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PRESS RELEASE

OJK OPTIMIZES CAPITAL MARKET'S ROLE AS FINANCING SOURCES FOR INFRASTRUCTURE DEVELOPMENT

Jakarta, August 11, 2017. Chairman of Financial Services Authority's (OJK) Board of Commissioners Wimboh Santoso during a press conference held on Friday (Aug. 11) at the Indonesia Stock Exchange (IDX) Building, Jakarta, said that in the short term, the OJK would focus on efforts to:

- a) promote organizational efficiency, and efficient use of its budget, which is oriented towards supporting implementation of OJK's main duties and functions that comprise regulating, supervising, and protecting the interests of financial services consumers and the public;
- b) increase effectiveness and quality of decision-making process, including those of business process, in order to turn the OJK into an agency that is more responsive and adaptable to financial industry's dynamics at national, regional as well as global levels;
- c) ensure that the existing and future regulatory frameworks, and their supervisory practices will create immediate and concrete positive impacts on endeavors to put in place a stable national financial system that enjoys sustainable growth; and
- d) upgrade the quality of cooperation and coordination among agencies, especially those with the Ministry of Finance and Bank Indonesia, and foster constructive and synergized collaboration with stakeholders towards comprehensive, liquid, efficient, inclusive and secure financial markets.

Wimboh was present at the IDX for a press conference on the 40th Anniversary of Indonesian Capital Market Reactivation that fell on August 10, 2017. The event was also attended by Member of OJK's Board of Commissioners/OJK Capital Market Executive Head Hoesen and leaders of capital market SROs (self-regulatory organizations)—the IDX, the Indonesia Stock Market Clearing House (KPEI) and the Indonesia Central Securities Depository (KSEI).

Specific to the capital market, the OJK seeks to give higher contribution to supporting accelerated national economic growth. Thus, for a full year ahead (August 2017 – July 2018), the OJK will prioritize the following working programs:

- I. Currently, one of the government's priority economic programs is infrastructure development, and accordingly, the OJK has much at stake to promote and accelerate the use of capital market regulations concerning infrastructure, in a more concrete manner and that involves considerably higher amount or value.

This effort has been fruitful and led to the issuance of an Effective Statement to issue three capital market instruments right on August 10, 2017, that worth IDR 12 trillion and those instruments were immediately used to finance construction of toll roads, airports and power plants.

Other short-term priorities still related to capital market's concrete support for infrastructure development financing include:

- promoting the use of capital market instruments for other infrastructure financing, such as infrastructure investment funds in the form of collective investment contracts (KIK), asset-backed securities (EBA) including those in the form of participant letters (EBA-SP), real estate investment trusts (DIRE)—both the conventional and Islamic ones, limited participation mutual funds (RDPT), target date mutual funds, and multi-asset investment funds in the form of KIK.
- introducing and amending regulations that allow issuance of new capital market instruments, such as perpetual bonds, infrastructure bonds and project bonds to facilitate infrastructure development financing for both brownfield projects and greenfield projects.
- exploring issues or concerns across financial sectors (capital market banking – non-bank financial industry) or across agencies (the OJK – the Ministry of Finance – Bank Indonesia) that hamper or potentially hamper the growth of instruments for financing national infrastructure development offered by the capital market. These issues and concerns could come from various aspects, like supply or demand side, synchronization of regulations and policies, trading system and mechanism, the presence of hedging instruments in money and derivative markets, and possible incentives for, or policies on fiscal as well as access to financing.

II. Encouraging small and medium-sized enterprises to immediately utilize regulations concerning efforts to offer more access to financing to small and medium companies (PKM) through the capital market. These regulations, OJK Regulations No. 53/POJK.04/2017 and No. 54/POJK.04/2017, have accommodated features that facilitate the PKMs to go public as follows:

- Classification of PKMs into small companies (PK) for those that have assets worth IDR 50 billion or less and medium companies (PM) whose assets worth between IDR 50 billion and IDR 250 billion
- Small companies may use Financial Accounting Standards for Entities without Public Accountability
- Ease of regulations concerning the number and presence of issuance documentation such as financial statements, legal opinions, representation letters, and comfort letters.

Further stimulus policies that will be introduced faster are those related to simplification of post-emission reporting requirements for PKs and PMs.

Simultaneous with accelerated issuance of OJK's revised regulations, the Authority's Capital Market Supervision division will encourage the Indonesia Stock Exchange to promptly prepare regulations and infrastructure for trading of PKM shares in secondary markets.

Member of OJK's Board of Commissioners/OJK Capital Market Executive Head Hoesen stated that at the same time, the OJK would approach related ministries/governmental agencies and capital market players by conducting dialogue with them to ensure secondary markets' sustainable growth for the benefit of small and medium companies' stocks.

- III. For the purpose of achieving financially independent public (financial inclusion), the OJK will continue encouraging the number of domestic investors to grow higher, in a more progressive manner, by urging financial services companies and professionals to immediately optimize the use of regulations and policies related to efforts of capital market deepening. These regulations include those related to the presence of broker-dealer agents and broker-dealer representatives who only run marketing functions and those who only run limited marketing functions.
- IV. One of the steps that the OJK will take to maintain financial system stability through a stronger capital market industry is ongoing analysis and evaluation on effectiveness of regulations, policies, and business practices or process in the capital market (regulatory impacts assessments and evaluation), which is designed to turn the national capital market industry into a more efficient and competitive one.

Results of the assessments and evaluation are expected to lower costs of emissions and issuance of capital market instruments (cost of fund), simplify licensing and registration process, prevent regulatory arbitrage, and provide a level playing field for both financial products and economy players involved in the industry.

Wimboh Santoso was convinced that applying those quick wins in the 40th anniversary of capital market reactivation would see the capital market play significant roles in, and produce substantial contribution to the government's priority economic programs, and bring more concrete impacts on efforts to promote growth in Indonesia's real sectors.

For more information:

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