

PRESS RELEASE

CHAIRMAN OF OJK BOARD OF COMMISSIONERS DELIVERS SPEECH AT INTERNATIONAL CONFERENCE OF BANKING SUPERVISION (ICBS)

“OJK Asks that Basel Regulations Can be More Easily Comprehended”

Tianjin, September 25, 2014 - Chairman of Board of Commissioners of the Financial Services Authority (OJK) Muliaman D. Hadad on September 22-25, 2014 attended the International Conference of Banking Supervision (ICBS) in Tianjin, People's Republic of China, which was arranged by China Banking Regulatory Commission (CBRC) in cooperation with Basel Committee on Banking Supervision (BCBS). The conference began with BCBS members meeting on September 22-23, 2014 at the same venue.

BCBS is a forum of cooperation in banking supervision, aiming to improve understanding in main issues related to supervision and to elevate the quality of banking supervision throughout the world.

OJK officially became a BCBS member in the beginning of September 2014, and its attendance in this year's BCBS meeting was OJK's first participation as BCBS member.

The 18th ICBS was participated by at least around 230 delegations of 120 financial services regulators and international financial organizations from more than 90 countries.

Muliaman D. Hadad as Chairman of OJK Board of Commissioners was invited as one of panelist to present the topic “Balancing Simplicity, Comparability and Risk Sensitivity”.

During the occasion, Muliaman conveyed that initiatives from BCBS must be easily implemented in developing countries, including Indonesia, especially in the application of quantitative models that are considered too complex.

Muliaman considered that the approaches must be made simple and easy to be implemented so as to be easily comprehended, not only by the industry but also by supervisor. Complex models were introduced recently to measure risk sensitivity, which are quite difficult to implement.

Muliaman conveyed in the forum about the importance of balancing between risk sensitivity, simplicity and implementability, without reducing the capability to monitor the risks. Various standards/initiatives from Basel Committee must be implementable in developing countries with limited infrastructures.

Muliaman said that implementing a more risk-sensitive prudential framework is indeed required and must be carried out. However, Basel principles must be made: simple, so as to be easily comprehended; effective but not too complex, so that they can be easily implemented; and not of something complicated which causes only a few people understanding the matters and thus hard to implement the principles, not to mention creating high compliance cost too.

Therefore, OJK will make efforts to have Indonesian representatives in some working groups in Basel Committee to convey OJK's concern on this issue.

In relation with implementation of Basel III in Indonesia, Muliaman said that the implementation of Basel III initiative will be prioritized on banks that have been operating in an international scale. OJK will learn well about the implementation of Basel III by considering the existing regulations and characteristic of banking industry in Indonesia.

For more information:

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