following requirements:
    1) the ownerships of Bank and other parties in the subsidiary company is of equal size; and
    2) each owner undertakes control jointly on the subsidiary company; and
d. another entity that based on financial accounting standard should be consolidated,

however, does not include insurance companies and companies owned in the framework of credit restructuring.

Article 5

"Banks included in the categories of CBBA 3 and CBBA 4" are as referred to in the regulation that provides for business activities and office network based on Bank's core capital.

"Foreign bank" means:

1. a branch office of a bank domiciling overseas;
2. a commercial bank in the form of Indonesian legal entity with more than 50% (fifty percent) of its shares owned by foreign citizens and/or foreign legal entities, both individually or jointly; and/or
3. a bank that is owned, both individually as well as jointly, by foreign citizens and/or foreign legal entities at less than 50% (fifty percent) but there is control by these foreign citizens and/or foreign legal entities.

Article 6

Paragraph (1)

Assets that can be taken into account as HQLA are assets owned by the Bank at the time of LCR calculation irrespective of their residual maturity.

It is possible to undertake hedging on assets that are taken into account as HQLA, however Bank should take into account cash outflows resulting from cancellation of contracts due to the sales of those assets.

Paragraph (2)

Development of policies concerning HQLA is intended so that Bank can determine composition of HQLA stock on a daily basis.

Paragraph (1)

Self-explanatory.

Article 7

Paragraph (1)

Level 1 and Level 2A HQLA ideally are central bank eligible to be able to secure intraday liquidity facilities and overnight liquidity facilities. Examples of assets that are central bank eligible are securities issued by Bank Indonesia or Central Government. However, fulfilment of central bank eligible requirement is not automatically the basis for categorizing an asset as HQLA.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Calculation of the caps on Level 2 and Level 2 B HQLA should be determined after the application of required haircuts based on asset type, and after taking into account the influence of unwind of short-term Securities Financing Transactions (SFT) and collateral swap transactions maturing within 30 (thirty) days that involve the exchange of HQLA

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory.

Article 8

If an asset is initially eligible to be included in HQLA category becomes ineligible, for example due to rating downgrade, the Bank is given an additional 30 (thirty) days to adjust the HQLA amount or replace the asset with other assets that meet the HQLA criteria. During the said period, Bank is permitted to still take that asset into account as HQLA.

Article 9

Paragraph (1)

Letter a

Financial assets that are less risky tend to have higher liquidity, reflected among others by high rating from the issuer, a low degree of subordination, low duration, low legal risk, low inflation risk and low exchange rate risk.

Letter b

Ease and certainty of valuation is reflected by the pricing formula of HQLA that is easy to calculate, is not dependent on certain assumptions, and data used is publicly available.

In general, these are assets that have standard structures, and are homogenous and simple because they tend to be easily interchangeable. Therefore, assets that constitute structured or exotic products should not be taken into account as HQLA.

Letter c

Examples of risky assets are assets issued by financial institutions. These assets tend to be illiquid in times of liquidity stress in the banking sector.

Letter d

Self-explanatory.

Paragraph (2)

Letter a

Having “active and adequate market” means the asset must have an active repo or outright sale markets at all times, which is reflected by among others:

1. There is historical evidence of market breadth and market depth, demonstrated by among others:
    a) low spreads between bid and ask prices;
    b) high trading volumes
    c) a large and diverse number of market participants; and/or
2. there is reliable market infrastructure in place.

Letter b

Low market volatility is reflected through price volatility and trading spreads, which are reflected among others by prices that remain relatively stable and are less prone to sharp price declines as reflected by historical data of market stability, namely prices and haricuts, and trading volumes during stressed periods.

Letter c

One of the approaches that can be used in assessing flight to quality is by assessing the correlation between market liquidity and banking system stress condition.

Paragraph (3)

These operational requirements are designed to ensure that the stock of HQLA is managed in such a way that the bank is able to liquidate the assets into cash, both through repo as well as sale, to fill the gap between cash inflows and cash outflows during a 30 (thirty) day stress period without any hindrances in fulfilling liquidity adequacy.

Letter a

Being free from all kinds of claims means among others currently not being underlying repo, free from legal claims, regulatory and contractual restrictions, as well as other restrictions that restrict the Bank’s ability to liquidate, sell, transfer, use or assign the asset.

An example of an asset that is kept at or agreed with Bank Indonesia but not yet used to generate liquidity is the secondary minimum required reserve.

Letter b

Operational costs constitute among others rents and salaries.

Letter c

Examples of assets that can be used legally and contractually by Bank during a stressed condition are among others assets received in reverse repo and securities financing transaction (SFT) held by Bank, have not been rehypothecated, and are legally and contractually available for the bank's use to generate cash flow at a stessed condition, can be considered as HQLA.

Letter d

Self-explanatory.

Letter e

Adequate procedure and system in this instance means that there is a special function or unit that has access to all information required to liquidate assets at any time.

Liquidation of the asset must be operationally executable in the reasonable settlement period for the asset type.

Letter f

The special function charged with managing Bank's liquidity referred to in this letter is among others the treasury work unit.

Bank should have a standard operating procedure related to this control and the existence of this control should be evidenced through:

(1) maintaining assets in a separate pool with the sole intent for use as a source of funds in the contingency funding plan; or

(2) liquidation of the asset can be executed at any point in the 30-day stress period without directly conflicting with business or risk management strategies.

Letter g

Self-explanatory.

Letter h

Self-explanatory.

Letter i

Any surplus of HQLA above the required minimum liquidity owned by the subsidiary company can only be included in the consolidated LCR calculation if those assets would also be available to the parent entity without any impediments in times of stress.

The impediments can originate from regulatory, legal, tax, accounting aspects or other impediments such as foreign exchange control or control over domestic currency that cannot be converted into other currencies (non-convertibility of local currency).

Assets held in a subsidiary company that have no market access can only be included in HQLA to the extent that they can be freely transferred to the parent entity.

In a condition where there is no active and adequate repo market for certain classes of assets, Bank is not allowed to categorize these assets as HQLA where there are impediments to outright sales, such as extremely large price reductions.

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory.

Article 10

Self-explanatory.

Article 11

Paragraph (1)

Letter a

Number 1

Calculation of Risk-Based Weighted Assets (RBWA) for credit risk using the standard approach shall refer to the regulation concerning calculation of RBWA for credit risk using the standard approach.

Number 2

Market means among others money market and repo market.

Number 3

For example:

If the haircut is 17% (seventeen percent), the highest increase in haircut is: 17% + 10% = 27%.

Number 4

Self-explanatory.

Letter b

Number 1

Self-explanatory.

Number 2

Self-explanatory.

Number 3

The use of ratings shall refer to the regulation that provides for rating institutions and ratings recognized by the Financial Services Authority.

Number 4

Self-explanatory.

Number 5

For example:

If the haircut is 17% (seventeen percent), the highest increase in haircut is: 17% + 10% = 27%.

Paragraph (2)

Self-explanatory.

Article 12

Paragraph (1)

Letter a

Number 1

Self-explanatory.

Number 2

Self-explanatory.

Number 3

The use of ratings shall refer to the regulation that provides for rating institutions and ratings recognized by the Financial Services Authority.

Number 4

Market means among others money market and repo market.

Number 5

For example:

If the haircut is 17% (seventeen percent), the highest increase in haircut is: 17% + 20% = 37%.

Number 6

The definition of residential mortgage backed credit shall refer to the regulation that provides for calculation of RBWA for credit risk using the standard approach.

Number 7

With regard a full recouse loan, in the case of forclosure by the Bank due to the debtor's failure to make payments and therefore the assets are sold, the debtor remains liable for any shortfall in the sales proceeds against the debtor's debt.

Number 8

Risk retention is performed by among others the issuers of asset-backed securities to retain ownership of the assets they securitize.

Letter b

Number 1

Self-explanatory.

Number 2

The use of ratings shall refer to the regulation that provides for rating institutions and ratings recognized by the Financial Services Authority.

Number 3

Self-explanatory.

Number 4

For example:

If the haircut is 17% (seventeen percent), the highest increase in haircut is: 17% + 20% = 37%.

Letter c

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 13

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Definitions of “Micro-scale Business and Small-scale Business” are as referred to in the Act concerning micro-, small-, and medium-scale businesses.

Letter c

“Funding originating from corporate customers” constitutes Bank’s liabilities and commitments to legal entity corporations, including sole proprietorships and partnerships that are not collateralised by legal rights to specifically designated assets owned by the Bank in the case of bankruptcy insolvency, liquidation or resolution.

Letter d

“Funding backed by collateral (secured funding)” is defined as those liabilities that are collateralised by legal rights to specifically designated assets owned by the Bank in the case of bankruptcy, insolvency, liquidation or resolution

Letter e

Self-explanatory.

Paragraph (2)

“Run-off rate” is defined as the predicted level of draws on Bank’s obligations based on a specific scenario.

Article 14

Letter a

Self-explanatory.

Letter b

Penalty is deemed to be significant when the penalty materially greater than the interest of the Deposit so that it reduces the Deposit's principal.

Letter c

Self-explanatory.

Article 15

Self-explanatory.

Article 16

Self-explanatory.

Article 17

Paragraph (1)

"Deposit Guarantee Institution" is as defined in the Act concerning deposit guarantee institution.

Guarantee scheme of Deposit Guarantee Institution that is recognized is a scheme that meets the following requirements

(1) has the ability to make prompt payouts;

(2) the guarantee criteria is clearly defined; and

(3) there is high public awareness of the guarantee program.

Criteria of Deposit that meets the guarantee criteria shall refer to the stipulation of the Deposit Guarantee Institution.

Letter a

Having relationship with or being related to Bank refers to among others:

1. customers owning at least 1 (one) additional active product aside from credit facilities with the Bank;
2. customers receive credit facilities from the Bank for periods of more than 3 (three) months; and/or
3. customers are related parties of Bank.

"Related parties of Bank" are related parties as stipulated in the regulation concerning legal lending limit for Commercial Banks.

Letter b

An example of a Deposit account that is used for routine transactional needs is among others an account for receipts of income in the forms of salaries or business results.

Paragraph (2)

Self-explanatory.

Article 18

Paragraph (1)

If a bank is not able to readily identify which individual customer Deposits would qualify as “stable”, then the full amounts of those individual customer Deposits should be classified as less stable Deposits.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 19

Self-explanatory.

Article 20

Self-explanatory.

Article 21

Self-explanatory.

Article 22

Self-explanatory.

Article 23

Self-explanatory.

Article 24

Paragraph (1)

Letter a

“Clearing activity” in this stipulation is defined as the provision of services that enable the custmers to transfer funds or securities indirectly through clearing participants in the national clearing systems to intended final recipients

Services provided in available clearing activities are limited to:

a. transmission of funds, reconciliation and confirmation of payment orders;

b. intraday overdraft, overnight Funding facility, and maintenance of post-settlement balances; and

c. determination of intra-day positions and final settlements of transactions.

"Custodian activity", in this stipulation, refers to the provisions of services in the forms of safekeeping, reporting, processing of assets and the facilitation of other operational and administrative elements on behalf of customers in relation to financial asset transactions.

Services provided in available custodian activities are limited to:

a. settlement of security sale and purchase transactions;
b. transfer of contractual payments;
c. processing of collateral;
d. receipt of fees related to cash management services;
e. receipt of dividends and other income;
f. client subscriptions and redemptions;
g. custodial services on asset and corporate trust servicing;
h. asset management (treasury);
i. escrow account servicing
j. funds transfer, stock transfer and agency services, including payment and settlement services (excluding correspondent banking activities); and
k. depository receipts.

"Cash management activities", in this stipulation, refer to products and services provided to a customer to manage its cash flows, assets and liabilities, as well as financial transactions necessary to the customer's operations.

Services provided in available cash management activities are limited to:

a. the debiting of or transfer of funds from customer accounts for the purpose of payments of claims or obligations (payment remittance);
b. pooling or distribution of funds from company's branch offices/operational network (collection and aggregation of funds);
c. services of mass payments of employee salaries (payroll administration); and
d. control over the disbursement of funds.

Number 1

Examples of Deposits that customers are required to place at Bank to be able to use Bank’s services or products are among others margin deposits related to custodian activities, required minimum balance related to cash management and clearing activities.

Number 2

“To be significantly dependent” means that the customers use their accounts at the Bank as the main accounts in conducting clearing, custodian, and/or cash management activities.

The Financial Services Authority can at any time conduct an investigation on the determination of main accounts.

Number 3

Self-explanatory.

Number 4

Self-explanatory.

Number 5

Self-explanatory.

Letter b

An example of an economic incentive is the provision of interest.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 25

Paragraph (1)

Examples of non-operational Deposits and/or non-operational other liabilities are among others correspondent banking activities or prime brokerage services.

“Correspondent banking activity” refers to an activity in which one Bank (correspondent) holds deposits owned by other banks (respondents) and provides payment services in order to settle foreign currency transactions, namely nostro and vostro accounts, that are used to settle transactions in a currency other than the domestic currency of the respondent Bank for the provision of clearing and settlement of payments.

“Prime brokerage” is a package of services offered to large investors, particularly institutional hedge funds. The offered services usually include: clearing, settlement and custody, consolidated reporting, financing, securities lending, and risk analytics.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Examples of other entities are among others Banks, security companies, insurance companies, and other financial service institutions.

Letter c

In the case where the securities are sold exclusively in the retail market, held in retail accounts, bought and held by individual customers (including Micro-scale Businesses and Small-scale Businesses that are treated as individual customers), the securities can be treated in the same manner as individual customers or Micro-scale Business and Small-scale Business customers.

Article 26

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Number 1

In this regard, public sector entities have risk weight of no higher than 20% (twenty percent) as stated in the regulation concerning calculation RBWA for credit risk using the standard approach.

Number 2

Self-explanatory.

Letter d

Self-explanatory.

Letter e

Self-explanatory.

Article 27

Self-explanatory.

Article 28

Paragraph (1)

Derivative transactions in the form of options are assumed to be exercised only when they are ‘in the money’ to the option buyer.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 29

Letter a

To anticipate bank’s rating downgrade by a recognised rating institution, contracts governing derivatives and other transactions usually have clauses that require the posting of additional collateral, contingent drawdown facilities, or early repayment of existing liabilities.

Rating downgrade has impacts on all collateral including rehypothecation rights.

Letter b

In the case where derivative transactions or other transactions require collateral on mark-to-market exposure, Bank has potential increased liquidity needs due to mark-to-market.

Letter c

In the case where each party in derivative transactions is required to secure the mark-to-market valuation of the transaction positions by using specific collateral, Bank should calculate the increased liquidity needs related to the potential valuation changes of the collateral.

When the collateral constitutes Level 1 HQLA, Bank does not need to calculate the increased liquidity needs related to the potential valuation changes of the collateral.

Letter d

"Non-segregated collateral" means that the collateral is received by the Bank but its recording is not separated in Bank's balance sheet.

Letter e

Self-explanatory.

Letter f

Self-explanatory.

Article 30

Self-explanatory.

Article 31

Absolute net collateral flow is based on realized outflows and inflows.

Article 32

Haircuts applied shall refer to the haircuts agreed with the counterparties.

Calculation of other cash outflows (additional requirements) in this classification is only made when the collateral delivered by the counterparty is non-Level 1 HQLA.

Article 33

Self-explanatory.

Article 34

Self-explanatory.

Article 35

Self-explanatory.

Article 36

Paragraph (1)

Letter a

Self-explanatory.

Letter b

The risks of loss of Funding on asset-backed commercial papers, conduits, securities investment vehicles and other such financing facilities include but not limited to:

1. the inability to refinance maturing debt, and
2. the existence of derivatives or derivative-like components contractually written into the documentation associated with the structure that would

allow the “return” of assets in a financing arrangement, or that require the original asset transferor to provide liquidity, effectively ending the financing arrangement (“liquidity puts”) within the 30-day period.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Letter a

Self-explanatory.

Letter b

The potential for assets to be repaid prior to maturity is due to among others the existence of an option for the investors to resale the assets to the issuers.

Paragraph (4)

Eamples of special purpose entities are special purpose vehicles (SPV), conduits or structured investment vehicles (SIV).

Article 37

Paragraph (1)

“Committed obligations in the form of credit facilities” are agreements to provide funds in the future in the form of credit, both to individuals as well as business enterprises and both irrevocable as well as conditionally revocable.

Paragraph (2)

“Committed obligations in the form of liquidity facilities” are any committed, undrawn back-up facility that would be utilised to refinance the debt obligations of a customer to a third party in situations where such a customer is unable to rollover that debt in financial markets.

Commited obligations in the form of liquidity facilities that are taken into account in LCR calculation are those related to outstanding debts issued by the customer to a third party maturing within a 30 (thirty) day period.

In the case where the customer’s debt to a third party matures beyond the next 30 (thirty) days, the facility is categorized as committed obligation in the form of credit facility.

An example of a committed obligation in the form of credit facility is working capital credit.

Any forms of committed obligation facilities provided to hedge funds, money market funds and special purpose funding vehicles (SPV), or other forms of entities used specifically to finance the Banks own assets, should be captured in the liquidity facility category to other entities.

Other committed obligations other than liquidity facilities shall be categorized as committed obligations in the form of credit facilities.

Paragraph (3)

HQLA collateral that has been used to reduce cash outflows should be excluded from HQLA calculation. This treatment is intended to avoid double counting.

Letter a

An example of HQLA used as collateral to guarantee a facility is a liquidity facility used as a repo facility.

Letter b

The requirement for a Bank to be entitled to re-use the collateral for generating new funds is that there are supports on the legal aspect and operational capacity.

Letter c

Self-explanatory.

Article 38

Self-explanatory.

Article 39

Paragraph (1)

Letter a

Lending commitments, such as direct import or export financing for non-financial companies, are excluded from this calculation and Bank will apply the draw-down rates such as for committed credit facility.

Examples of trade finance instruments are among others:

1. trade documents using L/C, documentary and clean collection, documentary collection, import bills, and export bills; and
2. guarantees directly related to trade finance obligations, such as shipping guarantees.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e

Customers anticipate ready marketability though adjustable rate notes and variable rate demand notes (VRDNs).

Letter f

Obligations originating from managed funds marketed with the objective of maintaining a stable value are among others money market mutual funds or other types of stable value investment funds.

Letter g

Self-explanatory.

Letter h

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 40

Examples of other contractual cash outflows within the next 30 (thirty) days are outflows to cover unsecured collateral borrowings, uncovered short positions, dividends or contractual interest payments.

Cash outflows related to operating costs, however, are not included in this calculation.

Article 41

Paragraph (1)

Assets that are already counted as HQLA cannot be considered as cash inflows. This treatment is intended to avoid double counting.

Letter a

An example of a collateral-backed loan (secured lending) transaction is reverse repo.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Paragraph (2)

Committed claims (committed facilities) include credit facilities, liquidity facilities, and/or other contingent facilities from other entities, both Banks as well as non-Banks.

LCR does not take into account cash inflows originating from committed claims (committed facilities) in the form of credit facilities and liquidity facilities to reduce the contagion risk of liquidity shortages at one Bank causing shortages at other banks. In addition, there is the risk that Banks that provides such credit and/or liquidity facilities may not give the promised facilities, despite the arising legal and reputational risks, in order to conserve their own liquidity or reduce their exposure to that Bank.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Examples of contractual cash inflows are among others receipts of interests or installments on credit from debtors.

Contingent cash inflows are excluded from the calculation of cash inflows.

Letter a

Determination of “Current” quality shall refer to the regulation concerning assessment of asset quality of Commercial Banks.

Letter b

Self-explanatory.

Paragraph (5)

“Inflow rate” is defined as the predicted level of receipts on Bank’s claims based on a specific scenario.

Article 42

Paragraph (1)

The higher the type of underlying collateral, the smaller the inflow rate because it is assumed that Bank will roll over the lending facility extended with collateral (secured lending).

Despite the roll over assumption, Bank should continue managing the collateral appropriately so that it can meet its obligation in returning the collateral when the counterparty decides not to roll over. This is especially important when the collateral is non-HQLA where the estimated cash inflows are excluded from LCR calculation.

Paragraph (2)

Self-explanatory.

Article 43

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Other customers are those other than financial service institutions and Bank Indonesia, such as non-financial corporations, Central Government, governments of other countries, public sector entities, and multilateral development banks.

Paragraph (2)

"Loans that have no specific maturity" are loans with non-defined maturity (open maturity). It is assumed that such loans that exist now will be rolled over and are treated as committed facilities.

An example of a loan with no specific maturity is credit card loan.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 44

Determination of "Current" quality shall refer to the regulation concerning assessment of asset quality of Commercial Banks.

Article 45

Paragraph (1)

Self-explanatory.

Paragraph (2)

"Operational activities" refer to clearing, custodian, and cash management activities.

Article 46

Letter a

Determination of "Current" quality shall refer to the regulation concerning assessment of asset quality of Commercial Banks.

Letter b

Self-explanatory.

Article 47

Letter a

Self-explanatory.

Letter b

“Other contractual claims” mean all receipts of cash inflows that are not included in secured lending and claims by counterparty.

Cash inflows related to non-financial revenues are not taken into account as cash inflows.

Article 48

Paragraph (1)

Cash inflows and cash outflows originating from derivative transactions may be calculated on a net basis by counterparty where a valid master netting agreement exists.

Calculation of cash inflows and outflows from derivative transactions shall refer to each Bank’s valuation methodology.

Paragraph (2)

Where Bank delivers HQLA collateral on derivative transactions, the calculation of estimated cash inflows on the derivative transactions should be deducted by the contractal obligations to deliver cash or the said collateral.

This is in line with the principle that Bank should not double count inflows and outflows.

Article 49

Cash inflows related to non-financial revenues are not taken into account in the calculation of cash inflows.

Article 50

Bank that operates cross-border should be able to identify impediments that might arise in liquidity transfer and should monitor the regulations of the host country where the bank’s branch operates as well as test the implications of the impediments in liquidity transfer and the regulations of the host country where the bank’s branch operates in relation too the bank’s overall liquidity condition.

Article 51

Monitoring the condition and adequacy of liquidity by using certain indicators means among others the monitoring of:

1. contractual maturity mismatch, whch is monitoring by using contractual maturity mismatch indicator with the purpose of identifying the gaps between the contractual inflows and outflows of liquidity for defined time bands. These

maturity gaps indicate Bank’s potential liquidity needs for defined time bands when outflows occur;

2. concentration of Funding, which is monitoring to identify those sources of corporate Funding that are of such significance that withdrawal of this funding could trigger liquidity problems.

   Monitoring of concentration of funding is performed through the monitoring of:

   a. percentage of Funding source originating from counterparties that are categorized as being significant for Bank’s total liabilities;

      Funding source from each significant counterparty is calculated by aggregating the total of all types of liabilities to a single counterparty or business group of affiliated counterparties, as well as all other direct borrowings, both secured and unsecured.

      A “significant counterparty” is defined as a single counterparty or business group of affiliated counterparties which Deposits accounting in aggregate for more than 1% of the Bank's total balance sheet;

   b. percentage of Funding source originating from each product or instrument that is categorized as being significant for total liabilities;

      Funding source from products or instruments is calculated for each individually significant funding product or instrument, as well as by calculating groups of similar types of products or instruments.

      A “significant product or instrument” is defined as a single product or instrument or group of similar products or instruments that in aggregate amount to more than 1% of the Bank's total balance sheet;

   c. list of amount of assets and liabilities based on currencies that are categorized as being significant;

      In order to capture the amount of significant currency mismatch in Bank’s assets and liabilities, Bank is required to have a list of the amount of assets and liabilities in each significant currency.

      A currency is considered significant if the aggregate liabilities denominated in that currency amount to 5% or more of the bank's total liabilities.

3. available unencumbered assets, which is monitoring through the indicator of available unencumbered assets.

   Indicator of available unencumbered assets is identified through monitoring of:

(i) available unencumbered assets that can be used as collateral in secondary markets; and

(ii) available unencumbered assets that are eligible for central banks' Funding facilities (central bank eligible).

These assets have the potential to be used as collateral and as such can be taken into account as HQLA or for securing Funding from secondary markets or the central banks;

4. LCR based on significant currencies, which is monitoring through the indicator of LCR based on types of significant currencies to capture a picture of potential mismatches in certain currencies.

Definition and calculation of LCR for certain currencies use LCR calculation, however, there is no internationally defined minimum required threshold.

A currency is considered significant if the aggregate liabilities denominated in that currency amount to 5% (five percent) or more of the Bank's total liabilities;

5. Market-related monitoring tools are performed through monitoring of:
   a. market information;
   b. information on the financial sector; and
   c. Bank-specific information.

Article 52

Self-explanatory.

Article 53

Paragraph (1)

Letter a

"Banks included in the categories of CBBA 3 and CBBA 4" are as referred to in the regulation that provides for business activities and office network based on Bank's core capital.

Letter b

"Foreign bank" means:

1. a branch office of a bank domiciling overseas;
2. a commercial bank in the form of Indonesian legal entity with more than 50% (fifty percent) of its shares owned by foreign citizens and/or foreign legal entities, both individually or jointly; and/or

3. a bank that is owned, both individually or jointly, by foreign citizens and/or foreign legal entities at less than 50% (fifty percent) but there is control by these foreign citizens and/or foreign legal entities.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Being under a certain condition means among others when a Bank is under a stress condition.

Article 54

Self-explanatory.

Article 55

Self-explanatory.

Article 56

Paragraph (1)

Letter a

"Banks included in the categories of CBBA 3 and CBBA 4" are as referred to in the regulation that provides for business activities and office network based on Bank's core capital.

Letter b

"Foreign bank" means:

1. a branch office of a bank domiciling overseas;
2. a commercial bank in the form of Indonesian legal entity with more than 50% (fifty percent) of its shares owned by foreign citizens and/or foreign legal entities, both individually or jointly; and/or
3. a bank that is owned, both individually or jointly, by foreign citizens and/or foreign legal entities at less than 50% (fifty percent) but there is control by these foreign citizens and/or foreign legal entities.

Paragraph (2)

Self-explanatory.

Article 57

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Letter a

Information on Bank's website should be detailed by including LCR calculation.

Letter b

Information in the Indonesian daily printed newspaper shall state the value of LCR in comparison with LCR value of the previous quarter.

The Indonesian daily printed newspaper shall that has wide circulation shall be one that domiciles at the same place as Bank's head office or branch office of bank domiciling overseas.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Self-explanatory.

Paragraph (7)

For example:

Quarterly LCR report for the position of end of March 2016 should be maintained on Bank's website up to March 2021.

Article 58

Paragraph (1)

Letter a

"Banks included in the categories of CBBA 3 and CBBA 4" are as referred to in the regulation that provides for business activities and office network based on Bank's core capital.

Letter b

"Foreign bank" means:

1. a branch office of a bank domiciling overseas;
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3. a bank that is owned, both individually or jointly, by foreign citizens and/or foreign legal entities at less than 50% (fifty percent) but there is control by these foreign citizens and/or foreign legal entities.

Paragraph (2)

Self-explanatory.

Article 59

Self-explanatory.

Article 60

Paragraph (1)

Banks of CBBA 1 and CBBA 2 categories can become banks of CBBA 3 and CBBA 4 categories because of increases in capital or conversion into foreign banks.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 61

Paragraph (1)

Self-explanatory.

Paragraph (2)

Number 1

Self-explanatory.

Number 2

“Foreign bank” means:

1. a branch office of a bank domiciling overseas;
2. foreign bank subsidiary, which is a commercial bank in the form of Indonesian legal entity with more than 50% (fifty percent) of its shares owned by foreign citizens and/or foreign legal entities, both individually or jointly; and/or
3. a bank that is owned, both individually or jointly, by foreign citizens and/or foreign legal entities at less than 50% (fifty percent) but there is control by these foreign citizens and/or foreign legal entities.

Paragraph (3)

Self-explanatory.

Article 62

On 30 June 2016, a Bank of CBBA 3 category should already have LCR of 70% (seventy percent), however, the Bank only has LCR of 65% (sixty five percent). Therefore Bank is obliged to inform Financial Services Authority and take measures as referred to in Article 3.

Article 63

Self-explanatory.

Article 64

Self-explanatory.

Article 65

Self-explanatory.

Article 66

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 5809