

**FINANCIAL SERVICES AUTHORITY
OF THE REPUBLIC OF INDONESIA**

COPY

**REGULATION OF THE FINANCIAL SERVICES AUTHORITY
NUMBER 1/POJK.05/2015**

**CONCERNING
IMPLEMENTATION OF RISK MANAGEMENT FOR
NON-BANK FINANCIAL SERVICES INSTITUTIONS**

**BY THE GRACE OF GOD ALMIGHTY
BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES
AUTHORITY,**

- Considering
- a. that external and internal condition of non-bank financial services institutions may affect the development of the business activities and increase the complexity of the risk levels being addressed by financial services institutions;
 - b. that the increasing complexity of risk needs to be balanced by the implementation of risk management includes the identification, measurement, monitoring, and controlling risks;
 - c. that pursuant to the considerations as referred to in paragraph a and paragraph b, a Regulation of the Financial Services Authority

concerning implementation of risk management

In view of :

1. Act Number 11 of 1992 concerning Pension Funds (State Gazette of the Republic of Indonesia Year 1992 Number 37, Appendix Number 3477);
2. Act Number 21 of 2011 on the Financial Services Authority (State Gazette of the Republic of Indonesia of 2011 Number 111; Appendix Number 5253);
3. Act Number 40 of 2014 concerning Insurance (State Gazette of the Republic of Indonesia of 2014 Number 337, Appendix Number 5618);
4. Government Regulation Number 73 of 1992 on the Management of the Insurance Business (State Gazette of the Republic of Indonesia of 1992 Number 120, Appendix Number 3506), as amended several times, the latest of which by Government Regulation Number 81 of 2008 (State Gazette of the Republic of Indonesia of 2008 Number 79, Appendix Number 4856);
5. Indonesian Government Regulation Number 76 of 1992 concerning Employer Pension Fund (State Gazette of the Republic of Indonesia Year 1992 Number 126, Appendix Number 3507);
6. Indonesian Government Regulation Number 77 of 1992 concerning Financial services institution Pension Fund (State Gazette of the Republic of Indonesia Year 1992 Number 127, Appendix Number 3508);

HAS DECIDED:

To stipulate : REGULATION OF THE FINANCIAL SERVICES AUTHORITY
 CONCERNING IMPLEMENTATION OF RISK MANAGEMENT
 FOR NON-BANK FINANCIAL SERVICES INSTITUTION

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Regulation of the Financial Services Authority:

1. Non-Bank Financial Services Institutions, hereinafter referred to NBFIs, is an organization that conducts activities in the insurance sector, pension funds, and financing institution, which include:
 - a. general insurance companies, life insurance companies and reinsurance companies, including the one who implementing all or part of its business with the sharia principles as referred to in the legislation concerning insurance;
 - b. insurance brokers, reinsurance brokers, and insurance loss appraisal company as referred to in the legislation concerning insurance;
 - c. pension funds, including the one who execute all or part of its business with the sharia principles as referred to in the legislation concerning pension fund; and
 - d. financing company, including the one who implementing all or part of its business with the sharia principles as referred to in the legislation concerning financing institutions.
2. Risk is the potential for the occurrence of an event that could cause any harm

to NBFIs.

3. Strategic risk is the risk that arises from the failure of the implementation of appropriate strategies in order to achieve the objectives and main target of NBFIs.
4. Operational risk is the risk that arises from the inadequacies or failed internal processes, people, information technology systems and / or the events that originate from the outside of NBFIs.
5. Asset and Liability Risk is the risk that arises from the failure of NBFIs management of assets and liabilities.
6. Management Risk is the risk that arises from the failure of maintaining the best composition NBFIs managers, i.e. directors and board of commissioners, or equivalent, who has the competence and integrity.
7. Governance Risk is the risk that arises from the failure in performance of NBFIs good governance, inaccuracies style of management, environment control, and the behavior of each of the parties involved directly or indirectly with NBFIs.
8. Funding support Risk is the risk that arises from insufficient funds / existing capital on NBFIs, including lack of access to additional funding / capital in the face of loss or need for funds / unexpected capital.
9. Insurance Risk is the the potential failure of Insurance and Reinsurance Companies in meeting its obligations to the insured parties and policyholders as a result of inadequacy of risk selection process (underwriting), insurance premium setting (pricing), use of reinsurance, and/or handling of claims.
10. Financing Risk is the risk that arises from the failure of the debtor and / or other parties in fulfilling obligations to a financing company.

11. Risk Management is a set of procedures and methodologies being used to identify, measure, monitor, and control the risk arising from NBFIs business activities.
12. Financial Services Authority (*Otoritas Jasa Keuangan*), hereinafter abbreviated to as OJK, is an independent agency operating beyond the interference of any external party, conferred with regulatory, supervisory, and investigative function, task, and authority, as stipulated in the law on financial services authority.

CHAPTER II

IMPLEMENTATION OF RISK MANAGEMENT

Article 2

- 1) NBFIs shall implement effective Risk Management.
- 2) Implementation of Risk Management as referred to in paragraph (1) at least includes:
 - a. active supervision by the of directors, commissioners, or equivalent with it from NBFIs;
 - b. the adequacy of policies, procedures, and establishment of limits risk;
 - c. the adequacy of the identification, measurement, monitoring and controlling risk
 - d. Risk Management information system;
 - e. a comprehensive internal control system

Article 3

Risk Management Implementation as referred to in Article 2 should be adapted to the purpose, business policy, size and complexity of NBFIs.

Article 4

(1) Risk Management as referred to in Article 2 for NBFIs in the form of general insurance companies, life insurance companies and reinsurance companies, including the one who implementing all or part of its business with the Sharia principles shall be applied to:

- a. Strategic risk;
- b. Operational risk;
- c. Asset and Liability Risk;
- d. Management risk;
- e. Governance risk;
- f. Funding support risk; and
- g. Insurance risk.

(2) Risk Management as referred to in Article 2 for NBFIs in the form of insurance brokers company, reinsurance brokers company, and insurance loss appraisal company shall be applied to:

- a. Strategic risk;
- b. Operational risk;
- c. Management risk; and
- d. Governance risk.

(3) Risk Management as referred to in Article 2 for NBFIs in the form of pension funds, including the one who implementing all or part of its business with the Sharia principles shall be applied to:

- a. Strategic risk;
- b. Operational risk;
- c. Asset and liabilities risk;
- d. Management risk;
- e. Governance risk; and

f. Funding support risk.

(4) Risk Management as referred to in Article 2 for NBFIs in the form of finance companies, including the one who implementing all or part of its business with the Sharia principles shall be applied to:

- a. Strategic risk;
- b. Operational risk;
- c. Asset and liabilities risk;
- d. Management risk;
- e. Governance risk;
- f. Funding support risk; and
- g. Financing risk

Article 5

(1) In order to implement the Risk Management as referred to in Article 2 , NBFIs shall have guidelines for the implementation of Risk Management.

(2) NBFIs shall conduct an evaluation on the implementation of Risk Management guidelines as referred to in paragraph (1) at least once every 2 (two) years or in the event of a significant change in risk.

(3) Further provisions on the procedure for preparing the implementation Risk Management guidelines for NBFIs referred to in paragraph (1) shall be stipulated in the OJK Circular Letter.

CHAPTER III

ASSESSMENT OF RISK MANAGEMENT IMPLEMENTATION

Article 6

- (1) NBFIs required to formulate their self-assessment of the Implementation of Risk Management at least once a year to the position as of December 31.
- (2) NBFIs shall submit a report of its self-assessment as referred to in paragraph (1) to OJK at the latest February 28 of the following year.
- (3) If the deadline for submission of the self-assessment report referred to in paragraph (2) falls on public holiday, the deadline for submission of the report is the first business day following.
- (4) The results of its self-assessment as referred to in paragraph (1) is used as the basis for developing a risk level assessment of NBFIs as defined in OJK Regulation concerning the risk level assessment of the NBFIs.
- (5) Further provisions on the form, composition and procedure for the submission of the self-assessment report as referred to in paragraph (1) and (2) is regulated in OJK Circular Letter.

Article 7

- (1) OJK conduct an assessment of the Implementation of Risk Management at NBFIs.
- (2) NBFIs shall provide data and information related to the Implementation of Risk Management to the OJK.

CHAPTER IV
ADMINISTRATIVE SANCTIONS

Article 8

- (1) OJK shall impose administrative sanctions such as a written warning to NBFIs violating the provisions of Article 2 paragraph (1), Article 4, Article 5 paragraph (1) and paragraph (2), Article 6 paragraph (1) and paragraph (2), and Article 7 paragraph (2) of this OJK Regulation.
- (2) The administrative sanction in the form of written warning is imposed for a maximum number of 3 (three) consecutive times, namely:
 - a. first written warning;
 - b. second written warning; and
 - c. third written warning.
- (3) Administrative sanction of a first a written warning as referred to in paragraph (2) is set if NBFIs violating the provisions as referred to in paragraph (1) with a term of fulfillment of the 30 (thirty) days from the assignment of administrative sanctions in such as the first written warning.
- (4) Administrative sanction of the second and the third written warning as referred to in paragraph (2) b and c is assigned if in the maximum period of 30 (thirty) days from the assignment of first or second written warning administrative sanction, NBFIs have not overcome the causes administrative sanctions such as a first or second written warning
- (5) In case NBFIs has been subject to administrative sanctions in the form of third written warning as referred to in paragraph (2) and do not comply with the provisions as referred to in paragraph (4), OJK may require the directors,

commissioners, or the equivalent in NBFIs intended to undergo re-fit and proper test.

CHAPTER V
CONCLUDING PROVISIONS

Article 9

- (1) At the time of this OJK Regulation applies, the provisions on Risk Management for NBFIs is subject to this OJK Regulation.
- (2) With the stipulation of this OJK Regulation, NBFIs required to adjust the Risk Management implementation with this OJK Regulation.

Article 10

This OJK Regulation shall come into force on January 1, 2016.

For public cognizance, it is ordered that OJK Regulation shall be published in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
On 23 March 2015
HEAD OF THE BOARD OF
COMMISSIONERS OF THE
FINANCIAL SERVICES
AUTHORITY,

signed,

MULIAMAN D. HADAD

Promulgated in Jakarta
On 26 March 2015
MINISTER OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA,

signed,

YASONNA H. LAOLY
STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2015 NUMBER 69

This copy conforms to the original
Director of Legal Affairs I
Department of Law,

signed,

Sudarmaji

**ELUCIDATION
OF
REGULATION OF THE FINANCIAL SERVICES AUTHORITY
NUMBER 1/POJK.05/2015
CONCERNING
IMPLEMENTATION OF RISK MANAGEMENT FOR
NON-BANK FINANCIAL SERVICES INSTITUTION**

I. GENERAL

Indonesian financial industry has developed rapidly, both from internal and external environment, especially for NBFIs. It certainly led to increasing complexity risks to the NBFIs business activities.

The increasing complexity of the business risk needs to be balanced with the implementation of identification function, measurement, monitoring and control risk that are adequate. This is intended for NBFIs to be able to increase the likelihood of greater to achieve business objectives and provide a better basis for preparing strategic direction. Thus, NBFIs may be able to conduct business in accordance with laws and regulations as well as standards, principles and practices regarding business sound. For that, it is necessary to have an arrangement for NBFIs towards Risk Management Implementation.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

Self-explanatory

Letter b

Procedures and limit risk adjusted to the level of risk to be taken (risk appetite) of the NBFIs risks.

Letter c

Self-explanatory

Letter d

Self-explanatory

Letter e

Self-explanatory

Article 3

Self-explanatory

Article 4

Self-explanatory

Article 5

Paragraph (1)

Self-explanatory

Paragraph (2)

Evaluation on the implementation Risk Management guidelines is conducted at least once every two (2) years if there is no risk of a significant change in NBFIs. If there is a risk of significant changes in NBFIs, an evaluation of these guidelines should be done immediately after the occurrence of significant changes in risk. The meaning of significant changes in the risk shown by the increase in risk NBFIs to a higher level based on assessment of risk.

Paragraph (3)

Self-explanatory

Article 6

Self-explanatory

Article 7

Paragraph (1)

Assessment of Risk Management implementation conducted by OJK is a part of the surveillance activities towards NBFIs, in order to assess the level of risk NBFIs. It is stipulated in OJK Regulations regarding the assessment of NBFIs risk levels.

Paragraph (2)

Self-explanatory

Article 8

Self-explanatory

Article 9

Paragraph (1)

Self-explanatory

Paragraph (2)

The adjustments for implementation of Risk Management NBFIs referred by this provision, including the adjustments for implementation Risk Management guidelines.

Article 10

Self-explanatory

APPENDIX TO STATE GAZETTE OF THE REPUBLIC OF INDONESIA

NUMBER 5682