

PRESS RELEASE

OJK ISSUES THREE REGULATIONS TO FOLLOW UP FINANCIAL SYSTEM CRISIS PREVENTION AND MANAGEMENT LAW

Jakarta, April 5, 2017 — The Financial Services Authority (OJK) issued three regulations, which constitute a follow-up to Law No. 9 of 2016 on Prevention and Management of Financial System Crisis (PPKSK), to provide elucidation and confirmation concerning application of policies on crisis management in the financial sector.

“The PPKSK Law gives legal grounds to the OJK and other agencies/authorities to manage the financial system stability and take actions in order to address issues related to the stability, based on their duties and authorities. As a follow-up, we issued these three regulations,” OJK Chairman Muliaman D Hadad said.

The regulations are listed below:

- a. OJK Regulation on Determination of Status and Follow-Up Supervision of Commercial Banks;
 - b. OJK Regulation on Bridge Banks; and
 - c. OJK Regulation on Recovery Plans for Systemic Banks.
1. Financial Services Authority Regulation on Determination of Status and Follow-Up Supervision of Commercial Banks comprises rules on how to manage issues faced by systemic banks or other types of banks.

The regulation establishes that bank supervision status consists of 3 (three) stages, namely normal, intensive, and special supervision.

This regulation is related to the PPKSK law, as this revamped regulation focuses on management of solvency issues for systemic banks, which include activation of recovery plan implementation, the Deposit Insurance Corporation’s (LPS) early entry into the management of bank solvency issues, and handover mechanism of banks that the LPS is not able to restructure.

2. Financial Services Authority Regulation on Bridge Banks comprises rules on procedures for setting up bridge banks, from the process of establishing, operating, and liquidating them. The LPS is the only institution authorized to establish and own bridge banks.

The presence of bridge banks offers another option in addressing a bank’s solvency issues, besides transferring part of, or all assets and/or liabilities of a troubled bank to a recipient bank, or debt to equity swap, or revocating the failing bank’s license. The alternative is setting up a

bridge bank that will serve as a resolution facility for receiving good-quality assets and/or liabilities from a troubled bank.

3. Financial Services Authority Regulation on recovery plans for systemic banks comprises rules on those banks' obligations to make preparations for preventing and dealing with possible financial problems by designing recovery plans.

Recovery plans enable banks to start making efforts to solve their financial problems when they still operate in normal condition but have already been facing significant issues.

One important thing to note from this regulation is a rule that recovery plans have to include a requirement for controlling shareholder and/or other parties to increase the bank's capital and convert specific types of debts into the bank's equity.

With this rule, systemic banks are prompted to resort to bail-in to solve their financial problems, in accordance with the recovery plans that they have devised.

Further, the issuance of these three OJK regulations is expected to maintain and raise customers' trust in the banking industry and create a healthier, more independent and more competitive banking industry, which in turn will play a role in sustaining Indonesia's financial system stability.

For more information:

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