

**PRESS RELEASE**

**THE FINANCIAL SERVICES SECTOR REMAINED STABLE  
AMIDST GLOBAL ECONOMIC DIVERGENCE**

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**Jakarta, 4 July 2023.** The Indonesian Financial Services Authority (OJK) Board of Commissioners' monthly meeting on 27 June 2023 assessed that the national financial services sector remained stable with strong capital, adequate liquidity, and flourishing intermediation performance amidst high uncertainties in the global economy and financial markets.

The global economic data indicated divergence in the economic development of key countries, resulting in divergence in policy responses.

In the US, the Fed was holding off on its policy interest rate hike as inflationary pressures started to ease. Nevertheless, as the labor market remained tight, although economic performance had exceeded expectations, the Fed signaled that they would have intended to resume interest rate hikes later this year.

The policy of a further interest rate hike was also adopted by the European Central Bank due to persistently high inflation rates in a number of European countries. In China, the government and central bank provided some stimulus and cut interest rates to ramp up the country's declining economic growth.

On the domestic side, the national economic performance was positive as inflationary pressure eased and returned to Bank Indonesia's target range (3.52 percent yoy in June, down from 4.00 percent in May 2023). In addition, consumer optimism increased and real-sector performance was also positive. The trade balance also recorded a surplus in May 2023 regardless of a decline in Indonesia's main export commodities.

Supported by a resilient financial sector, the national economic performance was considered relatively better compared to other peer countries, as specified in the IMF Country Report regarding Article IV Consultation. The positive economic performance was also supported by solid financial system stability.

Results from the IMF's Global Bank Stress Test describe that in a worsening economic scenario, Indonesia's financial system stability is maintained as the capital buffer and banking liquidity are expected to be able to absorb the risks.<sup>1</sup>

In line with the ongoing economic recovery, corporate performance was also increasing. OJK's assessment up to Q1-2023 demonstrated that the number of corporations under stress, which increased during the pandemic and left a relatively deep scarring effect in several sectors, continued to decline.

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<sup>1</sup> IMF Country Report regarding Article IV Consultation can be accessed at <https://www.imf.org/en/Publications/CR/Issues/2023/06/22/Indonesia-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-535060>

OJK supports a smooth transition from the pandemic era by delivering gradual and targeted policy normalization to avoid any shocks (the cliff effect). This policy will be implemented in measured ways so as to prevent any moral hazards.

OJK has also requested banks and finance companies to continue establishing adequate reserves to anticipate any future uncertainties arising from the global economy.

### **Developments in the Capital Market**

Amidst mixed global financial market movements, the stock market in June 2023 strengthened by 0.43 percent mtd to 6,661.88 (May 2023: down 4.08 percent mtd to 6,633.26), although non-resident investors posted an outflow of IDR4.38 trillion mtd (May 2023: an inflow of IDR1.67 trillion mtd).

The increase in the Jakarta Composite Index (JCI) was largely contributed by shares in the transportation and logistics and financial sectors. On a year-to-date basis, the JCI weakened by 2.76 percent as non-resident investors posted a net buy of IDR16.21 trillion (May 2023: a net buy of IDR20.58 trillion ytd).

On the bond market, the Indonesian Composite Bond Index (ICBI) was up 0.96 percent mtd and 6.48 percent ytd to 367.12 (May 2023: up 1.91 percent mtd and 5.46 percent ytd). On the corporate bond market, non-resident investors posted an inflow of IDR22.85 billion (mtd), yet an outflow of IDR637.86 billion on a year-to-date basis (ytd).

The Government Securities Market (SBN) continued its positive trend and recorded foreign investor inflows. As of 27 June 2023, non-resident investors posted a significant inflow of IDR17.53 trillion mtd (May 2023: an inflow of IDR6.67 trillion mtd), driving down the average yield on SBN by 1.32 bps mtd across all tenors. On a year-to-date basis, SBN yield was down by an average of 7.55 bps across all tenors, with non-resident investors posting a net buy of IDR84.70 trillion ytd.

In the mutual funds industry, the Net Asset Value (NAV) of mutual funds as of 26 June 2023 was recorded at IDR511.05 trillion or up 1.26 percent (mtd) as mutual fund investors posted a net subscription of IDR3.40 trillion (mtd). On a year-to-date basis, the NAV increased by 1.23 percent and recorded a net subscription of IDR0.75 trillion.

Fundraising through the capital market in June remained substantial, i.e., IDR154.13 trillion, with 43 new issuers. As many as 90 Public Offerings were in the pipeline with a total value of IDR69.91 trillion, with 65 IPOs by new issuers.

As of 27 June 2023, the fundraising through Securities Crowdfunding (SCF), as alternative funding for MSMEs, 16 operators have obtained permits from OJK, with 419 Issuers, 156,155 investors, and a total amount of IDR896.80 billion raised funds.

In the enforcement of laws in the capital market sector:

1. As of June 2023, OJK has imposed administrative sanctions against 24 Entities in the form of monetary fines of IDR11.03 billion, 1 revocation of a permit, 4 written orders, and 13 written admonitions, all of which were related to investigative cases in the capital market, as well as administrative sanctions in the form of monetary

fines of IDR10.82 billion against 122 financial institutions in the Capital Market due to late submissions.

2. OJK imposed administrative sanctions against PT Kresna Asset Management (PT KAM), as follows:

- a. PT KAM (the corporate entity) was imposed with administrative sanctions in the form of a monetary fine of IDR1.8 billion and a Written Order to have its Discretionary Fund (KPD) investment management product terminated within three months after the Written Order was issued, as the product was not managed in compliance with the applicable regulations.

The sanctions were imposed because PT KAM did not provide any written disclosures to its customers about conflict of interests over the placement of funds in KREN and/or ASMI shares before the transactions were made, and PT KAM marketed and/or sold the product through a freelance marketing scheme under PT Kresna Sekuritas (PT KS) by promising the customers that the portfolio would yield guaranteed returns.

- b. Persons who led PT KAM to commit violations (Mr. Yohannes Yobel H as PT KAM's President Director, Mr. Deddy Haryanto as ex-branch manager of PT KS, Mr. Sandjaja Oejana Hartawan as a freelance marketing officer of PT KS) and PT Kresna Sekuritas were imposed with an administrative sanction in the form of a monetary fine.
  - c. Mr. Michael Steven as the Controlling Shareholder and Chairman of the Investment Committee of PT KAM was imposed with administrative sanction in the form of a monetary fine of IDR5.7 billion and was subject to a Written Order that prohibits him from becoming a shareholder, a director, and/or an employee of any Financial Institutions in the Capital Market for 5 years.
3. OJK imposed sanctions against PT Millenium Capital Management (MCM), as follows:
- a. PT MCM (the corporate entity) was imposed with a monetary fine of IDR1.48 billion and was subject to a Written Order to close and liquidate its Millenium Balance Fund product. The sanction was imposed as PT MCM committed several violations, among others, buying and selling securities outside the trading price ranges of PT BEI (the Indonesian Stock Exchange) or not based on the best conditions, holding securities issued by 1 (one) issuer that formed more than 10 percent of the fund's NAV with an adjustment date that exceeded the adjustment deadline, offering minimum guaranteed returns to Unit Holders affected by Ms. Lim Angie Christina as the Controlling Shareholder of PT MCM.
  - b. Persons who led PT MCM to commit violations (Mr. Henry F S Lambe as PT MCM's President Director in 2016-2017, Mr. Ario Wishnu Adhikari and Mr. Fahyudi Daniatmadja as PT MCM's Directors) were imposed with an administrative sanction in the form of a monetary fine.
  - c. Ms. Lim Angie Christina was imposed with a monetary fine of IDR200 million and was subject to a Written Order that prohibits her from carrying out activities in the Financial Services Sector including but not limited to becoming

a shareholder, directly or indirectly, and/or becoming a controller of persons who carry out activities, directly and indirectly, in the Financial Services Sector, as well as becoming a director and/or supporting professional in the Financial Services Sector.

### **Developments in the Banking Sector**

The banking sector in Indonesia remained resilient, as indicated by a maintained intermediation function and adequate capital amidst the main trading partners' weakening economies, hawkish policies that would continue on a limited scale in advanced economies, and persistently high geopolitical tensions, as well as a downward trend in the prices of key export commodities.

In May 2023, banking loans grew by 9.39 percent yoy (April 2023: 8.08 percent) to IDR6,577 trillion, driven by investment credit growth of 12.69 percent. By credit ownership, credit growth at private national commercial banks was the highest at 15.2 percent yoy.

As global liquidity tightened, the annual growth of Third Party Funds (DPK) in May 2023 slowed down to 6.55 percent yoy (April 2023: 6.82 percent yoy) or IDR8,007 trillion, mainly driven by a decrease in demand deposits to 8.35 percent yoy (April 2023: 13.61 percent).

Banking liquidity in May 2023 was adequate and liquidity ratios were maintained. The ratios of Liquid Assets/Non-Core Deposits (AL/NCD) and Liquid Assets/Third Party Deposits (AL/DPK) increased to 123.27 percent (April 2023: 118.25 percent) and 27.52 percent (April 2023: 26.58 percent), respectively, far above the regulatory thresholds of 50 percent and 10 percent, respectively.

Credit quality was maintained with banking ratios of net NPL of 0.77 percent (April 2023: 0.78 percent) and gross NPL of 2.52 percent (April 2023: 2.53 percent). Loan restructuring related to Covid-19 continued to decline in terms of loan value and number of debtors, i.e., from IDR13.96 trillion to IDR372.07 trillion (April 2023: IDR386.03 trillion) with 100,000 fewer debtors to 1.64 million debtors (April 2023: 1.74 million debtors).

The market risk was also decreasing, as the Net Open Position (NOP) was stable at 1.57 percent (April 2023: 1.60 percent), far below the 20 percent threshold. Banking capital remained solid, with the Capital Adequacy Ratio (CAR) of banks at 25.21 percent (April 2023: 25.54 percent).

OJK will continue to strengthen the resilience of banks against pressures from macroeconomic conditions, geopolitics, and cyberattacks, including by strengthening digital maturity and digital resiliency. Further, OJK requires banks to continuously strengthen their governance, asset & liability management, and anti-fraud systems.

### **Developments in the NBFIs Sector**

In the NBFIs sector, the accumulated premium income in the insurance sector from January to May 2023 reached IDR124.69 trillion, or contracted 1.62 percent compared to the same period in the previous year (April 2023: -1.67 percent). The growth of

accumulated premiums in life insurance was down 8.08 percent yoy, valued at IDR71.90 trillion as of May 2023, driven by lower premiums in investment-linked insurance products (PAYDI). Nevertheless, the accumulated premium of general insurance grew positively by 8.80 percent yoy (April 2023: 12.55 percent) to IDR52.78 trillion.

On the other hand, the value of outstanding receivables grew by 16.38 percent yoy in May 2023 (April 2023: 15.13 percent) to IDR441.23 trillion, supported by financing for working capital and investment that grew by 37.6 percent yoy and 17.5 percent yoy, respectively.

The risk profile of Financing Companies was maintained and the non-performing financing (NPF) ratio increased slightly to 2.63 percent (April 2023: 2.47 percent). The pension fund sector saw asset growth of 5.43 percent yoy with a total asset value of IDR355.13 trillion.

Fintech peer-to-peer (P2P) lending in May 2023 recorded growth with outstanding financing that grew 28.11 percent yoy (April 2023: 30.64 percent) to IDR51.46 trillion. The aggregated credit risk (TWP90/Loan Repayment Success within 90 days after the maturity date) increase to 3.36 percent (April 2023: 2.82 percent).

Further, capital in the NBFIs was maintained, as life insurance and general insurance industries each recorded Risk-Based Capital (RBC) of 462.80 percent and 307.07 percent (April 2023: 457.79 percent and 311.16 percent), both were well-above their respective thresholds of 120 percent. The gearing ratio of financing companies was 2.20 times (April 2023: 2.17 times), far below the maximum limit of 10 times despite the increase.

In regard to the enforcement of regulations undertaken in the NBFIs sector:

1. OJK revoked the business license of PT Asuransi Jiwa Kresna (Kresna Life) on 23 June 2023 due to the Company's inability to meet the minimum requirement of RBC in accordance with the applicable regulations, by the end of the special supervision period.

Kresna Life was also unable to cover its financial deficit, i.e., the discrepancies between liabilities and assets obtained through capital injections by the controlling shareholders or investors. With such revocation, Kresna Life shall stop its business activities and immediately hold a General Meeting of Shareholders (GMS) with an agenda that includes company dissolution and the establishment of a Liquidation Team, no later than 30 (thirty) days after the business license is revoked.

To protect the interests of consumers, insurance policyholders, and/or the insured as well as to discharge the authority of OJK as mandated by Law No. 21 of 2011 on OJK as amended by Law No. 4 of 2023 on Financial Sector Development and Strengthening (P2SK), Law No. 40 of 2014 on Insurance as amended by Law No. 4 of 2023 on P2SK, and OJK Regulation (POJK) No. 18 of 2022 on Written Orders, OJK issued a Written Order requiring PT Duta Makmur Sejahtera (PT DMS) as Controlling Entity and particular persons, i.e., Mr. Michael Steven as Shareholder, Mr. Kurniadi Sastrawinata as President Director, Mr. Antonius Indradi Sukiman as Director, and Mr. Herry Wongso as Director, to jointly pay for the losses incurred by Kresna Life.

Any person who ignores and/or disobeys the Written Order on purpose will be subjected to criminal proceedings for violating the Written Order.

2. In regard to the obligation for fintech P2P lending companies to meet the minimum equity requirement of IDR2.5 billion which will take effect on 4 July 2023. As of May 2023, as many as 33 fintech P2P lending companies had yet to meet the requirement.

OJK has required those companies to submit their action plans to meet the minimum equity requirement, and that monitoring will be carried out on an ongoing basis. Fintech P2P lending companies that are not able to comply with the minimum equity requirement by the deadline as stipulated in OJK Regulation (POJK) No. 10/POJK.05/2022 will be subjected to supervisory actions according to the regulation.

3. In regard to the fulfillment of the minimum equity requirement by Financing Companies in accordance with OJK Regulation (POJK) No. 35/POJK.05/2018, as many as 8 Financing Companies have yet to meet the requirement.

OJK has carried out supervisory action by monitoring the implementation of corporate actions against their previously submitted action plans as approved by OJK and taking enforcement actions against Financing Companies that have not met the minimum equity requirement by the agreed timeline.

### **Developments in Consumer Protection and Education**

From January to 30 June 2023, OJK received 144,151 inquiries, including 10,071 complaints, 36 complaints were indicative of violation, and 933 disputes that were lodged with LAPS SJK, the Alternative Dispute Resolution Agency for the Financial Services Sector. Of these complaints, as many as 4,663 were complaints related to the banking sector, 2,402 were complaints related to financial technology, 1,957 were related to financing companies, 869 were related to insurance companies, and the rest were inquiries related to the capital market sector.

In regard to complaints that were lodged through the Consumer Protection Portal Application (APPK), OJK continued to encourage the resolution of such complaints, both those that were indicative of disputes and those that were indicative of violations. In this regard, 7,962 complaints (79.06 percent) are resolved through the Internal Dispute Resolution of the corresponding FIs, and as many as 2,109 complaints (20.94 percent) are in the process of being resolved.

In eradicating illegal online loans and illegal investments, OJK and all members of the Investment Alert Taskforce (SWI) from 12 Ministries/Agencies enhanced their coordination in addressing them, thus the number of monthly complaints was trending down. There had been 1,222 complaints in January 2023 and the number continued to decrease. As of June 2023, there were 275 complaints with the biggest drop was on related to illegal online loans.

To address the issue of consumer protection in the financial services sector and to boost financial literacy and inclusion, OJK promoted massive financial literacy and inclusion

programs, both offline (in-person) and online (virtual) through the Learning Management System (LMS) and social media.

As of 30 June 2023, OJK has carried out 1,010 financial education activities participated by 284,680 individuals nationwide. *Sikapi Uangmu*, a digital communication media providing information on financial education to the public through mini-site and application, has published 213 contents related to financial education reaching 1,074,824 viewers. In addition, the number of users of OJK's Learning Management System (LMSKU) reached 21,147 users who accessed the modules 22,451 times, and 17,213 certificates of module completion were issued.

On the other hand, OJK continues to support the role of Regional Financial Access Acceleration Teams (TPAKDs) as the coordination forum to accelerate the expansion of access to finance at the subnational level to support better financial literacy and inclusion throughout Indonesia. As of 30 June 2023, 494 TPAKDs have been established in 34 provinces and 460 districts/municipalities (89.49 percent of the total number of districts/municipalities in Indonesia).

## **Policy Direction**

OJK takes measured policy actions to ensure that the financial sector stability is maintained and the financial services sector continues to serve as a positive catalyst for national economic growth. In this regard, the policies are as follows:

### **A. Policies to Maintain Financial System Stability**

1. OJK closely monitors the developments in insurance claim ratio and insurance premium growth, particularly in investment-linked insurance products (PAYDI). In this regard, OJK requires insurance companies to take the necessary measures, including maintaining the level of technical reserves at an adequate level and preparing monthly cash flow projections for the coming years.
2. OJK periodically conducts supervisory actions on Non-Bank Financial Institutions (LJKNB), particularly the management and founders of Pension Funds, to improve the funding level of the pension scheme, including, among others, requiring the founders to immediately pay their contributions receivables and evaluating the assumption on the technical interest rate by taking into account their investment performance.

In response to the recent developments related to Pension Funds of State-Owned Enterprises, OJK is coordinating with the Ministry of State-Owned Enterprises to address the funding issues in those funds to protect the interests of the funds' members.

3. The National Working Group on Benchmark Reform (NWGBR), whose members consist of the Indonesian Ministry of Finance, the Central Bank (BI), OJK, and the Indonesia Foreign Exchange Market Committee, reiterated that the London Interbank Offered Rate (LIBOR) transition period will have ended soon as part of the global benchmark reform agenda, given that all USD LIBOR panel will cease on 30 June 2023.

To anticipate the cessation of LIBOR and in line with the recommendations of the Financial Stability Board - Official Sector Steering Group (FSB-OSSG), the NWGBR recommends market players no longer use LIBOR but rather the Alternative Reference Rate (ARR) that is robust, sustainable, and compatible with the relevant guidelines and regulations.

OJK has identified the banking industry's exposure to LIBOR and oversees the industry's preparation in response to the discontinued LIBOR. OJK also monitors the readiness of the banking industry and coordinates with market players to ensure a smooth transition.

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

1. OJK strengthens the integrity of financial statements of Financial Institutions by increasing the role of corporate management and public accountants through revising OJK Regulation (POJK) on the Use of Public Accountants and Public Accounting Firms in Financial Services Activities.

The revision includes among others, adjustments to the rotation requirements of public accountants engaged by Commercial Banks and Listed Companies which now will be based on the IESBA's international code of ethics, enhanced data exchange with the Ministry of Finance's Centre for Financial Professionals Development in managing and supervising public accountants, and better scope of audits for Financial Institutions in compliance with the principles of prudence and transparency.

The amended POJK will also regulate collaboration between public accounting firms and internationally-affiliated firms that are expected to enhance quality control and competence of public accountants.

2. To facilitate and accelerate the process of account registration and data updating of Financial Institutions and Customers in the capital market sector, OJK will make arrangements related to KYC Administration, that would allow customers' data to be managed in a centralized platform.

Therefore, the redundant processes of registration, form-filling, and document submission in different Financial Institutions in the Capital Market sector can be avoided each time a securities account is opened, and data updating will be more unified due to the centralized nature of the process.

3. OJK is committed to enforcing the requirement for insurance companies to have their appointed actuary as the main competence to support the insurance business.

OJK has required insurance companies that have yet to appoint their in-house actuaries to nominate their candidates for a fit and proper test no later than 30 June 2023, and firm actions will be taken against non-compliance by the insurance companies.

As of the end of June 2023, as many as 30 insurance companies did not have their appointed actuaries, and 20 insurance companies have submitted applications for a fit and proper test for their proposed in-house actuaries. In addition, OJK also encourages the participation of the Indonesian Society of Actuaries (PAI) as the professional association of actuaries to increase the supply of qualified actuarial specialists by providing an accelerated certification program.



4. OJK continues to strengthen the integrity of the financial services sector by issuing OJK Regulation (POJK) No. 8 of 2023 on the Implementation of Anti-Money Laundering (AML), Counter-Terrorist Financing (CFT), and Counter-Proliferation Financing of Weapons of Mass Destruction (CPF) Program in the Financial Services Sector that is aligned with international principles such as those issued by the Financial Action Task Force (FATF), laws and regulations in Indonesia, and developments in technology and innovations that must come with security and confidentiality.

This OJK Regulation demonstrates OJK's commitment to support Indonesia's aspiration to become a full member of the FATF, as the financial sector represents a significant size and materiality in the process.

The substantive provisions in the regulation include, among others, expanding the requirement for implementing the AML-CFT-CPF program to other Financial Institutions, and Financial Institutions' obligation to ensure that supporting professionals that have been engaged to provide services have implemented AML, CFT, and CPF programs and are registered in the information system for reporting managed by PPATK (the Indonesian FIU); and reaffirmation of the authority to impose administrative sanctions that are more effective, proportional, and dissuasive, i.e., increased maximum ceiling of fines for FIs for AML-CFT-CPF violation other than reporting violation.

### C. OJK Governance Strengthening

1. OJK holds synergy with the Ministry of Finance, the Anti-Corruption Commission (KPK), and the Supreme Audit Institution (BPK) to increase the competence of OJK supervisors and governance in the financial services sector, among others, through training programs and the exchange of data and information.
2. OJK organizes the 2023 Governance Strengthening Forum for Non-Bank Financial Institutions, particularly insurance companies and pension funds, and for the Steering Committee of the Indonesian Financial Accounting Standards (PSAK) 74 as a strategy to help Financial Institutions to increase the quality and transparency of their financial statements as well as prepare for the implementation of PSAK 74.
3. OJK proactively organizes the Discussion on Preserving Integrity and Managing Whistleblowing System (WBS) with FIs, associations, academics, and service providers as part of awareness-raising activities on the importance of upholding integrity both internally and externally in OJK and FIs, as well as the importance of WBS as one of the tools for stakeholders to detect any violations or deviations.
4. OJK undertakes continuous improvement on the internal control supporting infrastructure by revising the regulatory provisions related to data analytics which further regulate a broader framework for the use of data analytics in OJK.

### D. Policies for financial literacy and inclusion as well as stronger consumer protection

1. Initiating the Kick Off of the Generic Model of Inclusive Financial Ecosystem (GM EKI) in Kampuang Nagari Sumpu and Nagari Taram, West Sumatera province. Going forward, GM EKI will be replicated in rural areas under the coordination of the Regional Financial Access Acceleration Teams (TPAKDs) to support the government in building and empowering villages in an integrated manner to

advance social, cultural, and economic transformation in the villages as well as to increase financial literacy and inclusion in the rural areas.

2. Expanding the implementation of *Desaku Cakap Keuangan* (Financially Savvy Village) program to accelerate and widely promote financial literacy across Indonesia through improved synergy and collaboration with stakeholders, particularly the subnational governments, Financial Institutions, and Universities.
3. Expanding the strategic alliance network with various ministries/agencies and strategic partners, such as social media platforms, to increase the effectiveness of strategic work programs related to consumer education, literacy, and protection.
4. Supporting the National Movement of Taking Pride in Indonesian Products (Gernas BBI/*Gerakan Nasional Bangga Buatan Indonesia*) to support the creation of an ecosystem that is conducive to MSMEs development by taking into account the local advantages and specialties.
5. In regard to the revocation of the business license of PT Asuransi Jiwa Kresna (KRESNA LIFE), OJK continues to monitor the settlement of obligations to the insurance policyholders to protect their interests and to foster public trust in the insurance industry.

#### E. Policies for Handling FIs Under Special Mention

Under its investigative function, as of 23 June 2023, OJK Investigators had completed investigations in a total of 104 cases, consisting of 82 cases in the banking sector, 5 cases in the capital market sector, and 17 cases in the NBFIs sector. The number of cases that were brought to the court was 89 cases, i.e., 71 cases decided with a final and binding decision (*in kracht*), 2 cases on appeal with the appellate court, and 16 cases on appeal with the Supreme Court.

OJK closely observes developments in global and domestic issues and synergizes with the Financial System Stability Committee (KSSK) and other relevant entities to take the necessary mitigation measures to maintain a balance between the stability of the national financial services sector and its continuing role in driving economic growth.