

FSB- G20 - MONITORING PROGRESS – Indonesia September 2010 [For Publication in March 2011]

#		G20/FSB RECOMMENDATIONS	DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
I. Building high quality capital and mitigating procyclicality					

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1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	<p>Indonesia is not a major financial centre. Nevertheless, we are starting to step forward into Basel II regime in 2011. The current progress is as the following:</p> <ul style="list-style-type: none"> • Basel II commencement will be phased in starting from year 2011-2012. • The implementation of Basel II will be taken gradually, i.e. the timeline for implementation of Pillar 1 is 2011-2012, Pillar 2 is 2012-2014 and Pillar 3 is 2011-2014. • BI has issued regulation providing guidance on for components of capital, market risk (Standardized Approach and Internal Model) and operational risk (Basic Indicator Approach). • Standardized Approach for Credit Risk Regulation will be issued in year 2011 and will be effective in the beginning of 2012. • Transparency regulations under Pillar 3 will come into effect in and referring to international accounting standard will be amended in year 2011. 	Bank Indonesia will issue pillar 2 regulations including ICAAP-SREP and its interrelations with new Risk Based Bank Rating System, IRBB, and all regulatory frameworks of the pillar II. This will come into effect in the year 2011-2012.

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2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	Bank Indonesia is working on the draft regulation.	
3	(Pitts)	Build-up of capital by banks to support lending	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing	Bank Indonesia has no specific policy on this matter. Nevertheless, we introduced a macro-prudential rule (loan to deposit ratio linked statutory reserves) at the end of 2010. This ratio allow bank to maintain statutory reserves and to provide incentive for banks that reach a certain threshold of intermediation.	Supervisory and enforcement of LDR-linked statutory reserves as part of our on going supervision frameworks.
4	(FSF 2009)	Basel II – Pillar 2 enhancement	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	End-2009 and ongoing	The first Consultative Paper on Pillar 2 has been published to get comments from banking industry in year 2008. CP and regulation related to Pillar 2 is currently under drafting process. The Pillar 2 concept will be interrelated closely to newly enhanced risk based bank rating system which will replace current CAMEL and risk based supervision system. The regulation is planned to be issued in year 2011 - 2012	The regulation is planned to be issued in year 2011 - 2012

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5	(Lon)	Supplementation of Basel II by simple, transparent, non-risk based measure	Supplement risk-based capital requirements with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.	Ongoing	Bank Indonesia has new risk-based bank rating system. The newly enhanced risk based bank rating system will take into account leverage ratio as required under Basel III concept, which introduce the need to monitor and prevent overleveraging process of banking industry that can trigger crises.	
6	(Pitts) (Tor)	Development of international rules to improve quantity & quality of bank capital	<p>We commit to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012.</p> <p>We agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the FSB and BCBS.</p>	End-2010, implement over a timeframe that is consistent with sustained recovery and limits market disruption	This is an on-going process in Indonesia. Regulations of Basel III are on the pipeline. Bank Indonesia will adopt Basel III standards over time frame consistent with Indonesian banking sector conditions.	Priority in 2011: observation and monitoring period for liquidity coverage and net stable funding ratios.

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7	(FSF 2008)	Monitoring of banks' implementation of the updated guidance	II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices.	Ongoing	Bank Indonesia on regular basis examines banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision.	Continue monitoring all banks' implementation of the updated guidance.
8	(Lon)	Development of liquidity framework	The BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.	By 2010	Bank Indonesia is now monitoring and observing liquidity coverage and net stable funding ratios on regular basis. Banks operating cross-border have been the subjects of more rigorous supervision.	Observe the results of LCR and NSFR monitoring.
9	(FSB 2009)	Enhancement of supervision of banks' operation in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	Bank Indonesia has enhanced supervision of banks' operation in foreign currency funding markets. This is done through our daily off-site and liquidity surveillance processes.	Continue enhancement the supervision of funding markets.

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10	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	<p>In 2008, supervisor issued regulation regarding requirements for insurance company to sell credit guarantee (MoF Decree No. 124/2008) such as:</p> <ul style="list-style-type: none"> - Meets at least minimum requirements regarding solvency and liquidity; - Has expert dedicated to credit insurance and suretyship; - Has adequate information system; - Has minimum capital of Rp250 bio <p>In general, capital requirement for insurer has been increased up to Rp100 bio for insurer and Rp200 bio for reinsurer by Government Regulation No. 81 year 2008. This regulation applies gradually until 2014.</p>	

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II. Strengthening accounting standards						
11	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	<ul style="list-style-type: none"> - Over the past 10 years, Indonesia has made great effort to improve the quality of corporate financial reporting. - Considerable progress has been made to strengthen the institutional framework of accounting and auditing and to move toward converging Indonesia national accounting and auditing standards with international benchmarks (i.e. International Financial Reporting Standards/IFRS and International Standards on Auditing/ISA). - Further improvements are necessary in order to make sure that Indonesia emerges as a good-practice country on accountancy reform in the developing world. - The Indonesian Institute of Accountants (IAI) is the professional body of accountants and a member of the International Federation of Accountants (IFAC). The Indonesian Institute of Public Accountants (IAPI) is the professional body for public accountants. 	<ul style="list-style-type: none"> - DSAK has agreed on d that Indonesia will fully convergence to IFRS by 2012. Bank Indonesia support that plan through the continuous discussion forums with DSAK and other authorities. - As of January 1, 2011, the progress of IFRS convergence in Indonesia was expected to have reached 92%. - The Indonesian Financial Accounting Standards Board (DSAK) under IAI faces significant challenges, due to resource constraints, in achieving convergence of local accounting standards with IFRS. There is a need to consider relocating the accounting standards board under a strong governmental organization, such as the Capital Market and Financial Institution Supervisory Agency (Bapepam-LK).

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					<ul style="list-style-type: none"> - The IAPI is an association member of IAI. The self-regulatory IAI and IAPI are also the standard setters, perhaps overly stretched with many responsibilities covered by the volunteer efforts of its members. - The IAI develops and disseminates accounting standards, and IAPI develops and disseminates audit and ethics standards in line with international good practice. - IFRS Implementation Team has been set up under IAI with following tasks: <ul style="list-style-type: none"> ▪ Increasing public understanding of IFRS and Indonesian GAAP; and ▪ Conducting research and assessment to improve the quality of financial reporting within the framework of the IFRS convergence program. <p>For additional relevant document on IFRS convergence in Indonesia, pls visit http://www.iaiglobal.or.id/berita/detail.php?id=92</p> <ul style="list-style-type: none"> - IAS 39 and 32 have been adopted and implemented since January 1, 2010. Due to the complexity of those standards, particularly the need of comprehensive data bases for building provisions model, Bank 	

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					<p>Indonesia keeps monitoring the preparation of such and allows banks to use peer group historical loss data for collective provisioning.</p> <ul style="list-style-type: none"> - As to other standards (e.g. IFRS 1, and others relating to banking industry), Bank Indonesia has worked together with IFRS Implementation Team (under IAI) to disseminate and - educate 14 new standards, through workshops aiming at building awareness. <p><i>From Capital Market Supervisory Agencies (Bapepam-LK)</i></p> <ul style="list-style-type: none"> • Bapepam-LK supports Indonesian Institute of Accounting (IAI) to converge Indonesian Accounting Standards (PSAKs) to IFRSs/IASs. • Until December 2010, Board of IAI (DSAK) issued 24 PSAKs and 9 Interpretations of Accounting Standards (ISAKs) which comply with IFRSs/IASs and revoked 9 PSAKs and 1 ISAKs. <p>DSAK 2010 and 2011 working plans mention that IAI will converge materially PSAKs to IFRSs/IASs as of January 1, 2009 in 2012.</p>	

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12	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	<ul style="list-style-type: none"> - Following the adoption and implementation of IAS 39, especially the extensive use of fair valuation, Bank Indonesia has made comprehensive revision to the format and content of prudential reporting (“call reports”) in 2008, including the addition of valuation reserves or adjustments accounts. - In practice, such valuation reserves or adjustments accounts are mostly used in the FX derivatives transactions, whereby all instruments are valued using middle rate and are adjusted accordingly at reporting dates through the adjustment accounts. - Besides, as prescribed in the Basel II framework, banks are also required to include the valuation reserves or adjustments (including non-accounting valuation adjustment, e.g. liquidity concerns) within the regulatory capital calculation. - Indonesia Bond Pricing Agency (IBPA) under the supervision of Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) has been established to provide investors with fair price valuations of Indonesian government and corporate bonds that were not widely traded. 	

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					<ul style="list-style-type: none"> • Bapepam-LK, in 2008, issued rule number IV.C.2 regarding Fair Market Value of Securities in Mutual Fund's portfolio. • IAI has issued the Technical Bulletin No.3 "Measuring the Fair Value of Financial Instrument when The Market is not Active" in 2008. • In 2009, Bapepam-LK granted business licensing to IBPA (Indonesia Bond Pricing Agency). 	
13	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	<ul style="list-style-type: none"> • PSAK 55 (2006), which is adopted IAS 39 (2005), has been firstly implemented in 1 January 2010. <p>Bapepam-LK still evaluates the implementation issues of PSAK 55.</p>	

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14	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	<p>Currently, there are two types of securitised products that has been regulated by Bapepam-LK which are Asset Backed Securities and Real Estate Investment Fund.</p> <p>Asset Backed Securities (ABS) is a participation unit of a Collective Investment Contract with a portfolio that consists of financial assets comprise of claims arising from commercial papers, credit card receivables, future receivables, loans including homes or apartment mortgages, debt securities guaranteed by the Government, credit/cash flow enhancement, as well as financial assets equivalent and other financial assets related to the aforementioned financial assets</p> <p>Real Estate Investment Fund (REIF) is a vehicle that is used to pool fund from public investor which is then invested in Real Estate asset, asset related to Real Estate, and or cash equivalent</p> <p>The provision regarding the disclosure requirement of ABS has been stipulated in the Bapepam-LK' rule number IX.C.10 concerning Guidelines of Form and Content of Prospectus for a Public Offering of Asset Backed Securities.</p>	In order to improve Bapepam-LK' supervision to the Asset Backed Securities it has been planned to revise the rule No. V.G.5 to enhanced disclosure requirement to the investor and regulator.

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					<p>In Bapepam-LK' rule number V.G.5 concerning Investment Manager Functions Relating to Assets Backed Securities also requires the Investment Manager to report to each ABS holder each month:</p> <ul style="list-style-type: none"> a. the amount of ABS owned by such Person; b. a financial report of the ABS; c. a report on the financial assets that support each class of ABS; d. the weighted average period remaining to maturity of the assets in the ABS portfolio; e. the total remaining payments for financial assets in the ABS portfolio; f. an estimate of the payments to be made to each class of ABS during the next 12 months; g. an estimate of the fair market value of each class of ABS; and h. material information related to the composition of the ABS portfolio or the management of financial assets based on conclusions regarding withdrawals, the probability of changes in cash flows, prices and or the ratings of classes of units. 	

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					<p>Meanwhile, the disclosure requirements of Real Estate Investment Fund (REIF) are stipulated in the rule number IX.C.16 concerning Guidelines Of Form and Content Of Prospectus For a Public Offering of Real Estate Investment Fund in The Form Of Collective Investment Contract and the rule number IX.M.1 concerning Guidelines for Investment Manager and Custodian Bank that Manage Real Estate Investment Fund in the Form of Collective Investment Contract</p> <p>The provision number 17 of the rule no. IX.M.1 stipulates that Real Estate Investment Fund shall:</p> <ol style="list-style-type: none"> a. shall create a website as a medium for disseminating information. b. In case where name of REIF reflects to certain Real Estate or certain asset related to Real Estate, shall invest no less than 70% (seventy percent) of its Net Asset Value to the Real Estate or asset related to Real Estate. c. submit Prospectus containing most recent information to perspective Participation Unit holder when making offering; d. use document in offering Participation Unit of REIF contains explanation on al yield on Real Estate asset of REIF based on valuation reports. 	

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	(Tor)		<p>We call on firms to implement these sound compensation practices immediately.</p> <p>We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end, We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.</p>			
16	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	Regulations concerning compensation scheme are in the pipeline. This has been part of banking policy in 2011. Bank Indonesia will issue compensation regulations in 2011. Currently the compensation regulations are being drafted. Supervisor will have responsibilities to review banks' compensation policies.	Issue compensation regulation.

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IV. Improving OTC derivatives markets						
17	(Lon)	Development of action plan on the standardization of CDS markets (eg CCP)	We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.	Autumn 2009	Credit derivatives market is still not available in Indonesia. We only have derivatives market in futures and options and shall be traded on stock exchange. With regard to this market, Clearing and Guarantee Institution is acting as a central clearing counter parties.	
18	(Pitts)	Trading of all standardized OTC derivatives on exchanges etc.	All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.	By end-2012 at the latest	There is no OTC derivative market in Indonesia. We only have exchange derivatives market. Derivatives contracts are made by Exchange and Clearing and Guarantee Institutions	
V. Addressing cross-border resolutions and systemically important financial institutions						
19	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	Bank Indonesia has more intensive supervision toward large banks in Indonesia. These banks have been the subject of our consolidated supervision and higher standards of risk-based supervision.	Continue more intensive supervision on large banks.

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20	(Pitts)	Development of resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future	We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, liquidity, and other prudential requirements.	October 2010	Bank Indonesia is revising crisis management protocol including resolution tools. This will be stipulated in the financial sector safety net law.	

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VI. Strengthening adherence to international supervisory and regulatory standards.						
21	(Lon)	Adherence to international prudential regulatory and supervisory standards	<p>We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas.</p> <p>We are committed to strengthened adherence to international prudential regulatory and supervisory standards.</p>	Ongoing	<p>Indonesia has done several things associated with adherence to international standards:</p> <p>Some of the fulfilment of international standards is the following:</p> <ul style="list-style-type: none"> - Following up on some of the reviews of the FSB-related compensation and remuneration through regulatory GCG - Adjust the existing frameworks within the principles of Basel - Enforcement of eligibility for capital, - Improved risk management review - Arrange Revisit Indonesian Banking Architecture that adapts to the ownership structure, capital and financial standards of other international. - Preparation of the Capital Market Master Plan - Following up on the diagnostic results of the FSAP financial system resilience 	<ul style="list-style-type: none"> • Launch the amendment of GCG in 2011. • Follow up regulation of pillar 2 and pillar 3 of Basel II planned in 2011 • The preparation of the Indonesian Banking Architecture is ongoing until this year and has been implemented gradually in 2011. • Any explanation of each pillar of IBA has been adapted to international financial standards. To further facilitate the implementation process, in the near future this will be prioritized first on strengthening the capital structure and ownership structure. • Capital Market Master Plan should have been published since last year but, until this new stage of finalization. • Strengthening the financial sector, which refers to the G20, FSB and BCBS is the basis of reform and development of financial sector policy .

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					<p>To complete those agenda, the necessary factors needed so that the implementation goes according to plan, among others:</p> <ul style="list-style-type: none"> - Improve the rule of law - Strengthen political stability <p>Increase the use of financial services including capital markets, insurance and finance companies</p> <ul style="list-style-type: none"> - Increasing the capacity of human resources in improving the quality of financial services <p>Harmonization of the provisions relating to the financial sector</p>	<ul style="list-style-type: none"> •
22	(Lon)	Periodic peer reviews	FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.	Ongoing	Indonesia has participated in the FSB thematic peer review process.	<p>Based on the thematic peer review results, Indonesia will evaluate and consider to further enhancing adherence with policies or standards agreed within the FSB.</p> <p>Indonesia is also commit to undergo country peer review, in this regard Indonesia will prioritize to implement action plans to respond to the FSAP results.</p>

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23	(WAP)	Undertaking of FSAP	All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	<p>Indonesia has completed the FSAP. The formal scope of assessment in Indonesia is to assess our level of adherence to the BCBS Core Principles for Effective Banking Supervision and IOSCO Objectives and Principles of Securities Regulation. For the IAIS Insurance Core Principles (ICP) is informal assessment assessing the sector general compliance and was not conducted by assessing principle by principle basis. The results for ICP are not intended to be made public, rather it is intended for regulator to strengthen the supervisory and regulatory frameworks in the Indonesian insurance sector.</p> <ul style="list-style-type: none"> • FSAP assessors have sent the FSAP results to MOF and BI Governor on 7 December 2010. • FSAP consists of: <ul style="list-style-type: none"> ○ Formal Assessment: International Organization of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulation; Core Principles for Systematically Important Payment Systems for Securities Settlement Systems (CPSS-IOSCO); 	Bank Indonesia has prepared a set of action plans to address all the shortcomings stated in the FSAP. The near-term primary focus is to raise the level of compliance on the BCPs that are graded as non-compliant and materially non-compliant.

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					<ul style="list-style-type: none"> ○ Informal Assessment: Insurance Core Principles (ICP) ○ Update: ROSC on Accounting and Auditing (AA) ROSC on Corporate Governance (CG) 	
24	(FSF 2008)	Additional steps to check the implementation of int'l guidance	V.11 National supervisors will, as part of their regular supervision, take additional steps to check the implementation of guidance issued by international committees.	Ongoing	This is part of our supervisory process in 2011.	
VII. Other issues						
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision						
25	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build-up of systemic risk.	Ongoing	Bank Indonesia has conducted macro-prudential surveillance since 2003. This enables Bank Indonesia to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build-up of systemic risk.	

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26	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	Both Bank Indonesia and Bapepam-LK possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk.	
27	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	<i>Process underway.</i>	

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28	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macroprudential (system-wide) level. On leverage ratios for banks, work by the BCBS to supplement the risk based capital requirement with a simple, non-risk based leverage measure is welcome. Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	Bank Indonesia has conducted macro-prudential surveillance since 2003. This enables Bank Indonesia to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build-up of systemic risk.	
29	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	Bank Indonesia has monitored changes in asset prices and their implications for domestic financial system stability as part of our macro-prudential surveillance processes.	

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30	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing		
31	(FSF 2008)	Supervisory communication with firms' boards and senior management	V.2 Supervisors and regulators should formally communicate to firms' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action. Those supervisors who do not already do so should adopt this practice.	Ongoing	This is has been part of our risk-based supervisory regime. In Indonesia, Bank Indonesia formally communicates to banks' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action on regular basis. Those supervisors who do not already do so should adopt this practice.	Continue risk-based supervision.

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32	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	<p>Indonesia has effective gateways for information exchange with domestic and foreign supervisory authorities. In domestic scope, there are formal mechanisms for information sharing and cooperation. With international fellow financial sector authorities, we have regularly exercised cross-border supervisory meetings.</p> <p>Indonesian financial sector authorities (Bank Indonesia, Indonesian Capital Market and Non-Bank Supervisory Authority - Bapepam-LK, Indonesian Deposit Insurance Corporation, and Indonesian FIU - PPAATK) have established a formal mechanism to share supervisory information and to harmonize regulatory frameworks.</p> <p>In the banking sector, formal supervisory cooperation and information sharing arrangements have been exercised with jurisdictions whose banks have significant presence in Indonesia. Cross-border Memorandum of Understanding has been established with Bank Negara Malaysia (BNM), China Banking Regulatory Commission (CBRC) and Monetary Authority of Singapore (MAS).</p>	Indonesia, especially for banking sector, will enhance effectiveness of information sharing both with domestic and foreign authorities. In addition, in the near future, Indonesia will strive to establish cross-border supervisory MoUs with other relevant authorities.

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					<p>In the capital markets and non-bank financial institutions sector, Bapepam-LK has bilateral MoUs with other fellow regulators including US SEC, Malaysia SC, Hong Kong SFC, Australia ASIC, Sri Lanka SEC, Philippines SEC, Thailand SEC, China CSRC, New Zealand SC, India SEBI, and Iran SEO.</p>	

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
Hedge funds						
33	(Lon)	Registration of hedge funds	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.	End-2009	<p>In our understanding, hedge fund is an investment fund that is typically open to a limited range of professional or wealthy investors and accordingly exempted from many of the regulations that govern ordinary investment funds.</p> <p>Currently, Bapepam-LK has regulated two types of investment product that is similar to hedge funds in the respect of privately offered which are Private Equity Funds and Portfolio Management Contract for Individual Investor.</p> <p>Private Equity Funds has been regulated since 2008 through the rule number IV.C.5 concerning Private Equity Fund. It stipulates that the product must be offered only to the professional investors (the investor who has ability to purchase a Participation Unit, IDR5 billion or USD500,000 or EUR500,000 at minimum, and to perform risk analysis on Private Equity Fund. It also regulates the disclosure and reporting requirement, qualification requirement for Fund Manager, and the securities portfolio valuation method.</p> <p>The Portfolio Management Contract for Individual has been regulated</p>	<p>The rule No. V.G.6 provides 1 year transition period for all Investment Managers to conduct all adjustment and must comply to the rule at least April 2011. Bapepam-LK will enforce the rule when the transition period is over and give sanction for any non-compliance.</p>

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					<p>since April 2010 in the rule number V.G.6 concerning Guidance For Securities Portfolio Management for Individual Investors.</p> <p>The rule mainly stipulates the minimum of contract clauses, the minimum of asset under management each investor (IDR10 billion), the obligation to save all investor asset at Custodian Bank, the obligation to submitted the contract to the regulator, the securities portfolio valuation method, and the activities that must be conducted by or prohibited for the Investment Manager</p>	
34	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009	<ul style="list-style-type: none"> Indonesia has also regulatory regime that enables foreign exchange and fund traffics are monitored since 1999. All foreign exchange transactions can be monitored by Bank Indonesia since then. Bank Indonesia has exercised cross-border supervisory cooperation with regional authorities to ensure that effective oversight of cross-border funds is maintained. 	

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					<p>Currently, Bapepam-LK has signed Memorandum of Understanding (MoU) with several capital market authorities in different jurisdiction in order to conduct cooperation in terms of technical assistance and information exchange for supporting the function of oversight market participants</p>	<p>In the future, the cooperation with other capital market authorities in different jurisdiction will be improved.</p>

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
35	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	<p>Currently, the regulations related to the two of investment product abovementioned that is similar to hedge fund do not allow them to borrow money or trading on margin, so the recommendation is not relevant to the situation in the Indonesian Capital Market.</p> <p>However, Bapepam-LK has regulated that securities companies including investment managers must have risk management division and implement risk management strategy in their day to day activities in order to mitigate the risks that might be exposed to company including risk associated with counterparty. Those requirements are stipulated in the rule number V.A.3 concerning Licensing for Securities Company Acting as Investment Manager and the rule number V.D.11 concerning Guidance For Implementation of Investment Manager Functions.</p>	

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
36	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	<p>Leverage has been the core module in our new version of Risk Based Bank Rating system. Supervisor has monitored leverage for all banks in Indonesia, including to their counterparties.</p> <p>Currently, there is no specific guidance for management under Bapepam-LK supervision in order to mitigate the exposures of leverage counterparties</p>	
Credit rating agencies						
37	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	<p>Bapepam-LK has regulated CRAs operating in Indonesia whose ratings are used for regulatory purposes.</p> <p>Bapepam-LK has issued six regulations on CRAs include rules on registration in June 2009. In 2010, Bapepam-LK has inspected 2 domestic CRAs in Indonesia.</p>	

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
38	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	<ul style="list-style-type: none"> Bapepam-LK regulates how to manage conflict of interest through rule number V.H.3 regarding Behaviour of CRAs. <p>The inspection is designed to ensure that CRAs, rating process and methods have been applied in practice. However, up until now, the oversight framework has not been shared/discussed any at the authorities.</p>	
39	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	Not yet priority in 2010.	

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
40	(FSF 2008)	Review of roles of ratings in regulations and supervisory rules	IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	Bapepam-LK does not regulate the investors who use the CRAs rating.	

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Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	<ul style="list-style-type: none"> • Indonesia has been a member in three supervisory colleges established by European-based home supervisors. Annual regular meetings have been scheduled in those supervisory colleges. • Indonesia is also a key member (with Thailand, Malaysia and Singapore) of a working committee establishing regional supervisory colleges in SEACEN region. • Besides supervisory colleges, more intensive cross-border supervisory cooperation has been pursued by Bank Indonesia. This is through regular bilateral meetings with Monetary Authority of Singapore, Bank of Thailand, Bank Negara Malaysia, Bangko Sentral Ng Pilipinas, and China Banking Regulatory Commission. 	<ul style="list-style-type: none"> • Continue to actively participate in the supervisory colleges. • Propose to be invited in the supervisory colleges of all branches of foreign banks, as these banks are increasingly large and may pose systemic risks should they fail.

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
42	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	<p>In the banking sector, Bank Indonesia has regularly exercised cross-border supervisory meetings. In addition, formal supervisory cooperation and information sharing arrangements have been exercised with jurisdictions whose banks have significant presence in Indonesia such as Memorandum of Understanding has been established with Bank Negara Malaysia (BNM), China Banking Regulatory Commission (CBRC) and Monetary Authority of Singapore (MAS).</p> <p>At national level, Bapepam-LK and Bank of Indonesia have signed a memorandum of understanding in 2010 for cooperation and coordination of supervision of financial institutions, micro and macro surveillance, and capacity building of human resources.</p> <p>At international level, Bapepem-LK have signed memorandum of understanding with regulators in several countries, such as US SEC, Malaysia SC, Hong Kong SFC, Australia ASIC, Sri Lanka SEC, Philippines SEC, Thailand SEC, China CSRC, New Zealand SC, India SEBI, and Iran SEO.</p>	Indonesia, especially for banking sector, will enhance effectiveness of information sharing both with domestic and foreign authorities. In addition, in the near future, Indonesia will strive to establish cross-border supervisory MoUs with other relevant authorities.

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
Crisis management						
43	(Lon)	Implementation of FSF principles for cross-border crisis management	To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	Immediate	In the banking sector, Bank Indonesia has regularly exercised cross-border supervisory meetings. In addition, formal supervisory cooperation and information sharing arrangements have been exercised with jurisdictions whose banks have significant presence in Indonesia such as Memorandum of Understanding has been established with Bank Negara Malaysia (BNM), China Banking Regulatory Commission (CBRC) and Monetary Authority of Singapore (MAS).	See # 42
44	(Pitts)	Development of contingency and resolution plans by SIFIs and the establishment of crisis management groups etc.	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress.	End-2010	Not applicable to Indonesia (Indonesia is not member of CMG)	NA

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
					<p>The government is currently preparing a revised draft Financial System Safety Net (FSSN) law that is expected to be Discussed by Parliament this year. According to the law, it is expected that the law could :</p> <ul style="list-style-type: none"> - Strengthen coordination and sharing information among authorities (MoF, Bank Indonesia, LPS and OJK), who responsible in promoting and maintenance financial system stability; - provide clear division of responsibilities (who does what) among authorities for systemic problem financial institution (bank & insurance companies) ; <p>provide clear decision making process in dealing with systemic problem financial institution (bank & insurance companies)</p>	Finalize FSSN law and send it to Parliament.
46 (47)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	The Indonesian deposit insurance scheme was the subject of technical assessment under the recent FSAP on Indonesia.	

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Risk management						
47	(WAP)	Development of enhanced guidance for banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.	Ongoing	Bank Indonesia has regulated bank risk management processes. Under the regulation, all banks must strengthen banks' risk management practices, in line with international best practices. Banks have been demanded to regularly re-examine their internal controls and implement strengthened policies for sound risk management.	Continue supervising bank risk management practices.
48	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	Bank Indonesia has regularly conducted bottom up and top down stress tests since 2003.	Bank Indonesia will continue to conduct robust, transparent stress tests as regular macro-prudential surveillance tools.
49	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	Bank Indonesia has regulations over asset quality of banks. Under the current supervisory processes, banks have been demanded to raise capital against their impaired assets.	Revisit on BI Regulation concerning Minimum Capital Requirement will be considered aligned with BI plans to adopt global reform package.

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50	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: <ul style="list-style-type: none"> • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets. 	During 2010	Process underway	
51	(Lon)	Improvement in the risk management of securitisation	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010.	By 2010	See # 54	

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
52	(Pitts)	Retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing	<p>Currently, according to the rule number IX.K.1 concerning Guidelines For Asset Backed Securities Collective Investment Contracts, Asset Backed Securities (ABS) Collective Investment Contracts may contain different classes or no different classes of ABS with different rights and determine that there is or there is no credit/cash flow enhancements.</p> <p>One of the credit/cash flow enhancement mechanism is subordination of one class of Asset Backed Securities (ABS) to another class within the same Collective Investment Contract and the lowest class of ABS must be held by the originator.</p> <p>The subordination makes credit quality of collective investment portfolio improved because of the retainment of certain risk of the underlying assets by the originator, thus encouraging them to act prudently.</p>	The rule has been proposed to be revised in order to make the retainment of certain risk of the underlying asset by the originators become a mandatory requirement for ABS Collective Investment Contract

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53	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	<p>Under the current transparency and disclosure regulations, Bank Indonesia has demanded banks to disclose their key risks (predominantly credit, market, and liquidity risks).</p> <p>Insurance supervisor requires insurers to submit “risk based capital” solvency statements quarterly in addition to annual financial statements.</p> <p>Financial reporting and disclosures, including profits and losses, are based on accounting standards which in line with international standards.</p>	Specifically for banking sector, Bank Indonesia plans to amend regulation concerning transparency of financial condition. This will enable banks to provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis

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#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE	PLANNED NEXT STEPS
54	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	<ul style="list-style-type: none"> • Bank Indonesia issued Regulation Number 11/26/PBI/2009 dated 1 July 2009 on Prudential Principles in the Implementation of Structured Products Activities for Commercial Banks. • Under that regulation, banks offering structured products must: <ul style="list-style-type: none"> ○ draw up a Business Plan, ○ perform risk management in an effective manner, ○ determine the classification of customers, ○ disclose product information, ○ deliver a report to Bank Indonesia. • Upon the failure to meet those requirements, banks will be subject to the following sanctions: <ul style="list-style-type: none"> ○ administrative warning; ○ lowering bank rating; ○ prohibition against participating in clearing activities; 	

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					<ul style="list-style-type: none"> ○ suspension and revocation of approval for certain business activities, both for a specific branch office and for the Bank as a whole; ○ termination of the Bank's management and subsequent appointment of a temporary management replacement; and/or ○ placing members of the bank's management, employees or, shareholders in blacklist. <p><i>From Capital Market Supervisory Agencies (Bapepam-LK)</i></p> <p>Derivative instruments can be used only for hedging purposes and supervisor must be notified before undertaking the transaction.</p> <p>Currently, there are three types of structured product that has been regulated by Bapepam-LK through the rule number IV.C.4 concerning Guidelines for the Management of Protected, Guaranteed and Index Fund. The rule itself does not specify the requirements for the investors of those funds</p>	

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Others						
55	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	<ul style="list-style-type: none"> • Indonesia has been to large extent relatively well-insulated from the crisis. Economy went well and remain positively grew. No extraordinary fiscal, monetary and financial sector support in Indonesia during the recent crisis. • Nevertheless, Indonesia has completed the submission of the Framework of Strong, Sustainable and Balanced Growth (FSSBG) to the IMF. • Under the FSSBG, Indonesia explains the projections of macro economy conditions and growth as well as policies that will be pursued in monetary, fiscal, and financial sector. 	Continue monitoring FSSBG.

Origin of recommendations:

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)

Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)

Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)

WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)

FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)

FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)

FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)