OTORITAS JASA KEUANGAN

ASEAN INDONESIA 2023

REPORT
INDONESIA FINANCIAL SECTOR DEVELOPMENT
Q4 2023

Otoritas Jasa Keuangan
International and AML/CFT Department

ABOUT THIS REPORT

The Quarterly Report on Indonesia Financial Sector Development is published by the Investor Relations Unit of the Indonesia Financial Services Authority (IRU-OJK) to provide general views on the development of the global and Indonesian economy as well as the financial services sector.

This report consists of 4 (four) main sections, namely:

1. Recent Economic and Financial Development;
2. Special Topics;
3. Policy Update; and
4. Projects Undertaken by the International and AML/CFT Department.

OVERSEERS

Bambang Mukti Riyadi
Rendra Z. Idris

CONTRIBUTORS

D. Miranti Wulandari
Satrio A. Dauhan
Jonathan E. Rayon
Amirah Hadi A.
Indah D. Salsabila

INVESTOR RELATIONS UNIT
OTORITAS JASA KEUANGAN

IRU-OJK is part of the National Investor Relations Unit.

Contact us at: IRU@ojk.go.id https://ojk.go.id/IRU

IN THIS EDITION

INDONESIA'S PMI
52.2

BANKING CAR
27.69%

BI RATE
6.00%

IHSG
6.16% YTD

NPL GROSS
2.19%

GENERAL INSURANCE RBC
363.10%

*compared to previous quarter

FINANCIAL DEVELOPMENT UPDATES

The financial services remained resilient, supported by solid capital, positive intermediation, a sound risk profile, and ample liquidity.

ECONOMIC UPDATES

Indonesia's economic growth resilience persisted throughout the fourth quarter of 2023. Monetary indicators demonstrated stability, followed by noteworthy investment realization and substantial expansion in manufacturing activities.

SPECIAL TOPICS OF THIS QUARTER

This quarterly report raises three topics, namely the future of crypto assets, the development of transition finance dan sustainable finance taxonomy in Indonesia, and empowering down streaming industry through financial services support.

CHAPTER 01

RECENT ECONOMIC AND FINANCIAL DEVELOPMENT

During the fourth quarter of 2023, global economic growth indicated a positive trajectory despite the challenges of inflationary pressures and escalating geopolitical tension.

In the midst of global uncertainty and economic growth deceleration, Indonesia's economy remained resilient, supported by continued strong domestic demand.

Moreover, the financial services industry observed positive expansion in intermediation, underpinned by strong capital, adequate liquidity, and a maintained risk profile.

GLOBAL ECONOMIC UPDATES

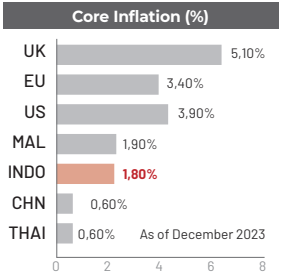
Entering the fourth quarter of 2023, the global economy is projected to improve amidst inflationary pressures and rising geopolitical tension.

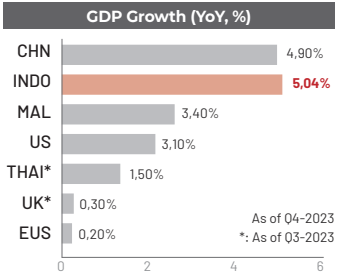
Economic Projection Improved Amidst Inflationary Pressures

	Global Economic Projection*		Δ from prev.**	
	2023F	2024F	2023F	2024F
GDP, % yoy				
IMF	3.1	3.1	0.1	0.2
World Bank	2.6	2.4	0.5	0
OECD	2.9	2.7	-0.1	0
Inflation, % yoy				
IMF	6.8	5.8	0	0.4

* Recent updates: IMF (Jan-24), World Bank (Jan-24), OECD (Nov-23)
** For The IMF and World Bank, the differences were from Oct-23 and Jun-23, respectively, while the difference for the OECD was from Sept-23 projection.

Inflation pressures persisted in most countries, but inflation was easing in the US.





Rising Policy Rates

	Policy Rate (%)		Total Change (bps)		Recent Date of Change
	Jan-23	Dec-23	Jan-23 to Dec-23		
	4.50	5.50	▲	100	26-Jul-23
	3.50	5.25	▲	175	3-Aug-23
	2.00	4.50	▲	250	20-Sep-23
	5.75	**6.00**	▲	**25**	**19-Oct-23**
	1.50	2.50	▲	100	27-Sep-23
	2.75	3.00	▲	25	3-May-23
	2.75	3.45	▲	70	21-Aug-23

Declining Commodity Prices

GOLD 13.3%

CRUDE OIL WTI -6.2%

CPO -9.5%

SOYBEAN -13.2%

WHEAT -19.7%

CORN -29.3%

LNG -42.8%

NICKEL -45.5%

COAL -53.7%

YTD (December 2023)

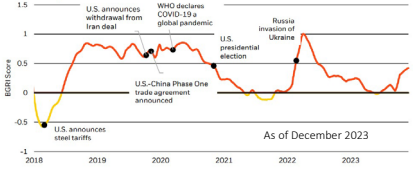
Weakening Global PMI Manufacturing

47.9% 44.4% 45.1% 52.2%

46.2% 49.0% 47.9%

(December 2023)

Geopolitical Risk Heightened

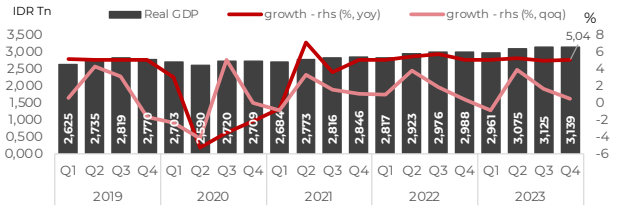


Source: BlackRock

DOMESTIC ECONOMIC UPDATES

In the fourth quarter of 2023, Indonesia's economic stability persisted with 5.04% yoy growth, aided by consistent monetary indicators and a rise in manufacturing activities. Nonetheless, the government was able to face a potential slowdown in global economic growth.

Indonesian economy continued to improve and surpassed its pre-pandemic level



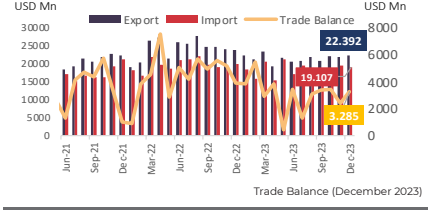
Indonesia's GDP growth in Q4-23 recorded an annual expansion of 5.04% yoy. On the production side, the transportation and warehouse sector exhibited the most substantial growth at 10.33% yoy, while from the expenditure perspective, nonprofit institutions serving households recorded the highest growth at 18.11% yoy.

Contributors of Indonesia's Economic Growth based on Sectors

Sector	Q4-23		Q3-23	
	share	%yoy	share	%yoy
Manufacturing industry	18.64%	4.07	18.75%	5.20
Wholesale and retail trade	12.94%	4.09	12.96%	5.08
Agriculture, forestry, and fishery	12.53%	1.12	13.57%	1.46
Mining	▲ 10.52%	7.46	10.18%	6.95
Construction	▲ 9.92%	7.68	9.86%	6.39
Warehouse and transportation	5.89%	10.33	5.98%	14.74
Information and communication	▲ 4.23%	6.74	4.22%	8.52
Financial services and insurance	▲ 4.16%	6.56	4.06%	5.24

▲ : % share increased compared to the previous quarter

Trade surplus trend continued and investment realization increased



Export (December 2023)

9.63% (yoy) | 1.79% (mtm)

Import (December 2023)

4.17% (yoy) | 2.45% (mtm)

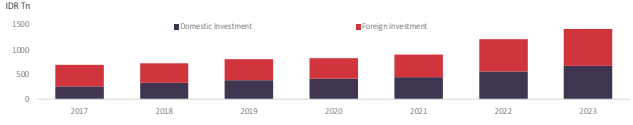
Trade Balance (December 2023)

Non Oil & Gas + 5.20 USD Billion | Oil & Gas − -1.89 USD Billion | Surplus 3.31 USD Billion

In line with the trend in commodity prices, export growth exhibited a decrease. Nevertheless, Indonesia's trade balance had sustained a surplus for 44 consecutive months, spanning from May 2020 to December 2023.

Source: Bank Indonesia, BPS, Ministry of Investment (BKPM)

Total Investment Realization



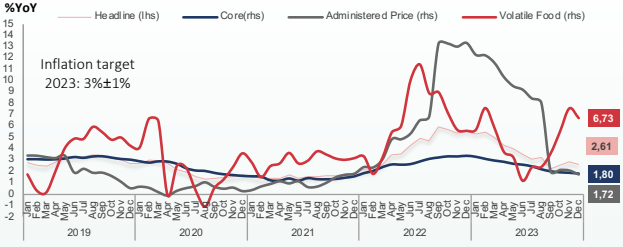
Investment realization in the fourth quarter of 2023 reached IDR1,418.9 trillion or grew by 17.5% yoy. Foreign investment made a significant contribution, constituting 52.4% of the total investment and registering a 13.7% yoy increase.

Top 5 Origin Country of Foreign Investment in Quarter IV-23

15.4 USD Billion	7.4 USD Billion	6.5 USD Billion	4.6 USD Billion	4.1 USD Billion

DOMESTIC ECONOMIC UPDATES

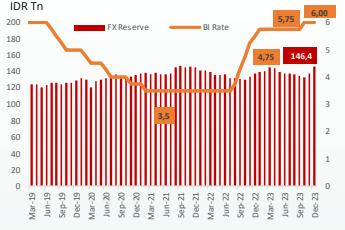
Inflation



INFLATION Dec-23 (Headline)	0.41% (mtm)	2.61% (yoy)	2.61% (ytd)

The inflation rate in December continued to decrease as all the components that made up inflation showed a downward trend.

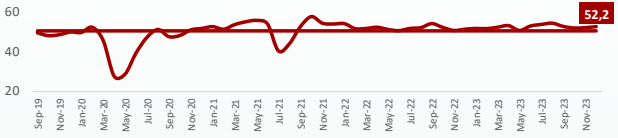
Monetary Indicators



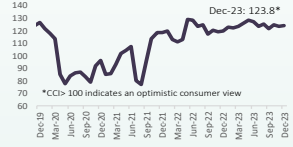
By the end of 2023, monetary indicators were stable with adequate foreign currency reserves. However, to anticipate heightened global uncertainty and stabilize Rupiah, BI raised the BI Rate by 25 bps to 6.00% in October 2023.

Manufacturing and Business activities

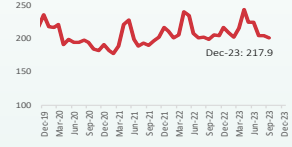
PMI Manufacturing



Consumer Confidence Index (CCI)



Retail Sales Index (RSI)

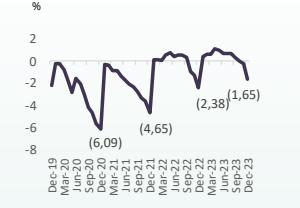


Business activities showed strong performance as reflected by positive performance in consumer confidence, sales index, and PMI Manufacturing.

Fiscal Soundness

Government Debt (%GDP)

Fiscal Deficit Realization (%GDP)



Fiscal remained sound as government debt to GDP ratio was consistently well-maintained (below the maximum limit of 60%) and budget deficit realization was recorded below the initial estimation in 2022.

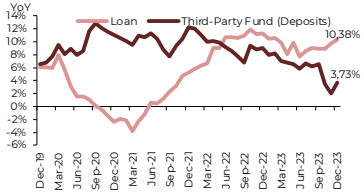
Source: Bank Indonesia, BPS, Coordinating Ministry of Economic Affairs

FINANCIAL INDUSTRY STAYS RESILIENT AMIDST GLOBAL PRESSURES

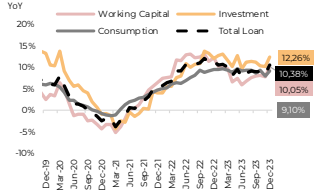
Banking Industry

The banking industry remained resilient, indicated by strong capital, while maintaining robust credit risk management in the midst of higher for longer global interest rate pressures.

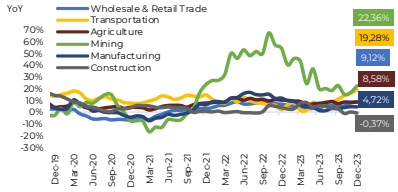
Intermediation



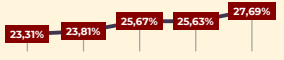
Loan Growth by Use



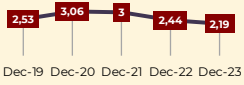
Loan Growth by Sectors



CAR

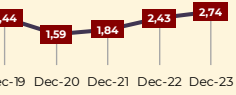


Gross NPL



NIM

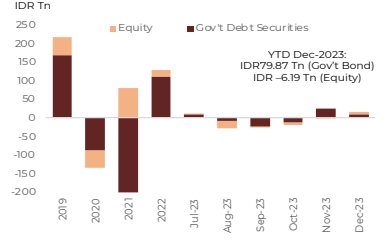
ROA



Capital Market

The domestic capital market maintained a robust performance as indicated by positive capital flow, growing fundraising, and increasing investors.

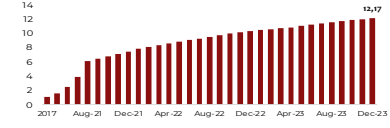
Capital Netflow



Source: OJK

Stock and Bond Index

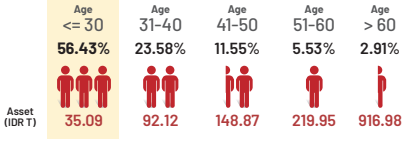
Total Investor (in million)



Public Offering

TYPE	As of Dec-23	
	No. of Issuers	Nom(IDR T)
IPO	78	54.33
Rights Issue	25	56.18
Corp Bonds / Sukuk	120	144.89
TOTAL	**223**	**255.4**

Retail Investors' Demographic



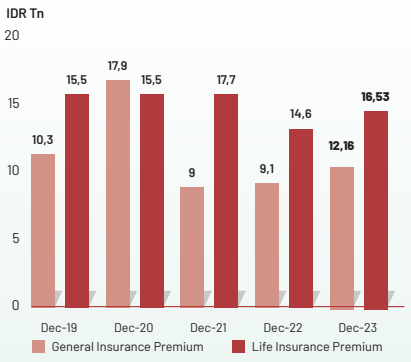
As of Dec-23

FINANCIAL INDUSTRY STAYS RESILIENT AMIDST GLOBAL PRESSURES

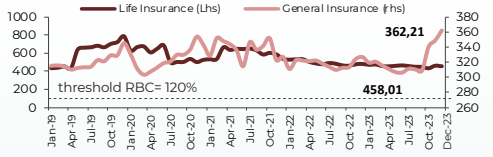
Insurance

Risk-based capital of general and life insurance remained well above the thresholds with relatively small added insurance premiums.

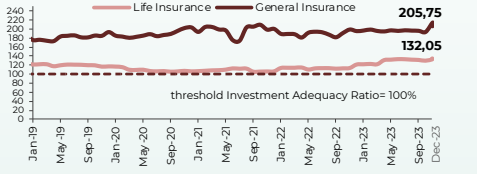
Added Insurance Premium



Risk Based Capital (%)



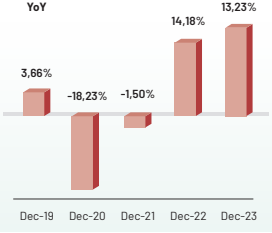
Investment Adequacy Ratio (%)



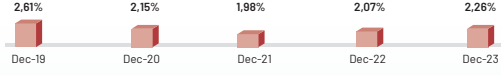
Multifinance

In the fourth quarter of 2023, financing intermediation continued to grow while the gearing ratio and NPF remained steady below the threshold.

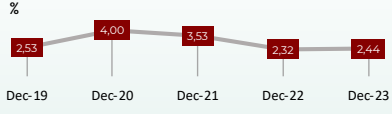
Intermediation Growth



Gearing Ratio



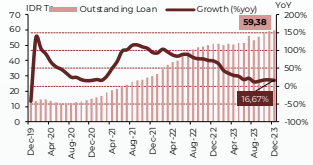
NPF



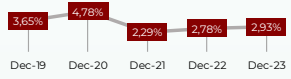
Fintech

P2PL Fintech intermediation remained stable with a manageable NPL ratio and SCF Fundraising continued to rise.

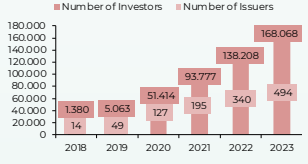
P2PL Outstanding Loan



P2PL NPL



SCF Issuers and Investors



SCF Fundraising*

*YTD/accumulated numbers

Source: OJK

CHAPTER 02

SPECIAL TOPICS OF THIS QUARTER

1. Shaping the Future of Crypto

Market in Crypto Assets Regulation (MiCAR) aims to create a harmonized framework for crypto-assets and crypto-assets provider. How can Indonesia foster innovation while protecting investors in its own crypto market by learning from MiCAR?

2. Transition Finance and the Release of Indonesia's Sustainable Finance Taxonomy

Countries, including Indonesia have taken initiatives to ensure a just transition to sustainability. Recently, OJK issued Indonesia's Sustainable Finance Taxonomy as part of its commitment to supporting the transition process into sustainability.

3. Empowering Down Streaming through Financial Services Support

Indonesia has implemented policies to encourage the development of the down stream industries. The financial services sector remains committed to supporting the growth of the industry, which will bring economic benefits to Indonesia.

SHAPING THE FUTURE OF CRYPTO

Crypto Asset Regulation in the EU

In September 2020, the European Commission introduced a proposal for a Regulation on Markets in Crypto-Assets (MiCAR) as part of its digital finance strategy. MiCAR aims to regulate, simplify and make the post-trading of crypto assets more secure within the EU member states. With MiCAR, everything involving crypto-assets would theoretically be covered under a uniform set of rules. Formal adoption of the MiCAR regulation in May 2023 marks the final step in the legislative process for bringing crypto-assets under a regulatory framework in the EU.

What does MiCAR regulate?

Crypto-asset issuance: MiCAR sets stringent requirements for entities issuing crypto-assets, ensuring transparent whitepaper disclosures, investor due diligence, and responsible marketing practices.

Trading of crypto-assets: MiCAR mandates the authorization and supervision of crypto-asset trading platforms, promoting fair order books, transparent pricing, and robust anti-manipulation measures.

Custody of crypto-assets: MiCAR stipulates that only regulated custodians can hold customers' crypto-assets, requiring them to implement strict security protocols and regular audits.

Portfolio management services: MiCAR covers services like crypto asset portfolio management, ensuring responsible advice and risk management practices.

Goals of MiCAR

INVESTOR PROTECTION

To promote a secure and stable financial market by ensuring that investors are protected from fraud and other risks.

MiCAR could attract more investors to the EU's crypto market by creating a safer and more transparent environment.

ANTI MONEY LAUNDERING (AML)

To prevent the use of crypto-assets for money laundering and terrorist financing activities.

MiCAR's clarity and guidelines could encourage more responsible crypto businesses to establish themselves in the EU.

MARKET INTEGRITY AND EFFICIENCY

To foster a fair, orderly, and transparent crypto market without manipulation.

MiCAR's principles and regulations could influence other countries to adopt similar frameworks, fostering international cooperation and standards, thus in the end enhancing global measures.

INNOVATION

To promote innovation by encouraging the development of innovative crypto-assets and the use of blockchain technology.

MiCAR will likely shape the future of the crypto market in the EU, promoting responsible practices and sustainable growth.

MICAR: SHAPING THE FUTURE OF CRYPTO IN THE EU

Markets in Crypto-Assets Regulation (MiCAR)

MiCAR Key Concepts:

Crypto Assets*

Crypto-assets is a digital representation of value or rights which may be transferred and stored electronically using distributed ledger technology or similar technology, such as:

1. Utility Tokens
2. Aset Referenced Tokens (ARTs)
3. Electronic Money Tokens (EMTs)

The relationship of Crypto-Assets, Asset Reference Tokens (ARTs), Electronic Money Tokens (EMTs), and Utility Tokens is shown in this diagram below.

Utility Token
A type of crypto-asset which is only intended to provide access to a good or a service supplied by its issuer. Do not represent claims on underlying assets or function as a means of payment.

Asset-Referenced Token (ARTs)
Represent claims on underlying assets, such as securities, commodities, or other financial instruments. Must be backed by the underlying asset or a guarantee from the issuer.

Electronic Money Token (EMTs)
Function as a means of payment and store of value, similar to electronic money. Must be readily redeemable at par value into fiat currency (e.g., euro).

Distributed Ledger Technology

distributed ledger – information repository that keeps records of transactions across a set of DLT network nodes.

distributed ledger technology (DLT) – a technology that enables the operation and use of distributed ledger.

consensus mechanism – the rules by which a transaction is validated.

Service Providers

Crypto asset services – any of the following services involving crypto-assets such as custody, exchange, portfolio management, placing, advisory, operation of a trading platform, and execution of orders.

Crypto asset service provider (CASP) – person authorized to provide any of the above services on a professional basis such as Binance and Coinbase.

SHAPING THE FUTURE OF CRYPTO IN INDONESIA

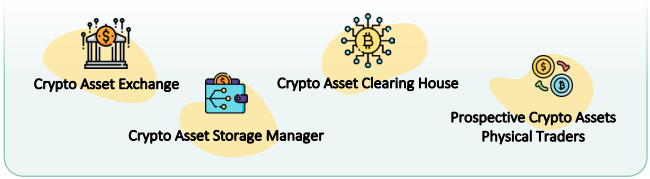
Crypto Assets in Indonesia from a Global Perspective

According to the Global Crypto Adoption Index 2023, Indonesia ranks 7th out of 155 countries worldwide assessed. Compared to the previous year, Indonesia has seen a significant raise in its ranking from 20th to 7th, indicating a growing interest and acceptance of crypto assets in the country.

Rank	Countries	Score
1	India	1.000
2	Nigeria	0.642
3	Vietnam	0.568
4	United States	0.367
5	Ukraine	0.215

Rank	Countries	Score
6	Philippines	0.208
7	**Indonesia**	**0.203**
8	Pakistan	0.164
9	Brazil	0.163
10	Thailand	0.145

Crypto Assets Ecosystem



Crypto in Indonesia: Supervision and Regulation

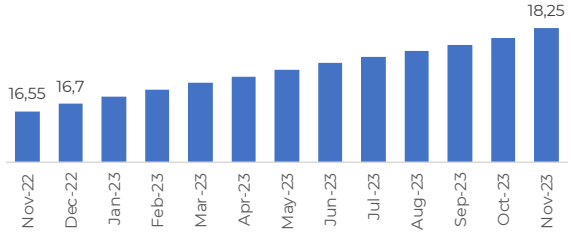
Current Crypto Asset Supervision lies under Bappebti, within the Ministry of Trade, while considered as digital commodity.

Financial Services Omnibus Law Mandate
Since its enactment on January 12, 2023, FSOL (Financial Sector Omnibus Law - UU No.4/2023) has mandated OJK as the institution authorized to supervise and regulate crypto asset trading in Indonesia, which encompasses:

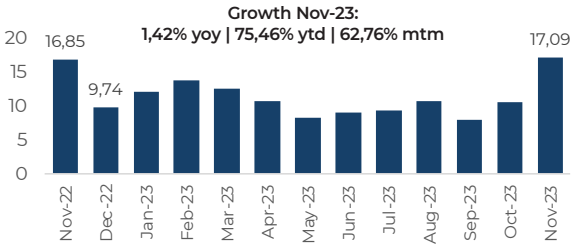
- Formulate regulations on crypto asset trading.
- Supervise crypto asset traders, custodians, and other parties involved in crypto asset trading.
- Protect crypto asset consumers.
- Encourage the development of a responsible crypto asset industry.

The law allows a maximum of **24 months (until January 2025)** to complete the process of transferring crypto asset supervision to OJK from Bappebti.

Registered Crypto Investors (million)



Transaction Value (IDR Trillion)



Source: Katadata - Bappebti, November 2023

THE RISING CONCEPT OF TRANSITION FINANCE

A narrow interpretation of "green" or "sustainable" finance could restrict the flow of funds towards initiatives and investments needed to support the climate transition. As more countries become aware of this challenge, many are exploring ways to integrate transitional considerations into a more comprehensive strategy for sustainable finance.

What is Transition Finance?

Despite no universally-agreed definition of transition finance, different actors begin to agree on some fundamental ideas.

OECD
Finance raised or deployed by corporates to implement their net-zero transition, in line with the temperature goal of the Paris Agreement and based on a credible corporate climate transition plan.

G20 Sustainable Finance Working Group
Financial services supporting the whole-of-economy transition, in the context of the Sustainable Development Goals (SDGs), towards lower and net-zero emissions and climate resilience, in a way aligned with the goals of the Paris Agreement.

Asian Development Bank
A concept where financial services are provided to high carbon-emitting industries – such as coal-fired power generation, steel, cement, chemical, paper making, aviation and construction – to fund the transition to decarbonization.

Market Players' View on Transition Finance

Source:
OECD Industry Survey on Transition Finance, 2022

- In general, about three quarters of respondents indicated that transition finance offers them an opportunity to transition towards net zero for their organization's whole investment portfolio or business model. Some people look at transition finance as a way to reduce exposure to transition risk.
- However, few mentioned transition finance as a potential source of greenwashing.

Building Credible Transition Plans

Based on the ASEAN Transition Finance Guidance released in October 2023, a credible transition comprises of two main elements.

Sufficient Climate Ambition

Current State Assessment
Entities should assess all emissions from environmentally material business activity.

Transition Pathway
Entities should identify a reference trajectory that informs the extent of required decarbonization consistent with the Paris Agreement.

Transition Targets
Entities should set concrete, time-bound targets on how they will align with their transition pathway.

Robustness of the Ability to Deliver the Set Ambition

Implementation Strategy
Entities should clearly demonstrate how they intend to make tangible progress towards achieving their climate ambitions.

Disclosure
Entities should disclose their performance, targets and progress on an annual basis as a minimum, aligned with existing climate-related disclosure standards.

Independent Verification
Entities are encouraged to seek third-party verification on their transition credibility.

Just Transition Considerations
Entities should assess and account for potential adverse environmental impacts and social considerations that arise from their transition plan.

TRANSITIONING THE ENERGY SECTOR TO NET ZERO EMISSIONS: INDONESIAN CONTEXT

Transitioning to renewable energy has been a main concern for the Indonesian government. More initiatives have been taken to ensure the availability of affordable renewable energy that takes into account environmental protection and sustainability in the long term.

Commitment to Reducing Emissions in the Energy Sector

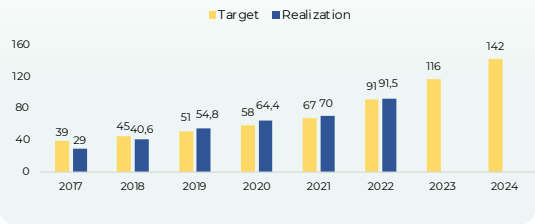
- Indonesia increased the GHG emission reduction target to 31.89% with its own capabilities, and 43.20% with international support. This commitment will be implemented through initiatives, including energy conservation and the promotion of clean and renewable energy sources.
- In 2022, emission reduction in the energy sector stood at 91.5 million tons of CO2, exceeding the target. This was resulted from several efforts, including 1) renewable energy implementation, 2) energy efficiency application, 3) the use of low carbon fuel (natural gas), 4) the use of clean technology, and 5) other activities.

Enhanced NDC 2030

No.	Sector	2010 GHG Emission (Mn Tons of Co2e)	GHG Emission in 2030			Emission Reduction	
			BaU	CM1*	CM2*	CM1	CM2
1	**Energy**	**453.2**	**1,669**	**1,311**	**1,223**	**358**	**446**
2	Waste	88	296	256	253	40	45.3
3	IPPU**	36	70	63	61	7	9
4	Agriculture	111	120	110	108	10	12
5	Forestry	647	714	217	-15	500	729
	TOTAL	**1,334**	**2,869**	**1,953**	**1,632**	**915**	**1,240**

*Counter Measure (CM) 1: national efforts, CM2: with international support **IPPU: industrial processes and production use

Emission Reduction in the Energy Sector



Source: Ministry of Energy and Natural Resources, 2023

Financing Support for the Energy Transition

Energy Transition Mechanism

Financing mechanism that involves the public and private sectors, for the electricity supply business license to accelerate use of renewables in electricity sector by reducing the operations of fossil-based power plants.

The Government supports the use of blended finance, which will be managed by PT Sarana Multi Infrastruktur, the Government's special mission vehicle (SMV) in financing and funding infrastructure.

PT SMI will distribute the clean energy funds collected to transforming coal-fired power plants into renewable energy by considering the Electricity Supply Business Plan (RUPTL).

Just Energy Transition Partnership

At the G20 Summit, Indonesia signed a non-binding joint commitment of decarbonization efforts in the Just Energy Transition Partnership, which featured an investment of USD 20 billion by the Investment Partner Group consisting of developed countries.

Three main focuses:

- Coal Power Plant Early Retirement
- Accelerating the Use of Renewable Energy
- Achieving Net Zero by 2060 or Sooner

THE RELEASE OF INDONESIA'S SUSTAINABLE FINANCE TAXONOMY

Dynamics at the global and national scales, e.g. Indonesia's G20 Presidency, ASEAN chairmanship, the enactment of PPSK Law, become the basis for updating Indonesia's Green Taxonomy, a living document issued in 2022, to be Indonesia's Sustainable Finance Taxonomy.

Principles

1. **Scientific and Credible**
   Considering best practices (policy, science and technology) at the national and/or international level.
2. **Interoperable and Aligning with National Interests**
   Considering taxonomies applicable at international and regional levels (interoperability), in order to facilitate Indonesia's gradual and just transition.
3. **Inclusive**
   Designed to be applicable to a wide range of users (corporations/non-MSMEs and MSMEs).

Environmental Objectives and Essential Criteria

Environmental objectives:
1. Climate change mitigation
2. Climate change adaptation
3. Protection of healthy ecosystems and biodiversity
4. Resource resilience and transition to circular economy

Essential criteria:
1. Do No Significant Harm
2. Remedial Measures to Transition
3. Social Aspects

Scope

The development of the Sustainable Finance Taxonomy focuses on NDC-related sectors, with the energy sector becoming the priority for the first development.

Activity Classification

There are 2 categories: 1 Green 2 Transition

Activities that are currently not in line with the commitment to control global temperature rise, are not yet on the net zero emission path, but are fulfilling all social aspects and:
- Transitioning to the 'green' classification within a certain time frame;
- Facilitating significant emission reductions in the short or medium term within a certain time limit; or
- Encouraging other activities to be sustainable.

The Use of Sustainable Finance Taxonomy

Objective	Regulator	Companies (incl. Issuers and Public Companies)	Financial Institutions
Issuance of Sustainability-based Bonds and Sukuk	A reference to determine the requirements for Sustainability-based Bonds/Sukuk	A reference for the issuance of Sustainability-based Bonds/Sukuk	A reference for the issuance of Sustainability-based Bonds/Sukuk
Sustainable product development	A reference to establish requirements for policies/ regulations of sustainable products	A reference for the development of sustainable products/services as well as business models and strategies for the transition to a low-carbon and sustainable economy	A reference in the process of designing sustainable financial products (such as green/sustainable loans, green/sustainable insurance, financing for low-emission vehicles, etc.)
Sustainable disclosure	A reference in making disclosure requirements to ensure accurate reporting	A reference for classifying green/sustainable performance in Sustainability Reports and preventing greenwashing, social washing and impact washing	As a basis for classifying green/sustainable performance in Sustainability Reports and preventing greenwashing, social washing and impact washing
Investee/debtor identification	A reference in establishing requirements for sustainable investment funds	As a reference to assess the suitability of recipients of sustainable investment/credit/financing	As a consideration for the investment decision making process/due diligence on credit distribution, financing, insurance, etc.

INDONESIA: UNLOCKING MINERAL WEALTH THROUGH DOWN STREAMING

Down Streaming: Playing The Value Addition Game

Down streaming involves transforming raw minerals into higher-value finished products through processing, refining, and manufacturing within the country.

Upstream → **Midstream** → **Downstream**

Raw Materials → Processed Goods → Finished (Final) Goods

The Economic Power of Down Streaming

Down streaming policy gives added value to the mineral commodities, which in turn increases its economic value and has multiplier effects such as:

- **Job Creation.** Through down streaming process, it generates significantly more jobs than only upstream process resulting in more labor absorption.
- **Increased Export Value.** Exporting finished products adds significant value compared to raw materials, boosting trade income and national competitiveness.
- **Decentralizing Growth.** As most smelters are located outside of Java Island, they distribute economic benefits more equitably, fostering regional growth and reducing disparities.
- **Improving Government Revenue through Royalty (PNBP).** By capturing a higher value in the production chain, the government gains additional income, supporting public services and infrastructure development.

Success Stories of Down Streaming

The success stories of down streaming emphasize that services like engineering, mapping, and geological analysis, coupled with measures to enhance regulatory stability and attract investment, have proven highly effective in achieving policy objectives.

Australia is now a world leader in iron ore processing, adding immense value to its abundant resource through smelting and steel production.

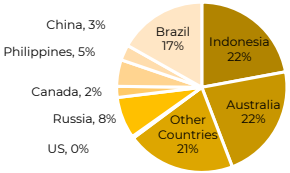
Chile has transformed from a copper ore exporter to a global leader in refined copper production.

Indonesia: Top Producer for Mineral Commodities

Indonesia remains one of the biggest producers of mineral commodities with Nickel, as Indonesia has the largest Nickel reserves on par with Australia.

Source: US Geological Survey, 2022

World Nickel Reserves Share in 2022 (%)



Indonesia is also a top producer for other mineral commodities such as:

Commodity	Nickel	Tin	Coal	Bauxite	Gold	Copper
Share and Rank in Global Production	24% (1st)	19% (2nd)	7% (3rd)	9% (4th)	3% (10th)	9% (12th)
Derivative Products (Multiplier Effects)	Battery (67 x)	Electronic Components (69.35 x)	Methanol (2.3 x)	Automotive Components (197.7 x)	Semi conductor Chip (591.6 x)	Wire (70.8 x)
	Stainless CRC (9.50 x)	Food Packaging (18.19 x)	Semi Coke (1.03 x)	Solar Panels (115.8 x)	Jewelry (158.5 x)	Cathode (9.34 x)

Ministry of Investment (BKPM) Projection 2023-2040 (Cumulative)

GDP (USD Bn)	43.20	23.51	23.51	36.99	12.52	34.87
Investment (USD Bn)	127.90	39.99	39.99	48.89	38.20	38.00
Labor Absorption (People)	357,000	57,299	23,160	766,807	46,000	253,583
FX Reserves (USD Bn)	81	73.07	31.82	53.35	39.33	281.89

Down streaming policies are expected to bring additional values to GDP, investment, labor absorption, and FX reserves.

EMPOWERING DOWN STREAMING THROUGH FINANCIAL SERVICES SUPPORT

Government Support for Advancing Down Streaming Industries

Government of Indonesia

Issued Government Regulation (PP) No. 36 of 2023 requiring foreign exchange earned from exports of natural resources in the Indonesian Financial System.

Ministry of Energy and Mineral Resources (ESDM)

Published Critical Minerals List, which comprises of 47 mineral commodities, to stimulate development of downstream industry particularly for manufacturers of national strategic industrial components.

Ministry of Investment

Published the Down Streaming Roadmap in 2023, which outlines 21 commodities from 8 sectors, including Minerals, Coal, Oil and Gas, and projected the impact of down streaming to the domestic economy.

Central Bank of Indonesia

Poured out Macroprudential Liquidity Incentive Policy (KLM) for Commercial Banks disbursing loans/ financing to down streaming industries.

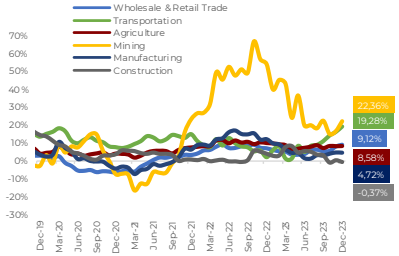
Financial Services Authority (OJK)

Provides lower Risk-Weighted Assets credits for banks and multi-finance companies that support the down streaming industries.

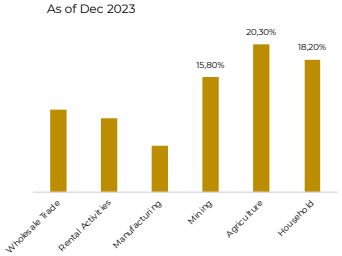
Fueling Growth: The Financial Services Sector's Role in Down Streaming

Bank loans disbursed to the mining sector recorded the highest growth, despite showing a decreasing trend in line with declining commodity prices. Similarly, financing provided by multi-finance companies to the mining sector recorded positive growth in 2023. In the capital market sector, the energy contributed to 38.2% of the IPO throughout 2023.

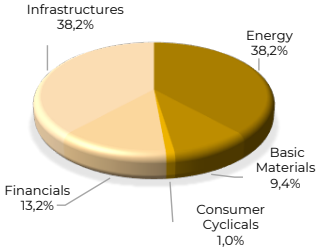
Banking Credit based on Sectors (yoy)



Multi-finance Financing based on Sectors (yoy)



Capital Market Fundraising based on Sectors in 2023



This page is intentionally left blank

CHAPTER 03

POLICY UPDATE

OJK plays a crucial role in supporting and maintaining economic recovery and stability through effective policy transmission, adequate supervision, and a supportive regulatory framework.

During the fourth quarter of 2023, OJK issued 13 Regulations and 10 Circular Letters.

This section highlights OJK key policies in 2024. There is a highlight of OJK Regulation concerning Issuance and Requirements of Sustainable Bond and Sukuk, and OJK Regulations to transform the insurance and pension fund industry.

OJK 2024 POLICY DIRECTIONS

OJK has set of policy priorities for 2024 to navigate a resilient financial services sector to provide greater leverage for economic growth.

Strengthening the Financial Services Sector

- Strengthening the integrated regulatory and supervisory infrastructure, including financial conglomerates to improve supervision effectiveness and mitigate systemic risk.
- Accelerating and simplifying business processes, licensing, and reporting to improve the ease of doing business in the financial services sector.
- Strengthening institutions, capital, early intervention, and governance to enhance the resilience and stability of the financial services sector.

Increasing Competitiveness and Deepening the Financial Markets

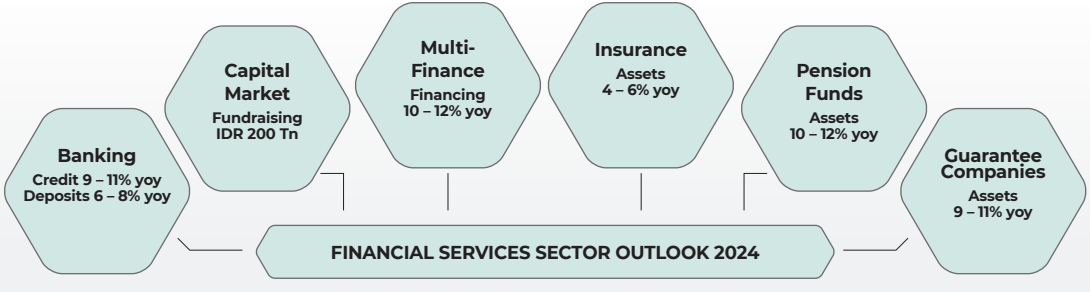
- Developing the financial services sector through financial market deepening initiatives.
- Preparing the foundation for the regulatory and supervisory infrastructure for derivative financial instruments and digital financial assets.
- Accelerating the expansion and ease of financial access for MSMEs.
- Strengthening the role of Islamic financial institutions in the economy.
- Supporting the financial sector's role in the energy transition and sustainable financing and encouraging the development of a sustainable finance ecosystem.

Increasing Trust (Investor and Public) in the Financial Services Sector

- Accelerating the resolution of financial institutions under special supervision and enforcing the law within the financial services industry.
- Expanding the coverage of the investor protection fund.
- Strengthening stock transaction supervision to maintain capital market integrity.
- Accelerating the implementation of OJK Regulation 22/2023 on consumer protection.
- Strengthening market conduct supervision to prevent and eradicate illegal practices in the financial services sector.

2024 Financial Services Sector Outlook

The financial sector is expected to maintain a positive trend despite challenges. Collaborative efforts between stakeholders are crucial to achieving these targets.



OJK REGULATION NUMBER 18/2023 CONCERNING ISSUANCE AND REQUIREMENTS OF SUSTAINABILITY-BASED DEBT SECURITIES AND SUKUK*

Background

OJK Regulation Number 18/2023 is expected to boost the development of the sustainable finance market in Indonesia. It provides a clear legal framework for the issuance of sustainability-based debt securities and sukuk, such as green bonds, social bonds, and sustainability bonds. This is expected to encourage more companies to issue these types of securities, which can be used to finance projects that have a positive environmental or social impact.

Some Main Provisions

Types of Sustainable-based Debt Securities and Sukuk

Green/Sustainability/Social Bonds: Debt and/or Sukuk securities, which are used for financing or refinancing:

- Environmentally Conscious Business Activities (*Kegiatan Usaha Berwawasan Lingkungan*/KUBL) for Green Bonds/Sukuk;
- Socially Conscious Business Activities (*Kegiatan Usaha Berwawasan Sosial*/KUBS) for Social Bonds/Sukuk; and/or
- Both (Sustainability Bonds/Sukuk).

Sukuk-linked Waqf: Sukuk that the proceeds of the issuance are used for financing or refinancing of activities/projects to optimize the benefits of waqf assets.

Sustainability-linked Bonds/Sukuk: Sukuk/Bonds Sukuk that are issued with the achievement of certain key sustainability performance indicators (KPIs), which can be linked to SDGs.

Phased Public Offering

Issuers conducting a phased Public Offering of green bonds/sukuk may issue multiple green bonds/sukuk under the following conditions:

- the Public Offering plan is included in the prospectus at the time of submitting the Registration Statement; and
- all requirements for the issuance of green bonds/sukuk are met at the time of submitting the Registration Statement.

Issuance Requirements

Use of funds raised by issuance
All funds raised through issuance are used for their intended purpose, specifically for environmentally/socially friendly business activities.

Management of funds raised by issuance
The process and methods applied to identify and manage environmental and social risks that have the potential to be material with regard to business activities and/or other activities.

Evaluation process and selection of activities funded
The management of funds raised by issuance is carried out separately, at least using a special account. For sukuk, a special account must be used at a Sharia bank.

Reporting
Reporting is carried out through reports that contain information that is provided periodically after issuance. The issuer or publisher must establish policies and/or mechanisms for providing reporting information.

Issuers or publishers that issue Social/Green/Sustainability Bonds/Sukuk must obtain the results of a review from an External Review Provider or Independent Reviewer (sukuk-linked waqf). Reviews must be conducted both before issuance and periodically after issuance.

Reporting

- Issuers are required to submit annual reports.
- Reports must be reviewed by an External Review Provider.
- When all proceeds have been allocated, the review coverage by the External Reviewer only includes the impact of environmentally/socially friendly business activity funded.
- Reports must be submitted until the Bonds/Sukuk reach maturity.

Incentives

OJK can provide incentives for Green Bond/Sukuk Issuing Party.

The provision of incentives is determined by OJK.

75%

Registration Fee discounts. Terms and conditions applied.

Review by External Independent Reviewer

Reviews that can be provided by External Independent Reviewers:

- opinion;
- verification;
- certification; and/or
- sustainability scoring/rating.

*Please refer to the OJK Regulation for details of the provisions

OJK ISSUED FOUR REGULATIONS TO ENCOURAGE TRANSFORMATION OF THE INSURANCE AND PENSION FUND INDUSTRY

At the end of 2023, OJK issued 4 (four) OJK Regulations (POJK), namely POJK 20/2023, POJK 23/2023, POJK 24/2023, and POJK 27/2023, to accelerate the transformation process to make a sound, robust, and growing insurance and pension fund industry. Below are some highlights of the regulations.

POJK 20/2023 concerning Insurance Products Associated to Credit or Sharia Financing and Suretyship Products or Sharia Suretyship Products

- This POJK aims to maintain prudent management of the risk exposure level of insurance products linked to credit or sharia financing and suretyship or sharia suretyship products.
- This POJK regulate products including:

Credit Insurance	Sharia Financing Insurance	Credit Life Insurance
Sharia Financing Life Insurance	Sharia Suretyship	Suretyship

- Conventional and Sharia General Insurance Companies must share risks with Creditors in the implementation of Credit Insurance and Sharia Financing Insurance Products. The risk borne by Creditors is at least 25% and should be included in the insurance policy.
- Conventional and Sharia General Insurance Companies that will market products related to Credit or Sharia Financing and Suretyship and Sharia Suretyship products, must comply with the provisions related to the soundness level, minimum solvability, and investment adequacy.

POJK 24/2023 concerning Business Licensing and Institutional Arrangement of Insurance Brokerage Companies, Reinsurance Brokerage Companies, and Insurance Loss Assessors

- Foreign ownership by foreign individuals can only be carried out through transactions on the stock exchange, and foreign ownership by foreign legal entities can be carried out through:
  1. Direct participation in the Company;
  2. Transactions on the Company's stock exchange; and/or
  3. Participation in Indonesian legal entities owning the Company through direct participation or transactions on the stock exchange.
- Companies must meet the minimum capital set by OJK:

	First Stage (31 Dec 2026)	Second Stage (31 Dec 2028)
Insurance Brokerage	IDR 3 Bn	IDR 5 Bn
Reinsurance Brokerage	IDR 4 Bn	IDR 5 Tn
Insurance Loss Assessor	IDR 1 Bn	IDR 1.5 Bn

*Please refer to the OJK Regulation for details of the provisions

POJK 23/2023 concerning Business Licensing and Institutional Arrangement of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies

- This POJK aims to follow up on the mandate of Law No. 4 Year 2023 as well as to strengthen and align the insurance industry with current developments.
- Foreign ownership by foreign individuals can only be carried out through transactions on the stock exchange, and foreign ownership by foreign legal entities can be carried out through:
  1. Direct participation in the Company;
  2. Transactions on the Company's stock exchange; and/or
  3. Participation in Indonesian legal entities owning the Company through direct participation or transactions on the stock exchange.
- Companies must meet the minimum capital set by OJK:

	First Stage (31 Dec 2026)	Second Stage (31 Dec 2028)	
		KPPE 1	KPPE 2
Insurance companies	IDR 250 Bn	IDR 500 Bn	IDR 1 Tn
Reinsurance companies	IDR 500 Bn	IDR 1 Tn	IDR 2 Tn
Sharia Insurance	IDR 100 Bn	IDR 200 Bn	IDR 500 Bn
Sharia Reinsurance	IDR 200 Bn	IDR 400 Bn	IDR 1 Tn

- Companies in the KPPE (Insurance Companies Group based on Capital) 1 group are prohibited from carrying out business activities and/or products other than simple business activities and/or products.
- Companies in the KPPE 2 group can carry out all business activities and/or insurance or sharia insurance products.

POJK 27/2023 concerning Businesses Operation of Pension Funds

- This POJK aims to follow up on the mandate of Law Number 4 of 2023.
- From the investment side, the POJK contains provisions that aim to encourage the strengthening of the governance of pension fund investment through competency requirements for pension fund management, as well as additional requirements regarding the placement of potential high-risk investments, including Private Mutual Funds (RDPT), Infrastructure Investment Fund (DINFRA), Medium-Term Notes (MTN), and Repurchase Agreement (REPO).
- In terms of payment of pension benefits, the POJK also contains provisions regarding regular payment of pension benefits, which can be paid directly by pension funds or by purchasing an annuity product that provides payment of pension benefits for a minimum of 10 years.

CHAPTER 04

PROJECTS UNDERTAKEN BY INTERNATIONAL AND AML/CFT DEPARTMENT

OJK, through the International and AML/CFT Department, is actively engaged in numerous bilateral discussions and international forums discussing reforms in the financial services sector as well as the implementation of Anti-Money Laundering, Countermeasure Financing for Terrorism, and Countermeasure Financing for the Proliferation of Weapon of Mass Destruction in the Financial Services Sector, among others.

In synergy with relevant ministries and institutions, OJK consistently disseminates information to maintain a positive perception of the Indonesian economy and the financial services sector. In addition, OJK also performs active communication regarding Technical Assistance programs.

During the fourth quarter of 2023, OJK maintained active communication and coordination with other ministries/agencies and stakeholders for the Main Mission of the Financial Sector Assessment Program (FSAP) 2023/2024.

INVESTOR RELATIONS UNIT

As part of the national Investor Relations Unit (IRU), IRU OJK closely coordinates and communicates with relevant government bodies and stakeholders to maintain investors' confidence in Indonesia's economy and the financial services sector, through:

1. Facilitating meetings with foreign investors/stakeholders

Meetings

International Organization

1. ASEAN+3 Macroeconomic Research Office (AMRO)
As part of its annual consultation, AMRO paid an interim visit to OJK to discuss about the performance of the banking and corporate sectors, carbon trading, and green taxonomy in Indonesia.

2. International Monetary Fund
OJK Chairman met with representatives from the IMF to provide information on the economic developments and financial services sector's performance, the Covid-19 restructured credit policy, and the Financial Sector Omnibus Law implementation.

Global Rating Agency

3. Moody's Investors Service
The topics discussed during the meeting were:

The Banking Sector's Performance	Digitalization	Islamic Finance
Environmental, Social, and Governance (ESG) Aspects		

Financial Institutions and Others

4. Wellington Management Singapore
The purpose of the meeting was to discuss economic development and the financial services sector's performance in Indonesia, OJK's policy direction, and digital banks.

5. Temasek
The meeting discussed of the development in the P2P lending fintech industry, financial literacy, and inclusion in Indonesia.

In addition, OJK also facilitated an interview with the Indonesia Halal Lifestyle Center, discussing trends, landscapes, opportunities, and challenges in the digital Islamic economy ecosystem.

2. Providing the latest information on the performance of financial institutions and OJK policies/regulations

Information Dissemination

IRU OJK used a variety of communication channels to disseminate the most recent information on the performance of the financial services industry and OJK policies/regulations:

1. Republic of Indonesia Presentation Book

IRU OJK contributed monthly to drafting the Republic of Indonesia Presentation Book, a publication of the national IRU that offers updates on Indonesia's economic development.

2. IRU Newsletter

Email blast about the latest policies and regulations of OJK as well as salient issues in the financial sector to more than 100 institutions/organizations.

3. OJK International Information Hub (OJK IIH)

An information hub where foreign investors and stakeholders can obtain up-to-date information on statistics from the financial services industry, OJK policies, publications, summaries of some OJK regulations, and more.

Investors Meeting: USA and Singapore

- As a proactive measure to provide the latest updates on Indonesia's financial sector and OJK policies, OJK attended meetings with institutional investors, both fixed income and equity, in the United States of America and Singapore in October and November 2023, respectively.
- During the US visit, OJK Vice Chairman met with fixed-income and equity investors, financial regulators (The Fed and US SEC), the World Bank, and some banks to exchange views on economic development as well as future opportunities and challenges.
- As part of the Singapore roadshow, OJK Vice Chairman along with the Vice Minister of Finance, held a series of meetings with fixed-income, equity, and private equity investors. Additionally, the Vice Chairman met with JP Morgan and GIC Private Limited to discuss economic developments and some key issues, such as carbon trading and sustainable finance.

INTERNATIONAL COOPERATION DIRECTORATE

Memorandum of Understanding and Exchange of Letter Implementation

OJK signed Memorandum of Understanding (MoU) with authorities as follows:

1. MoU between OJK and the Financial Services Regulatory Authority of Abu Dhabi Global Market (FSRA-ADGM)

On 20 October 2023, in a hybrid format concerning mutual cooperation and the exchange of information specifically for carbon market development.

2. MoU between OJK and Korea Deposit Insurance Corporation (KDIC)

On 7 December 2023 in Seoul, concerning insurance infrastructure.

3. MoU between OJK and Korea Insurance Development Institute (KIDI)

On 7 December 2023 in Seoul, concerning mutual benefit and development.

OJK conducted the MoU implementation as follows:

- On the Job Training (OJT) Securities and Exchange Regulator of Cambodia (SERC) – 23-27 October 2023 in Jakarta.
- Benchmarking program between OJK and Financial Supervisory Service Korea (FSS Korea) concerning regulation and supervision of financial industries in both jurisdictions.
- OJK and Deutsche Sparkassenstiftung Für Internationale Kooperation (DSIK), concerning cooperation on digital financial services for rural banks and Islamic rural banks.
- OJK and Australian Prudential Regulation Authority (APRA) high-level meeting, 4 December 2023 in Sydney, concerning Clean Energy Finance and Investment Mobilisation and Secondment program.
- OJK and Australian Securities and Investments Commission (ASIC), 4 December 2023 in Sydney concerning Environmental, Social and Governance (ESG).

Others

- OJK received visits from **international institutions/ stakeholders** such as the Islamic Development Bank (IsDB), Japan International Cooperation Agency (JICA), the Japan Embassy in Jakarta, and the ASEAN ROK Financial Center.
- OJK received the **Lao Securities Commission Office benchmarking program** in preparation for becoming the Chair and Secretariat of the ASEAN Capital Market Forum (ACMF).

INTERNATIONAL COOPERATION DIRECTORATE

International Trade Agreement

Regional

1. ASEAN-Canada Free Trade Agreement (ACAFTA)
OJK participated in the 6th round of Working Group on E-Commerce in November 2023. Negotiation began with an ASEAN Caucus meeting, followed by a Plenary Meeting (with Canada).

2. ASEAN Digital Economy Framework Agreement (ASEAN DEFA)
OJK participated in the 1st round of ASEAN DEFA negotiation in December 2023. DEFA will be the first digital economy framework agreement for ASEAN and one of the digital transformation agendas to accelerate economic recovery and digital economy integration in ASEAN.

3. ASEAN Capital Market Forum (ACMF)
OJK as Chairman of ACMF in 2023, held the 39th ACMF Chairs Meeting, international conference and ACMF-ISSB Technical Training in October 2023.

Bilateral

1. Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA)
OJK participated in the 16th round negotiation of IEU-CEPA in December 2023, discussing several chapters including a chapter of Digital Trade/E-Commerce.

2. Indonesia-Canada Comprehensive Economic Partnership Agreement (ICa-CEPA)
OJK participated in the 6th round of negotiation in October 2023, discussing several topics including Financial Services, Trade in Services, Digital Trade/Electronic Commerce, and Investment. The negotiation was then followed by an intersession meeting on financial services in December 2023.

Others

1. Indo-Pacific Economic Framework for Prosperity (IPEF)
OJK participated in the 6th and 7th round of negotiation in October 2023 and November 2023, involved in the discussion of several Pillars including Pillar I (trade).

Cooperation in Technical Assistance

Multilateral

Several international provider institutions provided technical assistance projects to OJK in all areas such as Banking, Non-Bank Financial Industry (NBFI), Consumer Education and Protection, and Financial Sector Technology Innovation.

1. Technical Assistance Projects by the World Bank:

- Self-assessment of Insurance Core Principles – International Association of Insurance Supervisors (ICPs IAIS) and International Organisation of Pension Supervisors (IOPS) for the Financial Sector Assessment Program (FSAP).
- Guideline on Regulatory Impact Analysis (RIA) for the Non-Bank Financial Sector.
- Reviewing the Quality Assurance for NBFI Roadmap.
- Roadmap for Credit Information System or Lembaga Pengelola Informasi Perkreditan (LPIP).
- Refinement of Integrated Financial Services Data and Information Management Architecture program.
- Implementation of Supervision Technology in OJK.

2. OJK also had meetings with several international provider institutions offering projects regarding:

- Digital Financial Literacy (DFL) material with the Asian Development Bank (ADB).
- Financial Inclusion Index in the region with the Bill & Melinda Gates Foundation (BMGF).
- Revisiting Indonesia's Green Taxonomy with the International Finance Corporation (IFC).
- Women Entrepreneurs DATA (WE-DATA) as a joint project with the Ministry of Women's Empowerment and Child Protection, Islamic Development Bank (IsDB), and ADB.

INTERNATIONAL POLICY DIRECTORATE

OJK actively participates in multiple international forums and standard-setting bodies to contribute to the global reform of the financial sector. Collaborative efforts have been established with international organizations, and OJK is currently participating in the Financial Sector Assessment Program (FSAP) 2023/2024.

Global Financial Sector Reform

Financial Stability Board (FSB)

Standing Committee on Supervisory and Regulatory Cooperation (SRC)

OJK participated in two meetings in October and November. The discussions covered critical topics:

- Open-ended funds (OEF) consultation responses and proposed revisions to the report
- Crypto recommendations' implementation monitoring plan
- Third Party Risk (TPR) Post consultation report
- Monitoring of Global Systemically Important Banks (GSIBs) and Insurance Holistic framework

Furthermore, the agenda for the meeting included a comprehensive review of SRC work priorities, specifically the strategic directions the SRC will take in 2024.

Islamic Financial Services Board

On 23rd October 2023, OJK attended the 20th Meeting of the Prudential and Structural Islamic Financial Indicators (PSIFIs) Task Force (TF) in Kuala Lumpur, Malaysia. The meeting had specific objectives, including updating Phase VI progress and reviewing Islamic banking PSIFIs data reporting. The meeting also encouraged the exchange of country experiences, addressed takāful/PSIFIs data, and concluded with a meticulous review of outcomes and recommendations for future initiatives.

Subsequently, OJK participated in the 43rd Meeting of the Council IFSB in Jeddah, Saudi Arabia on the 28th and 29th of December 2023. The proceedings of this gathering encompassed a comprehensive discussion on various pertinent subjects, including the IFSB strategic performance plan (SPP), outcome performance, formulation and issuance of prudential standards, research, and statistics, as well as the facilitation of capacity development.

High-Level Meeting with Australia Financial Regulators (APRA & ASIC)

On December 4, 2023, OJK attended a high-level meeting with the Australian Prudential Regulation Authority (APRA) & Australian Securities & Investments Commission (ASIC) in Sydney. The discussions encompassed the economic conditions of both Indonesia and Australia, as well as the challenges faced by OJK in fulfilling its regulatory and supervisory responsibilities.

Organization for Economic Co-operation and Development (OECD)

On the 14th and 15th of December 2023, OJK, in collaboration with the Organization for Economic Co-operation and Development (OECD), launched a study on the use of technology in the insurance sector to enhance the assessment of policyholder risk and risk reduction.

This discussion event was followed by the Insurance Regulators and Supervisors' meeting. The meeting brought together regulators and supervisors from the participating countries to discuss the utilization and regulation of technology in the insurance sector, exploring potential collaborations in the future. This served as a follow-up to a study based on responses to questionnaires received from insurance regulators/supervisors and insurance companies worldwide. It also included in-depth discussions with insurance regulators/supervisors and insurance companies and associations in Indonesia, India, Nepal, and Malaysia.

Financial Sector Assessment Program (FSAP) Indonesia 2023/2024

One area of the FSAP main mission, the Insurance Oversight (ICP) was held from 28th November to 6th December 2023 with the assessor and related stakeholders.

The FSAP main mission for other areas will be split into two visits. First visit from 22nd January to 6th February 2024 in 4 (four) assessment areas: Capital Market Oversight (IOSCO), Financial Infrastructure/Access to Finance, Role of the State, and Digital Financial Services/Fintech. Second visit from 5 to 19 Mar 2024 in 3 (three) assessment areas: Corporate Sector Analysis, Macroprudential Analysis, and Climate Risk Analysis.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING

Indonesia's Membership in Financial Action Task Force (FATF)

FATF welcomed Indonesia as its 40th member in the FATF Plenary, 25-27 October 2023. The FATF granted full membership to Indonesia after Indonesia underwent a mutual evaluation, which the Plenary discussed and approved in February 2023. The FATF agreed that Indonesia has worked to deliver an action plan to address key technical and effectiveness issues identified during the evaluation.

Financial Action Task Force (FATF) Plenary Meeting, October 2023

Indonesia's full membership places Indonesia on par with G20 member countries with high financial integrity. In addition, the membership will increase public confidence, including the international community, on the integrity of Indonesia's financial sector, which will impact positively on national economy.

Joint Team for Indonesia's Full Membership of the FATF

To optimize the benefits of FATF membership, on 7 December 2023, the Head of PPATK inaugurated the Joint Team for Indonesia's Full Membership of the FATF, which consists of 23 ministries/institutions, including OJK.

The formation of a Joint Team aims to increase cooperation and the ability to contribute actively as FATF members, focusing on four aspects:

- The legal basis or regulations for Indonesia's membership in the FATF.
- Improving the governance and effectiveness of sustainable AML/CFT/CFP regime.
- Active contribution to express Indonesia's interests in various FATF working group projects.
- Strengthening the financial capacity and human resources capacity as experts, assessors, reviewers, or project leaders.

Commitment to Fulfill Other AML/CFT/CPF International Standards

Based on a preliminary finding under the FSAP program, OJK was observed to meet other standards related to AML/CFT/CPF, namely Principle 29 - Abuse of financial services of the Basel Core Principles (BCBS) and Insurance Core Principle (ICP) 22.

CHAPTER 05

APPENDIX

LIST OF NEW REGULATIONS IN Q4 2023

No	Regulation	Regarding	Effective Date
1	OJK Regulation Number 18/2023	Issuance and Requirements of Sustainability-based Debt Securities and Sukuk	10 October 2023
2	OJK Regulation Number 19/2023	Human Resources Quality Development of Rural Banks and Sharia Rural Banks	1 November 2023
3	OJK Regulation Number 20/2023	Insurance Products Associated to Credit or Sharia Financing and Suretyship Products or Sharia Suretyship Products	13 December 2023
4	OJK Regulation Number 21/2023	Digital Services by Commercial Banks	22 December 2023
5	OJK Regulation Number 22/2023	Consumer and Community Protection in the Financial Services Sector	22 December 2023
6	OJK Regulation Number 23/2023	Business Licensing and Institutional Arrangement of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies	22 December 2023
7	OJK Regulation Number 24/2023	Business Licensing and Institutional Arrangement of Insurance Brokerage Companies, Reinsurance Brokerage Companies, and Insurance Loss Assessors	22 December 2023
8	OJK Regulation Number 25/2023	Business Operation of Venture Capital Companies and Sharia Venture Capital Companies	22 December 2023
9	OJK Regulation Number 26/2023	Users of International Financial Accounting Standards in the Capital Market	22 December 2023
10	OJK Regulation Number 27/2023	Businesses Operation of Pension Funds	27 December 2023
11	OJK Regulation Number 28/2023	Status and Follow-up Supervision of Rural Banks and Sharia Rural Banks	31 December 2023
12	OJK Regulation Number 29/2023	Buyback of Shares Issued by Public Companies	29 December 2023
13	OJK Regulation Number 30/2023	Communication of Key Audit Matters in a Public Accountant Report on an Audited Financial Statement in the Capital Market	29 December 2023

LIST OF NEW CIRCULAR LETTERS IN Q4 2023

No	Regulation	Regarding	Effective Date
1	Circular Letter Number 16/SEOJK.03/2023	Capital Calculation for Bank Exposure to Central Counterparty Institutions	19 October 2023
2	Circular Letter Number 17/SEOJK.03/2023	Margin Requirements for Uncleared Derivative Transactions through Central Counterparty Institutions	19 October 2023
3	Circular Letter Number 18/SEOJK.03/2023	Procedures for Utilizing the Services of Public Accountants and Public Accounting Firms in Financial Services Activities	6 November 2023
4	Circular Letter Number 19/SEOJK.06/2023	Implementation of Fintech Peer-to-peer Lending	8 November 2023
5	Circular Letter Number 20/SEOJK.06/2023	Electronic Application for Licensing, Approval, and Reporting for Finance Companies and Sharia Finance Companies	9 November 2023
6	Circular Letter Number 21/SEOJK.05/2023	Amendment to OJK Circular Letter Number 25/SEOJK.05/2020 concerning the Form and Structure of Periodic Reports of Insurance Brokerage Companies, Reinsurance Broker Companies, and Insurance Loss Assessors	7 December 2023
7	Circular Letter Number 22/SEOJK.05/2023	Monthly Financial Reports of Social Security Agency and Monthly Financial Reports of Social Security Fund	1 January 2024
8	Circular Letter Number 23/SEOJK.05/2023	Fit and Proper Test for Main Stakeholders of Insurance Companies, Guarantee Institutions, and Pension Funds	12 December 2023
9	Circular Letter Number 24/SEOJK.03/2023	Digital Maturity Level Assessment of Commercial Banks	14 December 2023
10	Circular Letter Number 25/SEOJK.03/2023	Implementation of Risk Management for Sharia Commercial Banks and Sharia Business Units	1 January 2024

HIGHLIGHTS OF THE CAPITAL MARKET SECTOR

IHSG/JCI

(29 DEC '23)
7,272.79 ▲ 6.16% (YTD)

(30 DEC '22)
6,850.62 ▲ 4.09% (YTD)

ICBI

(29 DEC '23)
374.61 ▲ 8.65% (YTD)

(30 DEC '22)
344.78 ▲ 3.60% (YTD)

CAPITAL INFLOW/OUTFLOW

	2019	2020	2021	2022	2023
Equity (IDR T)	49.20	-47.81	37.97	60.58	-6.19
Government Bond (IDR T)	168.61	-87.95	-82.57	-128.98	79.9

LOCAL INVESTOR DEVELOPMENT

	2019	2020	2021	2022	2023
No. of Capital Market Investor (Mn)	2.48	3.9	7.5	10.31	12.17
Growth (% yoy)	53	56.21	92.99	37.68	18.01
Local % of Equity Ownership	46.88	50.79	54.15	54.4	52.91

SECURITIES CROWD FUNDING (SCF)*

	2019	2020	2021	2022	2023
No. of Issuer	49	127	195	304	494
No. of Investors	5,063	51,414	93,777	127,810	168,068
Fundraising (IDR Bn)	64.14	184.89	413.18	640.57	1,043.81

*Cumulative since 2018. There were 16 SCF Providers, data as of end of Dec'23

PUBLIC OFFERING

TYPE	2019	2020	2021		2022		2023	
	Nom (IDR T)	Nom (IDR T)	No. of Issuers	Nom (IDR T)	No. of Issuers	Nom (IDR T)	No. of Issuers	Nom (IDR T)
IPO	14.7	6.1	52	61.66	65	33.03	78	54.33
Rights Issue	29.17	20.3	44	197.27	45	78.37	25	56.18
Corporate Bonds /Sukuk	122.98	92.3	96	104.4	123	156.33	120	144.89
TOTAL	**166.85**	**118.7**	**192**	**363.29**	**233**	**267.73**	**223**	**255.4**

HIGHLIGHTS OF THE BANKING SECTOR

INTERMEDIATION

	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Loan (IDR T)	**5,617**	**5,482**	**5,769**	**6,423**	**7,090**
Mtm (%)	*1.68*	*0.63*	*1.02*	*1.20*	*1.79*
Yoy (%)	*6.08*	*-2.41*	*5.24*	*11.35*	*10.38*
Ytd (%)	*8.3*	*-2.41*	*5.24*	*11.35*	*10.38*
Deposits (IDR T)	**5,999**	**6,665**	**7,479**	**8,153**	**8,458**
Mtm (%)	*0.85*	*0.46*	*2.03*	*2.25*	*2,94*
Yoy (%)	*6.54*	*11.11*	*12.21*	*9.01*	*3.73*
Ytd (%)	*6.54*	*11.11*	*12.21*	*9.01*	*3.73*
LDR	**93.64**	**82.24**	**77.13**	**78.78**	**83.83**

PROFITABILITY

	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
NIM (%)	4.8	4.32	4.51	4.71	4.81
ROA (%)	2.33	1.59	1.84	2.43	2.74

RISK PROFILE

	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Credit Risk					
Gross NPL (%)	2.53	3.06	3	2.44	2.19
Net NPL (%)	1.18	0.98	0.88	0.71	0.71
Loan at Risk (%)	9.93	23.38	19.48	14.05	10.94
Market Risk					
NOP (%)	1.63	1.58	1.23	1.23	1.44
Liquidity Risk					
Liquid Asset (IDR T)	1,251	2,111	2,627	2,543	2,429
LA/Deposits (%)	20.86	31.67	35.12	31.20	28.73
LA/NCD (%)	97.61	146.7	157.9	137.67	127.07
LCR (%)	209.16	267.91	257.79	242.58	220.36
NSFR (%)	128.65	140.57	142.50	140.42	

CAPITAL

	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
CAR (%)	**23.31**	**23.81**	**25.67**	**25.63**	**27.69**

HIGHLIGHTS OF THE NON-BANKING SECTOR

INSURANCE

	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23**
Insurance Premium Income (IDR T)*	281.2	293.29	308.11	311.48	320.88
RBC Gen. Insurance (%)	345.3	343.47	327.3	326.99	362.21
RBC Life Insurance (%)	789.4	528.59	539.8	484.22	458.01
Investment Adequacy Ratio Gen. Insurance (%)	203.3	200.15	195.29	195.29	205.75
Investment Adequacy Ratio Life Insurance (%)	105.7	105.7	120.64	120.64	133.97

PENSION FUND

	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Investment Value (IDR T)	284.78	308.01	319.37	335.93	357.34
Asset Value (IDR T)	293.92	317.50	329.97	344.92	368.70

MULTI-FINANCE COMPANY

	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Financing (IDR T)	452.2	369.76	364.23	415.8	470.9
Growth Yoy (%)	*3.66*	*-18.23*	*-1.49*	*14.18*	*13.23*
Gross NPF (%)	2.4	4.01	3.53	2.32	2.44
Gearing Ratio (x)	2.61	2.15	1.98	2.07	2.26

FINTECH P2P LENDING

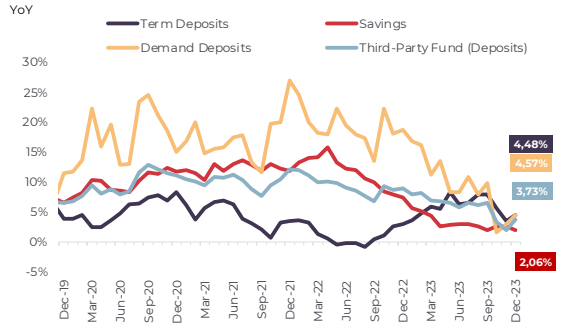
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Outstanding Loan (IDR T)	13.16	15.32	29.88	51.12	59.64
Growth Yoy (%)	*-41.95*	*16.43*	*95.05*	*71.1*	*16.67*
P2P NPL (%)* **	3.65	4.78	2.29	2.78	2.93

* : Including General Insurance, Life Insurance and Reinsurance
** : accumulated yearly
*** : Default rate for loan payment ≥ 90 days

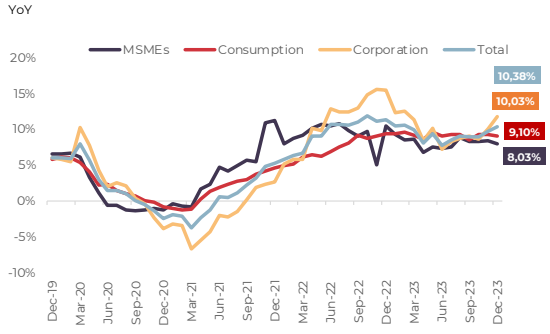
Thresholds of RBC (120%) and Investment Adequacy Ratio (100%)

OTHER BANKING INDUSTRY INDICATORS

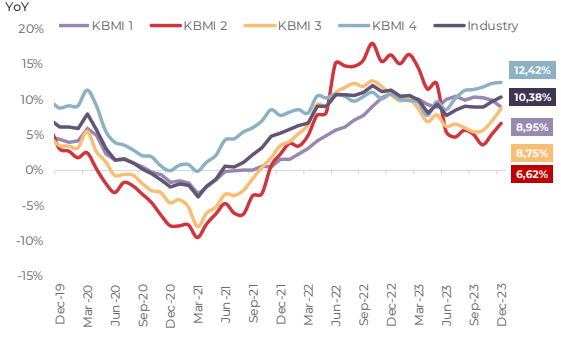
Third-Party Fund Growth



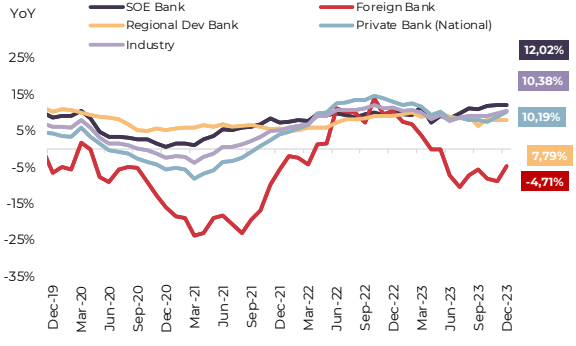
Credit Growth by Segment



Credit Growth by KBMI



Credit Growth by Ownership



Source: OJK

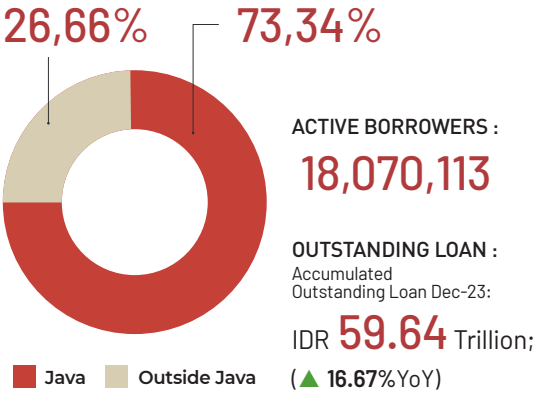
DEVELOPMENT OF FINTECH LENDING

[As of December 2023]

REGISTERED/ LICENSED COMPANIES

TOTAL:	CONVENTIONAL:	SHARIA:
101	94	7

ACTIVE BORROWERS



ACTIVE BORROWERS :

18,070,113

OUTSTANDING LOAN :

Accumulated Outstanding Loan Dec-23:

IDR 59.64 Trillion;

(▲ 16.67%YoY)

Success rate for ≤ 90 days loan payment (TKB90):

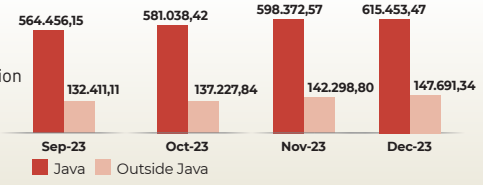
Dec-23 (97.07%); Nov-23 (97.19%);

LENDER ACCOUNT

TOTAL LOAN ACCUMULATION:

IDR 763.14 Trillion (Dec-23)

(▲ 44.53% YoY, ▲ 44.53% YTD)

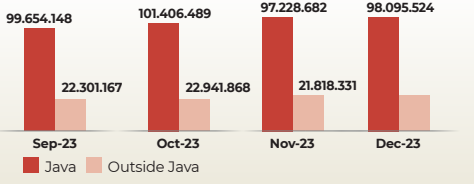


BORROWER ACCOUNT

TOTAL BORROWER ACCOUNT:

120,259,912 entities (Dec-23)

(▲ 20.51% YoY, ▲ 20.51% YTD)

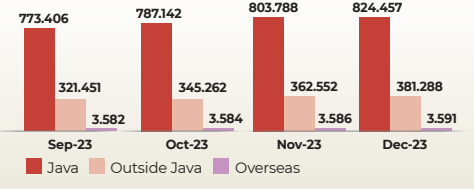


LENDING DISTRIBUTION

TOTAL LENDER ACCOUNT:

1,209,336 entities (Dec-23)

(▲ 21% YoY, ▲ 21% YTD)



Source: OJK

HISTORY OF INDONESIA SOVEREIGN CREDIT RATINGS

STANDARD & POOR'S		MOODY'S		FITCH		RATING AND INVESTMENT		JAPAN CREDIT RATING AGENCY	
July 7, 1992	BBB-	March 14, 1994	Baa3	June 1, 1997	BBB-	May 14, 1998	B	October 25, 2002	B
April 18, 1995	BBB	December 21,1997	Ba1	December 23,1997	BB+	September 28, 1999	B-	May 26, 2004	B+
October 10, 1997	BBB-	January 9, 1998	B2	January 8, 1998	BB-	June 8, 2004	B	September 21, 2006	BB-
December 31, 1997	BB+	March 20, 1998\	B3	January 21, 1998	B+	July 22, 2005	BB-	September 7, 2007	BB
January 9, 1998	BB	September 30, 2003	B2	March 16, 1998	B-	October 12, 2006	BB-	September 25, 2008	BB*
January 27, 1998	B	May 19, 2006	B1	August 1, 2002	B	October 31, 2007	BB+	February 5, 2009	BB**
March 11, 1998	B-	October 22,2007	Ba3	November 20, 2003	B+	January, 2009	BB+*	July 7, 2009	BB+
May 15, 1998	CCC+	December 23, 2008	Ba3*	January 27, 2005	BB-	October 7, 2009	BB+*	July 13, 2010	BBB-
March 29, 1999	SD	June 11, 2009	Ba3***	February 14, 2008	BB	October 14, 2010	BB+***	August 24, 2011	BBB-*
Mar ch 30, 1999	CCC+	September 16, 2009	Ba2	January 21, 2009	BB*	November 14,2011	BB+*	November 13, 2012	BBB-*
September 12, 1999	CCC+	June 21, 2010	Ba2***	January 25, 2010	BB+	October 18, 2012	BBB-	July 22, 2013	BBB-*
October 2, 2000	B-	January 17, 2011	Ba1	February 24, 2011	BB+***	October 11, 2013	BBB-*	October 22, 2014	BBB-*
May 21, 2001	CCC+	January 18, 2012	Baa3	December 15, 2011	BBB-	March 18, 2015	BBB-*	February 1, 2016	BBB-*
November 2, 2001	CCC	January 28, 2016	Baa3*	November 22, 2012	BBB-*	April 4, 2016	BBB-*	March 7, 2017	BBB-***
April 23, 2002	SD	February 8, 2017	Baa3***	November 15, 2013	BBB-*	April 5, 2017	BBB-***	February 8, 2018	BBB
September 5, 2002	CCC+	April 13, 2018	Baa2	November 13, 2014	BBB-*	March 7, 2018	BBB	April 26, 2019	BBB***
May 12, 2003	B-	February 10, 2020	Baa2*	November 6, 2015	BBB-*	April 26, 2019	BBB*	January 31, 2020	BBB+
October 8, 2003	B	February 10, 2022	Baa2*	May 23, 2016	BBB-*	March 17, 2020	BBB+	December 22, 2020	BBB+*
December 22, 2004	B+	**March 1, 2023**	**Baa2***	December 21, 2016	BBB-***	April 22, 2021	BBB+*	**July 27, 2022**	**BBB+***
July 26, 2006	BB-			July 19, 2017	BBB-*	July 4, 2022	BBB+*		
November 7, 2008	BB-*			December 20, 2017	BBB	**July 25, 2023**	**BBB+***		
October 23, 2009	BB-***			September 2, 2018	BBB*				
March 12, 2010	BB			March 14, 2019	BBB*				
April 8, 2011	BB+			January 24, 2020	BBB*				
April 23, 2012	BB+*			March 22, 2021	BBB*				
May 2, 2013	BB+**			November 23, 2021	BBB*				
April 28, 2014	BB+*			June 28, 2022	BBB*				
May 21, 2015	BB+***			December 14, 2022	BBB*				
June 1, 2016	BB+*			**September 1, 2023**	**BBB***				
May 19, 2017	BBB-								
May 31, 2018	BBB-*								
May 31, 2019	BBB								
April 17, 2020	BBB****								
April 22, 2021	BBB*								
April 27, 2022	BBB*****								
July 10, 2023	**BBB***								

* rating affirmation
** outlook revised from positive to stable
*** outlook revised from stable to positive
**** outlook revised from stable to negative
***** outlook revised from negative to stable
Note: Foreign Currency Long Term Debt

Source: BI

MACROECONOMIC INDICATORS

	Dec-19	Dec-20	Dec-21	Dec-22	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
FX Reserves (Bn USD)	129.18	135.9	144.9	137.2	144.20	139.30	137.50	137.70	137.10	134.90	133.1	138.1	146.4
BI7DDR* (%)	5	3.75	3.5	5.5	5.75	5.75	5.75	5.75	5.75	5.75	6.00	6.00	6.00
Exchange Rate (USD/IDR)	13,901	14,105	14,278	15,592	14,661	15,003	15,000	15,080	15,230	15,455	15,885	15,510	15,397
Trade Balance (Bn USD)	-0.08	2.10	1.01	3.96	3.93	0.42	3.45	1.31	3.12	3.42	3.47	2.41	3.31
Oil and Gas (Bn USD)	-1	-0.46	-2.31	-1.72	-1.69	-1.82	-0.96	-1.91	-1.34	-1.92	-1.84	-2.21	-1.89
Non Oil and Gas (Bn USD)	0.92	2.56	3.32	5.61	5.63	2.25	4.41	3.22	4.46	5.34	5.31	4.62	5.20
Consumer Confidence Index (%)	126.37	96.5	118.3	119.9	126.10	128.30	127.10	123.50	125.20	121.70	124.3	123.6	123.8
Retail Sales Index (%)	235.1	190.06	216.3	217.8	242.90	223.50	223.20	203.30	204.10	200.20	206.3	209.4	217.9
Inflation (%, YoY)													
Headline	2.72	1.68	1.87	5.51	4.33	4.00	3.52	3.08	3.27	2.28	2.56	2.86	2.61
Core	3.02	1.6	1.56	3.36	2.83	2.66	2.58	2.43	2.18	2.00	1.91	1.87	1.80
Administered Price	0.51	0.25	1.79	13.34	10.32	9.52	9.21	8.42	8.05	1.99	2.12	2.07	1.72
Volatile Food	4.3	3.62	3.2	5.61	3.74	3.28	1.20	2.39	2.42	3.62	5.54	7.59	6.73

	Feb-19	Aug-19	Feb-20	Aug-20	Feb-21	Aug-21	Feb-22	Aug-22	Feb-23	Aug-23
Unemployment Rate (%)	4.98	5.23	4.94	7.07	6.26	6.49	5.83	5.86	5.45	5.32

GLOSSARY

ACAFTA	ASEAN-Canada Free Trade Agreement
ACMF	ASEAN Capital Market Forum
ADB	Asian Development Bank
AML/CFT/CPF	Anti-Money Laundering/Countermeasure Financing for Terrorism/ Countering Proliferation Financing
AMRO	ASEAN+3 Macroeconomic Research Office
APRA	Australian Prudential Regulation Authority
ART	Asset Reference Tokens
ASEAN	Association of Southeast Asian Nations
ASEAN DEFA	ASEAN Digital Economy Framework Agreement
ASIC	Australian Securities and Investments Commission
Bappebti	Badan Pengawas Perdagangan Berjangka Komoditi (Commodity Futures Trading Supervisory Agency)
BCBS	Basel Committee on Banking Supervision
BKPM	Badan Koordinasi Penanaman Modal (Investment Coordinating Board)
BMGF	Bill & Melinda Gates Foundation
BNB	Binance Coin
BUSD	Binance USD
CAR	Capital Adequacy Ratio
CASP	Crypto Asset Service Provider
CCI	Consumer Confidence Index
CPO	Crude Palm Oil
CRC	Cold Rolled Coil
DFL	Digital Financial Literacy
DINFRA	Infrastructure Investment Fund
DLT	Distributed Ledger Technology
DSIK	Deutsche Sparkassenstiftung Für Internationale Kooperation
EMT	Electronic Money Tokens
ESDM	Kementerian Energi dan Sumber Daya Mineral (Ministry of Energy and Mineral Resources)
ESG	Environmental, Social, and Governance
ETH	Etherium
EU	European Union
FATF	Financial Action Task Force
FinTech	Financial Technology
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSOL	Financial Sector Omnibus Law (Law No. 4/2023)
FSRA-ADGM	Financial Services Regulatory Authority of Abu Dhabi Global Market
FSS	Financial Supervisory Service
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GSIB	Global Systemically Important Banks
ICa-CEPA	Indonesia-Canada Comprehensive Economic Partnership Agreement
ICBI	Indonesia Composite Bond Index
ICPs IAIS	Insurance Core Principles – International Association of Insurance Supervisors
IEU-CEPA	Indonesia-European Union Comprehensive Economic Partnership Agreement
IFC	International Finance Corporation
IFSB	Islamic Financial Services Board
IHSG	Indeks Harga Saham Gabungan (Jakarta Composite Index)
IMF	International Monetary Fund
IOPS	International Organisation of Pension Supervisors
IOSCO	Capital Market Oversight
IPEF	Indo-Pacific Economic Framework for Prosperity
IPO	Indonesia Public Offering
IPPU	Industrial Processes and Production Use
IRU	Investor Relations Unit
IsDB	Islamic Development Bank
ISSB	International Sustainability Standards Board
JCI	Jakarta Composite Index
JICA	Japan International Cooperation Agency
KBMI	Kelompok Bank berdasarkan Modal Inti (Bank Groups based on Core Capital)
KDIC	Korea Deposit Insurance Corporation
KIDI	Korea Insurance Development Institute
KLM	Kebijakan Insentif Likuiditas Makroprudensial (Macroprudential Liquidity Incentive Policy)
KPI	Key Performance Indicators

GLOSSARY

KPPE	Kelompok Usaha Perusahaan Asuransi (Insurance Companies Group based on Capital)
KUBL	Kegiatan Usaha Berwawasan Lingkungan (Environmentally Conscious Business Activities)
KUBS	Kegiatan Usaha Berwawasan Sosial (Socially Conscious Business Activities)
LA	Liquid Asset
LCR	Liquidity Coverage Ratio
LDR	Loan to Deposit Ratio
LNG	Liquefied natural gas
LPIP	Lembaga Pengelola Informasi Perkreditan (Credit Information System)
MiCAR	Markets in Crypto-Assets Regulation
MoU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprise
MTN	Medium-Term Notes
NBFI	Non-Bank Financial Industry
NCD	Non-Core Deposit
NDC	Nationally Determined Contribution
NIM	Net Interest Margin
NOP	Net Open Position
NPF	Non-Performing Financing
NPL	Non-Performing Loans
NSFR	Net Stable Funding Ratio
OECD	Organisation for Economic Co-operation and Development
OEF	Open-Ended Funds
OJK IIH	OJK International Information Hub
P2PL	Peer-to-peer Lending
PMI	Purchasing Managers' Index
PNBP	Penerimaan Negara Bukan Pajak (Non-Tax State Revenue)
POJK	Peraturan Otoritas Jasa Keuangan (OJK Regulations)
PP	Peraturan Pemerintah (Government Regulation)
PPATK	Pusat Pelaporan dan Analisis Transaksi Keuangan (The Indonesian Financial Transaction Reports and Analysis Center)
PSIFI	Prudential and Structural Islamic Financial Indicators
RBC	Risk-Based Capital
RDPT	Reksa Dana Penyertaan Terbatas (Private Mutual Funds)
REPO	Repurchase Agreement
RIA	Regulatory Impact Analysis
ROA	Return On Assets
RoK	Republic of Korea
RSI	Retail Sales Index
RUPTL	Rencana Usaha Penyediaan Tenaga Listrik (Electricity Supply Business Plan)
SCF	Securities Crowdfunding
SDG	Sustainable Development Goals
SEC	Securities and Exchange Commission
SERC	Securities and Exchange Regulator of Cambodia
SMV	Special Mission Vehicle
SOE	State-Owned Enterprise
SOL	Solana
SPP	Strategic Performance Plan
SRC	Supervisory and Regulatory Cooperation
TF	Task Force
TPR	Third Party Risk
USDC	USD Coin
USDT	USD Tether
UU P2SK	Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (Financial Sector Omnibus Law)
WE-DATA	Women Entrepreneurs DATA
WTI	West Texas Intermediate