

PRESS RELEASE

**BASEL COMMITTEE FINDS INDONESIA HAS
EXCELLENT BANKING REGULATIONS**

Financial Services Authority, Jakarta, December 13, 2016: The Basel Committee on Banking Supervision (BCBS), at a meeting held at the end of November 2016 in Santiago, Chile, has made a decision concerning results of the Regulatory Consistency Assessment Program (RCAP) on Indonesian banking regulations. The country's Liquidity Coverage Ratio (LCR) regulations are assessed as Compliant (C) and its capital framework is assessed as Largely Compliant (LC).

The grades are the highest possible level that Indonesia can achieve in terms of its banking regulations' consistency today. "Compliant" represents the highest grade for LCR and "largely compliant (LC)" grade that Indonesia has received for its capital framework is one notch below the highest grade—Compliant. For now, the LC score marks the optimum result for Indonesia, following the country's decision to prioritize the greater national interest when it comes to Capital framework. This is evident in the government's measures: (i) to maintain a 0 percent risk weight for sovereign securities (SUN) denominated in foreign currency (while under the Basel framework, such exposures—considering Indonesia's country rating—would warrant a risk weight of 50 percent) and (ii) to apply a risk weight of 50 percent for loans to employees and pensioners (under the Basel framework, such exposure should be subject to 75 percent risk weight), given that they are guaranteed loans, thus carry lower risks compared to other loans.

These results prove that Indonesia's banking regulations have complied with the prevailing international banking standards. The grades are expected to increase public trust in the country's banking operation.

Further, the excellent grades will facilitate Indonesian banking industry in its efforts to expand its activities, conduct cross-border transactions, raise the trust of the stakeholders—including investors—in their transactions with Indonesian banks, owing to guaranteed security of the banks' operation, which is run in compliance with the prudential principles in line with the applicable international banking standards.

The Regulatory Consistency Assessment Program (RCAP) is conducted on all BCBS member countries (28 jurisdictions), including Indonesia. Under RCAP, the BCBS exercises an assessment process to see whether the banking regulations issued by a country's authority are consistent with BCBS international banking standards.

Indonesia did not gain those results easily. Preparations for the RCAP had been made since 2014, starting with a self-assessment that was carried out to identify gaps between the Basel framework and the prevailing provisions.

The government then submitted the self-assessment's results to the BCBS for the latter's reference when RCAP assessors conduct their assessment. Based on those results, Indonesia should revamp 10 regulations, to make them comply with international standards.

The grades that the RCAP has awarded to Indonesia render the country's banking regulations at the same level with those of other BCBS member countries. This status also applies to Indonesia's Capital framework, which has received the same grade with that of the United States and even higher grade than the one given to the European Union.

For more information:

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