

OJK BUILDS FINANCIAL SERVICES SECTOR'S STRENGTH AGAINST CRISIS

Surabaya, February 20, 2017 — The Financial Services Authority (OJK), as the regulatory body over the financial services sector, has been making efforts to take the necessary steps that will make sure the sector is exceptionally strong when facing every possible disruption within and outside the country.

“The OJK, together with the agencies that manage the stability of national financial system, have strived to follow international best practice standards. However, when we implement them in Indonesia, of course we have to consider domestic market conditions and whether the market is ready to accept these practices,” Muliaman said in his role as a panelist at a general lecture presented by Professor Robert Fry Engle III at the Airlangga University, Surabaya, on Monday.

He revealed that the OJK had introduced many policies to beef up the financial services sector's resilience. These included provisions concerning capital surcharge for systemic banks and an OJK regulation that sets the minimum capital amount for commercial banks, which requires the banks to provide capital conservation buffer, and countercyclical buffer.

In terms of its supervisory role, the OJK has been building its surveillance capacity, in order to measure accurately the financial services sector's conditions and forecast potential pressures in the future, by using the early-warning system (EWS) and various suitable measurement tools to support the decision-making process in relation to essential anticipatory measures.

According to Muliaman, the sector's resilience should be built continuously to anticipate economic crisis that could happen anytime.

“We have learned a valuable lesson that we should always be prepared since we never know when a crisis will come. Moreover, recovery from a crisis often takes a lot of time and considerable costs,” he said.

Other than maintaining stability, the OJK also encourages the financial services sector to play a bigger role in development funding or financing, given the limited fiscal space for funding the development.

“The OJK always tries to maintain the balance between the financial sector's role as an agent of growth and its own role to sustain the sector's stability,” Muliaman said.

Today's robust condition of the financial services sector has made the sector have ample opportunities to play a role as provider of liquidity and financing for national development.

“However, the financial services sector should bear in mind that it needs to be careful and put itself in order before taking a bigger role, so financial institutions will not be exposed to excessive risks, which could interrupt

financial system's stability," he said.

Following the general lecture's panel discussion, the OJK and the Airlangga University signed a memorandum of understanding (MoU) on development of the financial services sector and financial inclusion.

The MoU aims to develop science and dedication to the public towards improving the nation's way of life, by means of promoting the financial services sector and financial inclusion.

The MoU covers information dissemination, education, human resources capacity building, and research and development.

For more information:

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