INTRODUCTION TO INDONESIA FINANCIAL SERVICES AUTHORITY (OJK)

Japan, October 2018
Indonesia Financial Services Authority (OJK)

Background of OJK (1/2)

Before 2011

Globalization, fast growing IT, innovations and lots of problems raising in financial sector.

BANK

Controlled and monitored by Indonesia Central Bank (BI)

OTHER FINANCIAL INSTITUTION

Regulated and supervised by BAPEPAM–LK, MoF

Restructuring supervisory and regulatory body involved in financial sectors

Regulatory and supervisory conducted for all financial service sectors must be integrated
Indonesia Financial Services Authority (OJK)
Background of OJK (2/2)

- Act No. 21 of 2011 gives a legal basis for the establishment of OJK body.
- OJK is independent institution and not part of Government agency.
- Independence of OJK is implemented in its structure.
- OJK is head up by commissioners consist of 9 persons in collective and collegial manners.
- Each chairman has its definite time period of leadership.

OJK in its activities holds the principles:

1. Indepenendency: OJK must independent in its activity without any interference from the Government and other parties.
2. Rule of law: all its activities are based on the regulations.
4. Transparent: open to any ideas to obtain information which is true, honest and non discriminative, with appropriate treatment to human rights and classified Government data.
5. Professionalism: its daily activities encompass works with high professionalism and code of ethics.
6. Integrity: high integrity in each regulation and decisions made, anti corruption.
7. Accountable: focusing on public interest, all the decisions made are answerable to the public.
Indonesia Financial Services Authority (OJK)

Objectives and Function of OJK

- Encourage the financial services sector to be held on a regular basis, fair, transparent, and accountable.
- Realizing the financial system to grow in a sustainable and stable.
- Protecting the interest of consumers and society.
- To organize an integrated system of regulation and supervision of all activities within the financial services sector.
- Regulation and supervision of the activities of financial services in the banking sector, capital market, insurance, pension funds, financial institutions, and other financial services institutions.
OJK regulates and supervises the financial service sector:

- Capital Market
- Non Bank Financial Institutions (NBFI)
- Banking

Article 6 Act 21/2011
Indonesia Financial Services Authority (OJK)

Duties of OJK (2/2)

- Life insurance
- General Insurance
- Reinsurance
- Insurance Brokerage, Reinsurance Brokerage, and Insurance Loss Adjuster
- Employer Pension Funds
- Pension Fund Financial Institutions
- Financing Company
- Venture Capital Company
- Infrastructure Financing Company
- Guarantee Company
- Secondary Mortgage Facility
- Indonesian Export Financing Company
- National Social and Security Institutions
- Microfinance Institutions
- Pawnshop
Indonesia Financial Services Authority (OJK)

Organization Structure (1/3)

Board of Commissioner

Chairman

Vice Chairman

Chief Executive Functioning as Banking Supervisor

Chief Executive Functioning as Capital Market Supervisor

Chief Executive Functioning as NBFI Supervisor

Commissioner in charge of consumer's education and protection

Ex-Officio member from MoF

Deputy Commissioner of NBFI Supervision I

Deputy Commissioner of NBFI Supervision II

Head of Board of Auditors

Ex-Officio member from BI
Indonesia Financial Services Authority (OJK)

Organization Structure (2/3)

Deputy Commissioner NBFI Supervisor I

NBFI Supervision Department 1A
- NBFI Institutional and Product Directorate
- NBFI Regulation, Research, and Development Directorate

NBFI Supervision Department 1B
- NBFI Statistics and Information Directorate
- NBFI Supporting Services Directorate
- Microfinance Institutions Supervision Directorate
Indonesia Financial Services Authority (OJK)
Organization Structure (3/3)

Deputy Commissioner NBFI Supervisor II

- NBFI Supervision Department 2A
  - Insurance and Health Social Security Agency Supervision Directorate
  - Pension Fund and Employment Social Security Agency Supervision Directorate
  - Financial Technology Regulation, Licensing, and Supervision Directorate

- NBFI Supervision Department 2B
  - Financing Institutions Supervision Directorate
  - Specific Financial Institution Supervision Directorate
  - Islamic Non-Bank Financial Industry Directorate
Indonesia Financial Services Authority (OJK)
Chief Executive Functioning as NBFI Supervisor

Function
Implementing integrated regulatory and supervisory system of NBFI sector towards all activities in financial services

Duties
✓ Arrange regulations in NBFI
✓ Implement the NBFI crisis management protocol
✓ Enforcing regulations in NBFI
✓ Conducting guidance and supervision on the party obtaining business license, approval, registration from OJK and other parties engaged in NBFI
✓ Prepare policy formulation in NBFI
✓ Implementing policies in NBFI in accordance with the provisions of legislation
✓ Formulate standards, norms, guidance criteria and procedures in NBFI
✓ Provide technical guidance and evaluation in NBFI
✓ Implement analysis, development, and supervision of Sharia NBFI
✓ Carry out other duties granted by the Board of Commissioners.
Indonesia Financial Services Authority (OJK)

NBFI Supervisory Activity by OJK

- On-site Supervision
- Off-site Supervision
  - Financial report analysis
  - Risk analysis
- Executive meeting
- Monitoring of supervisory result
- Sustainable Interaction
- Law Enforcement
Non-Bank Financial Institutions

NBFI Total Entity

**Conventional NBFI**

<table>
<thead>
<tr>
<th>Category</th>
<th>Dec-17</th>
<th>Jun-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>139</td>
<td>138</td>
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<tr>
<td>Pension Fund</td>
<td>236</td>
<td>234</td>
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<tr>
<td>Financing Institutions</td>
<td>255</td>
<td>252</td>
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<tr>
<td>Other Financial...</td>
<td>40</td>
<td>48</td>
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<td>NBFI Supporting...</td>
<td>238</td>
<td>237</td>
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<tr>
<td>Microfinance Institutions</td>
<td>151</td>
<td>145</td>
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</table>

**Sharia NBFI**

<table>
<thead>
<tr>
<th>Category</th>
<th>Dec 2017</th>
<th>Jun-18</th>
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<tr>
<td>Insurance</td>
<td>13</td>
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<tr>
<td>Pension Fund</td>
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<tr>
<td>Other Financing...</td>
<td>4</td>
<td>5</td>
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<tr>
<td>NBFI Supporting...</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Microfinance Institutions</td>
<td>29</td>
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</tr>
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## Non-Bank Financial Institutions

### NBFI Total Asset

<table>
<thead>
<tr>
<th></th>
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</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dec-2017*</td>
<td>June-2018*</td>
</tr>
<tr>
<td>1.</td>
<td>Insurance</td>
<td>1.132,60</td>
<td>1150,10</td>
<td>40,52</td>
<td>41,85</td>
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<tr>
<td>2.</td>
<td>Pension Fund</td>
<td>260,96</td>
<td>260,71</td>
<td>1,30</td>
<td>2,98</td>
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<tr>
<td>3.</td>
<td>Financial Institutions</td>
<td>522,51</td>
<td>548,33</td>
<td>34,48</td>
<td>29,51</td>
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<td>4.</td>
<td>Other Financial Institutions</td>
<td>184,91</td>
<td>195,28</td>
<td>22,74</td>
<td>23,85</td>
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<tr>
<td>5.</td>
<td>NBFI Supporting Service</td>
<td>8,26</td>
<td>8,05</td>
<td>-</td>
<td>-</td>
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<tr>
<td>6.</td>
<td>Microfinance Institutions</td>
<td>0,31</td>
<td>0,34</td>
<td>0,10</td>
<td>0,16</td>
</tr>
<tr>
<td></td>
<td><strong>Total Assets</strong></td>
<td><strong>2.109,56</strong></td>
<td><strong>2.162,82</strong></td>
<td><strong>99,13</strong></td>
<td><strong>98,34</strong></td>
</tr>
</tbody>
</table>

*Express in trillion IDR*
NBFI – Insurance Industry

Legal Framework

**OJK Regulations**
- 3/ 2013 (NBFI Monthly Report)
- 4/ 2013 (FPT)
- 5/ 2013 (National Social & Security Supervisory)
- 10/ 2014 (Risk Rating)
- 11/ 2014 (Direct Examination)
- 17/ 2014 (Integrated Risk Management)
- 18/ 2014 (Integrated GCG)
- 1/ 2015 (NBFI Risk Management)
- 2/ 2015 (Data Management and Premium Rate)
- 14/ 2015 (Own Retention)
- 23/ 2015 (Insurance Product)
- 28/ 2015 (Liquidation)
- 38/ 2015 (NBFI Supporting Profession)
- 41/ 2015 (Insurance Statutory)
- 1/2016 (NBFI Investment, last amendment 56/2017)
- 35/ 2016 (Written Orders)
- 12/2017 (Anti Money Laundering and Prevention of Terrorism Financing)
- 67/ 2016 (Licensing)
- 68/ 2016 (Licensing of Supporting Business)
- 69/ 2016 (Activity Business)
- 70/ 2016 (Activity Business of Supporting Business)
- 71/ 2016 (Financial Soundness)
- 72/ 2016 (Financial Soundness-sharia)
- 73/ 2016 (GCG)
- 17/ 2017 (Administrative Sanctions)
- 55/ 2017 (Periodic Report)
- 1/ 2018 (Financial Soundness-Mutual company)

**Government Regulations**
- 73/ 1992 (Insurance Activity Business)
- 14/ 2018 (Foreign Ownership)
NBFI – Insurance Industry

Insurance Act 40/2014 (1/2)

- Insurance Company
- Sharia Insurance Company
- Reinsurance Company
- Sharia Reinsurance Company
- Loss Adjuster Company
- Insurance Brokerage
- Reinsurance Brokerage

Act 40/2014 (INSURANCE)

Service Provider

- Actuary
- Public Accountant
- Appraisal
- Other professions determined by OJK
Business Licensing and Institutions of Insurance, Sharia Insurance, Reinsurance, and Sharia Reinsurance Company

Business Licensing and Institution of Insurance Brokerage, Reinsurance Broker, and Insurance Loss Adjuster Company

Financial Soundness of Insurance and Reinsurance Company

Financial Soundness of Sharia Insurance and Sharia Reinsurance Company

Business of Insurance, Sharia Insurance, Reinsurance, and Sharia Reinsurance Company

Business of Insurance Brokerage, Reinsurance Brokerage, and Insurance Loss Adjuster Company

Requirements and Procedures of Service Provider for Insurance Companies

Procedures for Determining Statutory Administrator of Financial Service Institutions

Winding up, Liquidation and Bankruptcy of Insurance, Sharia Insurance, Reinsurance and Sharia Reinsurance Company

Principles of Knowing Customers

Fit and Proper Assessment

Good Corporate Governance of Insurance Company

Examination

Mediation Institution

Procedures and Requirement for Imposing Administrative Sanctions and Blocking the Wealth of Insurance, Sharia Insurance, Reinsurance and Sharia Reinsurance Company

Implementation of Mandatory Insurance Program

Insurance Business in the Form of Cooperatives and Mutual

Further provisions in the form of OJK Regulation
THANK YOU