

Press release

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FSB publishes peer review on implementation of over-the-counter derivatives market reforms in Indonesia

The Financial Stability Board (FSB) today published its *Peer Review of Indonesia*. The review examines steps the authorities have taken to implement over-the-counter (OTC) derivatives market reforms in Indonesia, including by following up on relevant G20 commitments.

Indonesia's OTC derivatives market is relatively small, both compared to its economy and from a global perspective, but has been steadily growing over the past five years. Foreign exchange (FX) derivatives are by far the largest OTC derivatives class, followed by interest rate and commodity derivatives. Domestic banks, including local subsidiaries of foreign banking groups and local branches of foreign banks, are the most active market participants.

The review finds that the Indonesian authorities have made some progress in implementing OTC derivatives reforms, while focusing on developing their domestic derivatives market. Reporting requirements have been in place for banks' OTC FX and interest rate derivatives transactions and for other participants' commodity derivatives transactions for many years, and there is effective sharing and use of the data collected among domestic authorities. Progress continues on central clearing requirements and margin requirements for non-centrally cleared derivatives (NCCDs), and the authorities are appropriately prioritising these areas over establishing platform trading. The report notes the authorities' continued progress on these reforms despite pressures in the wake of the COVID-19 pandemic.

Notwithstanding this progress, the review concludes that further steps can be taken by:

- improving the reporting, use and public transparency of OTC derivatives data, including a timeline for adopting unique global identifiers for entities, transactions and products;
- addressing legal uncertainties relating to netting for derivatives transactions in bankruptcy in order to facilitate central clearing and margin requirements; and
- implementing the remaining OTC derivatives reforms (central clearing of standardised OTC derivatives, margin requirements for NCCDs, and capital requirements for exposures to central counterparties) in an appropriately sequenced manner.

The peer review report includes recommendations to the Indonesian authorities in order to address these issues.

Notes to editors

FSB member jurisdictions have committed to undergo periodic peer reviews to evaluate their adherence to international financial standards. To fulfil this responsibility, the FSB has established a regular programme of thematic and country reviews, based on the objectives and guidelines set out in the *Handbook for FSB Peer Reviews*. As part of this commitment, Indonesia volunteered to undergo a peer review in 2020. This review forms part of the second round of country peer reviews of FSB member jurisdictions, which examine the implementation of G20 financial regulatory reforms. All completed peer review reports are available on the FSB website.

The draft report was prepared by a team of experts from FSB member institutions and led by Daphne Doo, who at the time of the review was Senior Director, Supervision of Markets, Hong Kong Securities and Futures Commission. The review benefited from dialogue with the Indonesian authorities and private sector representatives as well as from discussion in the FSB Standing Committee on Standards Implementation.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.