VOL.1/2024

IDIC
GLOBAL UPDATES

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IDIC UPDATES

Key Financial Highlights

Banking Growth and Stability

Indonesian banking industry saw significant growth in 2023-2024 period with financial performance indicators posted positive growth in the first quarter of 2024. Annually, credit disbursement and Tier 1 Capital were surging more than 11%, while third parties fund and asset improve steadily.

Table 1: Indicators of Banking Industry (Trillion IDR)

Indicator	Feb-23	Jan-24	Feb-24	YoY		MtM	
Asset	10,934	11,646	11,683	●	6.86%	●	0.32%
Credit	6,375	7,058	7,095	●	11.28%	●	0.52%
Third Parties Fund	7,989	8,415	8,441	●	5.66%	●	0.30%
Tier 1	1,470	1,614	1,633	●	11.03%	●	1.18%

Note :
YoY : Year-on-Year growth
MtM : Month-to-Month growth
● : Favorable
● : Unfavorable

Despite performance growth, annual financial ratio were mixed in the similar period, where capital adequacy ratio (CAR) increased 170bps, gross NPL decreased 23bps, and loan to deposit ratio jumped 425bps, while other indicators turned unfavorable. Banking efficiency (OC/OR) increased significantly, and net interest margin (NIM) and return of assets (ROA) were slightly decreasing.

Table 2: Financial Ratio of Banking Industry

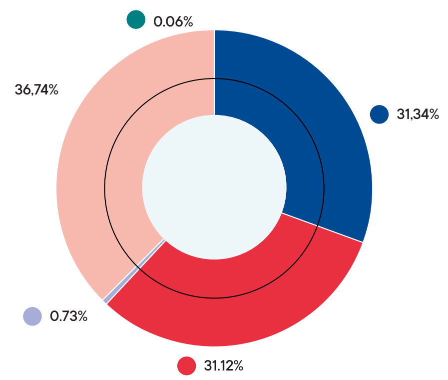
Ratio	Feb-23	Jan-24	Feb-24	YoY		MtM	
CAR	26.02%	27.54%	27.72%	●	170bps	●	18bps
Gross NPL	2.58%	2.35%	2.35%	●	-23bps	●	0bps
ROA	2.75%	2.71%	2.52%	●	-23bps	●	-19bps
OC/OR	82.32%	88.56%	91.63%	●	-931bps	●	307bps
NIM	4.66%	4.62%	4.53%	●	14bps	●	-9bps
LDR	79.80%	83.87%	84.05%	●	425bps	●	18bps

Note :
YoY : Year-on-Year growth
MtM : Month-to-Month growth
● : Favorable
● : Unfavorable

Deposit Insurance Updates

As of March 2024, in terms of total account, savings account was still dominated the deposits by 98.05%, with time deposit followed by almost 1%. In the meantime, in terms of total deposits, time deposits have the largest portion by 36.74% followed by demand deposit (31.34%) and saving accounts (31.12%). Further details can be found at Figure 1 and Table 3.

Figure 1: Distribution of Deposits in Banking Industry



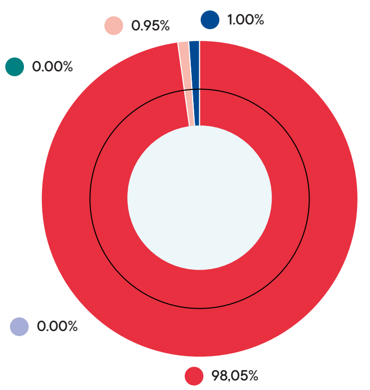


Table 3: Distribution of Deposits Based on Type of Deposits

Total Deposits and Number of Accounts by Type of Deposits (Nominal in Million USD)												
Type of Deposits	February 2024				March 2024				ΔMoM			
	Number of Accounts	%	Nominal	%	Number of Accounts	%	Nominal	%	Number of Accounts	%	Nominal	%
Demand Deposits	5,712,528	1.00%	167,247	31.23%	5,720,069	1.00%	171,363	31.34%	7,541	0.13%	4,116	2.46%
Saving Account	557,415,918	98.05%	167,091	31.20%	559,540,213	98.05%	170,140	31.12%	2,124,295	0.38%	3,048	1.82%
Deposit on Call	14,705	0.00%	3,270	0.61%	13,160	0.00%	4,010	0.73%	-1,545	-10.51%	0,740	22.63%
Time Deposits	5,330,225	0.94%	197,572	36.89%	5,398,341	0.95%	200,899	36.74%	68,116	1.28%	3,328	1.68%
Certificate of Time Deposits	1,841	0.00%	0,326	0.06%	3,015	0.00%	0,349	0.06%	1,174	63.77%	0,023	7.05%
Total	**568,475,217**	**100.00%**	**535,506**	**100,00%**	**570.674.798**	**100.00%**	**546,761**	**100.00%**	**2,199,581**	**0.39%**	**11,255**	**2.10%**

Note: The percentage of deposits in each type of deposit is the percentage of total deposits

Most of the deposits still belonged to either individuals or corporations (third-party funds). There was only tiny 1.11% from the total nominal deposits were interbank deposits (Table 4). Conventional banks hold 92.21% of total nominal deposits, while Islamic banks held the rest (Table 5).

Table 4: Distribution of Deposits Based on Ownership of Deposit

Total Deposits and Number of Accounts by Ownership of Deposits (Nominal in Million USD)												
Ownership of Deposits	February 2024				March 2024				ΔMoM			
	Number of Accounts	%	Nominal	%	Number of Accounts	%	Nominal	%	Number of Accounts	%	Nominal	%
Third Party-fund (DPLK)	568,446,138	99.99%	530,795	99.12%	570,646,075	99.99%	540,694	98.89%	2,199,937	0.39%	9,899	1.86%
Funds From Other Bank	29,079	0.01%	4,711	0.88%	28,723	0.01%	6,067	1.11%	-356	-1.22%	1,356	28.79%
Total	**568,475,217**	**100.00%**	**535,506**	**100.00%**	**570,674,798**	**100.00%**	**546,761**	**100.00%**	**2,199,581**	**0.39%**	**11,255**	**2.10%**

Note: The percentage of deposits in each type of deposit is the percentage of total deposits

Table 5: Distribution of Deposits Based on Type of Bank

Total Deposits and Number of Accounts by Type of Business Banks (Nominal in Million USD)												
Type of Business Banks	Oct-23				Nov-23				ΔMoM			
	Number of Accounts	%	Nominal	%	Number of Accounts	%	Nominal	%	Number of Accounts	%	Nominal	%
Conventional	510,429,724	89.79%	493,766	92.21%	512,570,156	89.82%	504,163	92.21%	2,140,432	0.42%	10,397	2.11%
Islamic	58,045,493	10.21%	41,740	7.79%	58,104,642	10.18%	42,597	7.79%	59,149	0.10%	0,858	2.05%
Total	**568,475,217**	**100.00%**	**535,506**	**100.00%**	**570,674,798**	**100.00%**	**546,761**	**100.00%**	**2,199,581**	**0.39%**	**11,255**	**2.10%**

Note: The percentage of deposits in each type of deposit is the percentage of total deposits

Most of deposits accounts (98.81%) were individually less than IDR100 million (USD6,380*), which account for 12.24% of total deposits. In contrast, deposits accounts that were individually more than IDR5 billion (USD315,000) represented only a tiny 0.02% of the total number of accounts, but contributed to 52.90% of total deposits (Table 6).

Note: (*)Exchange rate 28 March 2024 = IDR15.873/USD (Source: Bank Indonesia)

Table 6: Distribution of Deposits Based on Tiering of Nominal (in IDR)

Total Deposits by Tiering of Nominal (Nominal in Million USD)												
Deposit Tiering (IDR)	October 2023				November 2023				ΔMoM			
	Number of Accounts	%	Nominal	%	Number of Accounts	%	Nominal	%	Number of Accounts	%	Nominal	%
N≤ 100 Mio	561,697,668	98.81%	64,831	12.11%	568,862,873	98.81%	66,931	12.24%	2,165,204	0.39%	2,100	3.24%
100 Mio < N ≤ 200 Mio	3,059,319	0.54%	27,12	5.07%	3,076,968	0.54%	27,284	4.99%	17,749	0.58%	0,157	0.58%
200 Mio < N ≤ 500 Mio	2,179,185	0.38%	44,008	8.22%	2,191,406	0.38%	44,239	8.09%	12,221	0.56%	0,231	0.53%
500 Mio < N ≤ 1 Bio	820,939	0.14%	37,378	6.98%	822,206	0.14%	37,416	6.84%	1,267	0.15%	0,038	0.10%
1 Bio < N ≤ 2 Bio	364,451	0.06%	32,689	6.10%	365,738	0.06%	32,778	5.99%	1,287	0.35%	0,089	0.27%
2 Bio < N ≤ 5 Bio	215,383	0.04%	43,335	8.09%	215,912	0.04%	43,412	7.94%	529	0.25%	0,077	0.18%
N > 5 Bio	138,272	0.02%	286,138	53.43%	139,695	0.02%	294,701	53.90%	1,423	1.03%	8,563	2.99%
Total	**568,475,217**	**100.00%**	**535,506**	**100.00%**	**570,674,798**	**100.00%**	**546,761**	**100.00%**	**2,199,581**	**0.39%**	**11,255**	**2.10%**

Note: The percentage of deposits in each type of deposit is the percentage of total deposits

With the maximum deposit insurance coverage of IDR2 billion (USD126,000), the IDIC's insurance program covers 99.94% number of accounts fully (Table 7). In terms of the nominal amount of deposits, about 38.16% of total deposits are fully insured, while 8.21% are partially insured up to IDR2 billion (Table 8).

Table 7: Distribution of Insured Deposit Based on Accounts

Distribution of Account by Insured Accounts November 2023			
Item	Deposit Tiering (IDR)	Number of Accounts	%
Account for Fully Insured Deposits	≤ 2 Billion	570,319,191	99.94%
Account for Partially Insured Deposits	> 2 Billion	355.607	0.06%
Total Account		**570,674,798**	**100.00%**

Table 8: Distribution of Deposit Based on Nominal

Distribution of Deposits by Insured Deposits Billion IDR November 2023			
Item	Deposit Tiering (IDR)	Nominal Amount	%
Fully Insured Deposits	≤ 2 Billion	3,307,657	38.16%
Partially Insured Deposits	> 2 Billion	711,214	8.12%
Subtotal - Insured Deposits		**4,018,871**	**46.37%**
Uninsured Deposit	> 2 Billion	4,648,820	53.63%
Subtotal - Uninsured Deposit		**4,648,820**	**100.00%**
Total Account		**8,667,961**	

IDIC ACTIVITIES

World Bank Technical Assistance

> "This year, the World Bank has continued its Development Policy Financing to IDIC and provided several Technical Assistances (TA) tailored to meet the latest needs of IDIC which are Deposit Payout and Insurance Guarantee Scheme.

Expert Introduction Meeting untuk World Bank TA on Deposit Payout

26 January 2024

On 26th January 2024, the World Bank commenced an introductory meeting as part of the TA planning with the expert, Mr. Vicente Vargas, Head of Research, Liaison, Public Communications and Financial Education from IPAB Mexico. This objective of this TA is to support IDIC in strengthening its payout functions and bringing the number of payout days closer to 14 days by end 2024, closer to the 7 days international standards. The World Bank TA Mission on Deposit Payout will be held as a simulation exercise within this year in Jakarta.

World Bank TA on Insurance Guarantee Scheme

6-14 Mar 2024

The issuance of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector provides a new mandate for IDIC as authority to implement policy guarantee program. In order to improve the effectiveness of Policy Guarantee Program, World Bank provided TA to support IDIC in establishing the regulation and business process of Policy Guarantee Program.

Through the TA conducted from 6-14 March 2024, World Bank experts – Mr. Lawrie Savage and Mr. Matt Sterzynski presented several high-level recommendations from the legal aspects, membership and scope, funding and levy structure, business process, and resolution procedure. The World Bank will deliver a technical report on the operationalization of the Policy Guarantee Program by June 2024. A second technical mission was also agreed to be held prior to delivery of the said report.

Sharing Session on Overview of Deposit Protection System in Vietnam

On the 24th January 2024, Mrs. Nguyen Mai Thanh, Director of Research & International Cooperation Department of Deposit Insurance of Vietnam (DIV) has graced IDIC with her presence as a speaker to share the overview of deposit protection system in Vietnam. This session was moderated by Mr. Ramadhian Moetomo, Director of International Affairs Group.

Through this sharing session, Mrs. Thanh has opened the perspective of the operation of deposit insurance system in Vietnam, starting from the overview of the organizational structure, methodology of coverage limit and fund management, the roles of DIV in credit institution resolution in Vietnam, several amendments of the DI Law and the adoption of Lest Cost Principle by DIV. Mrs. Thanh also shares that DIV does not have any direct impact from the previous pandemic in 2020 and experiences from other bank resolutions are learnt in order to apply for future provisions.

IDIC Participation in FSAP Assessment

Jan – Mar 2024

The second FSAP mission was carried out at the end of January 2024 and early March 2024. On January 8, 2024, there was a discussion on the update progress of the preparation for the 2nd mission FSAP in 2024 with the National FSAP Secretariat and assessors.

On February 10, 2024, the Technical Note Financial Safety Net-Crisis Management (TN FSN-CM) was presented, and the following follow-up actions were taken, including presentation to the Executive Director and the Board of Commissioners of IDIC. Furthermore, IDIC response to FSAP assessors on February 23, 2024

The responses from all authorities were compiled by the Ministry of Finance and directly presented to the FSAP assessors on February 24, 2024. In the response, Indonesia's position was conveyed not to publish the TN FSN-CM considering that most of the findings require changes to the law, and the new P2SK Law has just been issued, including its implementing regulations are still in the drafting process.

The Closing Meeting of FSAP on March 18, 2024, marked the completion of the First and Second Mission FSAP, attended by all ADK IDIC and relevant work units. Furthermore, FSAP will present a draft Aide Memoire on the entire FSAP Mission and will be presented to the financial authorities in the second quarter of 2024, where the Aide Memoire will be a document published by the IMF-World Bank.

President Jokowi Inaugurates the Construction of IDIC Office in The New National Capital City (IKN)

17 Jan 2024

President of the Republic of Indonesia, Ir. H. Joko Widodo, together with the Chairman of the Board of Commissioners of the Deposit Insurance Corporation (IDIC), Purbaya Yudhi Sadewa, conducted the groundbreaking ceremony marking the start of construction for the IDIC headquarters in the New National Capital City (IKN), East Kalimantan, on Wednesday, January 17, 2024.

In his address, the President expressed hope that the development of the IDIC office complex in The New National Capital City (IKN) would enhance public trust, business confidence, and investor confidence. He emphasized that once IDIC begins, it signifies that others will surely believe that this capital will soon be realized.

“Furthermore, this will enhance the sense of security for the public, businesses, and investors because IDIC will soon be headquartered in IKN. Bank Indonesia will also soon have its headquarters in IKN. The groundbreaking of the IDIC office demonstrates our commitment and readiness to develop the New National Capital City into a world-class capital,” added the President.

The Chairman of the IDIC Board of Commissioners, Purbaya Yudhi Sadewa, accompanying the President of the Republic of Indonesia, stated that the construction of the IDIC Headquarters in IKN aims to support the government’s IKN development program and is a tangible manifestation of IDIC’s commitment to providing security and peace of mind through deposit insurance for banking and insurance customers nationwide.

Before the President of Indonesia, the Chairman of the IDIC Board of Commissioners outlined IDIC's main functions as a protector of the public through deposit insurance programs and insurance policy guarantees, providing inspiration for the development of the IDIC Office Complex in IKN named Arthadyaksa. Arthadyaksa, combining "Artha" meaning wealth or assets and "Adhyaksa" meaning protector, conveys the essence of protecting customers' assets.

"This philosophy is highly relevant to IDIC's primary functions and gives us great inspiration in establishing the IDIC office in IKN, which is also the inaugural development of the IDIC office, considering that the Law Number 24 of 2024 concerning the Deposit Insurance Corporation stipulates that the IDIC office is the New National Capital City (IKN). We are extremely proud to build the first IDIC office in the New National Capital City," added Chairman Purbaya.

Purbaya is optimistic that the construction of the IDIC Office Complex in IKN will proceed smoothly according to the set targets.

"Our IDIC Building development is divided into three phases, with the first phase expected to be completed by the end of 2024. Meanwhile, the second and third phases will be completed in line with the development of the IKN ecosystem into a smart forest city," concluded Chairman Purbaya.

The Enactment of Omnibus Law Gives IDIC Mandate Equivalent to Deposit Insurers in Developed Countries

31 Jan 2024

IDIC – Semarang. With the enactment of Law No. 4 of 2023 on Financial Sector Development and Reinforcement (UUP2SK), the role and function of the Indonesia Deposit Insurance Corporation (IDIC) have transformed and expanded, with IDIC now mandated as a risk minimizer. This role represents the most advanced mandate among deposit insurance institutions worldwide, as stated by the Chairman of the IDIC Board of Commissioners, Purbaya Yudhi Sadewa.

"In other words, IDIC has now attained the highest level of mandate equivalent to that of the FDIC in the United States or Korea's KDIC," he remarked during the UUP2SK Socialization event held in Semarang on Wednesday (31/1/2024).

He further emphasized that with this new mandate, IDIC has been granted authority for early intervention in case of disruptions to financial system stability. This means IDIC will not only aim to minimize losses during resolution processes but will also focus on preventing disturbances to national financial system stability.

Moreover, a significant change post-UUP2SK is the new mandate for IDIC to act as an insurance policy guarantor, to be implemented within a maximum of 5 years from the UUP2SK enactment.

"The UUP2SK is a landmark reform in Indonesia's financial sector, strengthening and addressing various longstanding challenges within our financial sector," explained Purbaya.

Insurance Policy Guarantee Program

During the event, IDIC Executive Director of Surveillance, Data, and Insurance Inspection, Jarot Marhaendro, also presented the Insurance Policy Guarantee Program (PPP) set to be effective from January 12, 2028, or since the UUP2SK was promulgated. According to him, the implementation of PPP by IDIC aims to protect policyholders, insured individuals, or participants from Insurance Companies (IC) whose business licenses are revoked.

"This means every IC must participate in the PPP, and each IC has an obligation to maintain certain health standards, with the health level of ICs determined through precise coordination between IDIC and OJK," he stated. He also clarified the scope of PPP, where PPP only guarantees certain business lines of insurance products, meaning social insurance and mandatory insurance are excluded from PPP.

"ICs that do not participate in PPP must establish a guarantee fund, and specific business lines included and excluded from PPP will be regulated by Government Regulation or PP," he elaborated. As for the policy guarantee mechanisms under UUP2SK, IDIC will cover active or unexpired policies, portfolio transfers, or policyholder rights transfers.

"The maximum policy guarantee limit will be determined by PP, and IDIC will first consult with the DPR," he concluded.

The UUP2SK socialization event was also attended by Deputy Chair of the House Commission XI, Fathan. M.A.P, Members of the House of Representatives of the Republic of Indonesia (DPR RI) Commission XI Musthofa and Alamuddin Dimyati Rois, as well as representatives from the Financial System Stability Committee comprising the Ministry of Finance, Bank Indonesia, and the Financial Services Authority (FSA).

IDIC Participated as a Speaker in Deposit Insurance Agency Russia International Conference

31 Jan 2024

From January 28th to February 4th, 2023, representatives of the Indonesia Deposit Insurance Corporation (IDIC) and the Ministry of Finance attended the International Conference hosted by the Deposit Insurance Agency of the Russian Federation (DIA) in Moscow, Russia. The purpose of their visit included bilateral meetings with DIA officials to extend the Memorandum of Understanding (MoU) between DIA and IDIC, as well as a visit to the Embassy of the Republic of Indonesia in Russia.

Mr. Ridwan Nasution from IDIC elaborated on the rapid growth of Islamic banking and its deposit base in Indonesia compared to conventional banks. Islamic Deposit Insurance in Indonesia operates under the 'Kafalah' contract structure, with IDIC acting as the guarantor to fulfil the bank's obligation to safeguard and guarantee customer deposits in case of bank failure. The implementation of Sharia principles in deposit insurance and bank resolution in Indonesia presents a promising area that requires further study in the future.

IDIC's participation in this international forum has strengthened cooperative relationships with foreign deposit insurance institutions and international associations. Furthermore, the event provided additional insights into various relevant topics, including current global economic and banking trends, as well as developments, growth potential, and innovations in Islamic finance, supporting the responsibilities and functions of IDIC as mandated by law

IDIC participated as a speaker in FSB iCBCM Roundtable Workshop

8 Feb 2024

IDIC was one of the speakers at the FSB iCBCM Roundtable Workshop Collection of Practices with a primary focus on standard resolution plans for insurance companies. Various authorities on insurance company resolution from different jurisdictions attended the event, discussing procedures and the importance of resolution plans for the insurance industry considering the systemic impact it can have.

During this event, Mr. Hatman Bintang (Coordinator of International Affairs) spoke as a panellist, highlighting IDIC's role as an insurer policy guarantor and in the liquidation of insurance companies whose business permits were revoked by the Financial Services Authority (FSA) in 2028. It is worth noting that the mandate and authority of IDIC regarding resolution plans for the insurance industry are not currently within its jurisdiction as per the P2SK Act.

BCBS UPDATES

Basel III Monitoring Report

6 March 2024

The report sets out the impact of the Basel III framework, including the December 2017 finalisation of the Basel III reforms and the January 2019 finalisation of the market risk framework.

Source:
https://www.bis.org/bcbs/publ/d570.pdf

Global Systemically Important Banks - Revised Assessment Framework

7 March 2024

The Basel Committee on Banking Supervision has issued a public consultation on potential measures to address "window-dressing" behaviour by some banks in the context of the framework for global systemically important banks (G-SIB). Such regulatory arbitrage behaviour seeks to temporarily reduce banks' perceived systemic footprint around the reference dates used for the reporting and public disclosure of the G-SIB scores.

Window-dressing by banks is unacceptable. Such behaviour undermines the intended policy objectives of the Committee's standards and risks disrupting the operations of financial markets. The proposed revisions aim at mitigating the ability of banks to window-dress by requiring banks participating in the G-SIB assessment exercise to report and disclose the stock G-SIB indicators based on an average of values over the reporting year, rather than based on year-end values.

Source:
https://www.bis.org/bcbs/publ/d571.pdf

Banks' window-dressing of the G-SIB framework: causal evidence from a quantitative impact study

7 March 2024

Banks' market activity is commonly observed to contract around period-end dates. This behaviour by banks, known as "window-dressing", has micro- and macro-prudential implications, as well as potential repercussions for financial stability and the operationalisation of monetary policy. However, data limitations have constrained the capability of studies to attribute incentives for this behaviour to specific policies, restricting policymakers' scope to impose on banks costly mitigating reporting reforms.

Source: https://www.bis.org/bcbs/publ/wp42.pdf

Exploiting a novel and uniquely extensive bank-level dataset, this study employs a difference-in-differences empirical strategy to test whether the response of banks to the G-SIB framework – a key component of the Basel III macroprudential reforms – directly contributes to window-dressing behaviour. It finds causal evidence that it does. These results suggest that banks' attempts to lower their G-SIB scores may be a significant driver of year-end window-dressing behaviour and highlight the potential broader implications of this behaviour on market volatility.

FINANCIAL STABILITY BOARD

FSB UPDATES

FSB Chair's letter to G20 Finance Ministers and Central Bank Governors: February 2024

26 February 2024

> The FSB has developed a comprehensive workplan for 2024 that incorporates the priorities of the Brazilian G20 Presidency.

This letter was submitted to G20 Finance Ministers and Central Bank Governors (FMCBG) ahead of the G20's meeting on 28-29 February.

The financial stability outlook remains challenging. Against a background of modest, but steady global growth and moderating inflation, caution is warranted. Past interest rate hikes are still passing through to borrowers, asset valuations are also stretched in some key markets, and abrupt shifts in market pricing could expose vulnerabilities in the financial system, including those related to leverage and liquidity mismatch in non-bank financial intermediation (NBFI).

Source: https://www.fsb.org/wp-content/uploads/P260224.pdf

The letter lays out the FSB's workplan for 2024. Core elements of this plan are to identify and address financial system vulnerabilities in key areas including lessons from the March 2023 banking turmoil, NBFI, digitalisation and climate change; and to enhance the efficiency of cross-border payments.

Thematic Review on Money Market Fund Reforms: Peer review report

27 February 2024

> Addressing vulnerabilities in money market funds is a key element of the FSB's work programme to enhance the resilience of the non-bank financial intermediation sector.

Money market funds (MMFs) are important providers of short-term financing for financial institutions, corporations, and governments. MMFs are also used by retail and institutional investors to invest excess cash and manage their liquidity.

MMFs are subject to two broad types of vulnerabilities that can be mutually reinforcing: they are susceptible to sudden and disruptive redemptions, and they may face challenges in selling assets, particularly under stressed conditions. The prevalence of this liquidity mismatch, which crystallised during the March 2020 market turmoil, may depend in individual jurisdictions on market structures, use, and characteristics of MMFs.

Source:
https://www.fsb.org/wp-content/uploads/P260224.pdf

In 2021, the FSB published a report with policy options to address MMF vulnerabilities by imposing on redeeming investors the cost of their redemptions; enhancing the ability to absorb credit losses; addressing regulatory thresholds that may give rise to cliff effects; and reducing liquidity transformation. This peer review takes stock of the measures adopted or planned by FSB member jurisdictions in response to that report, including those jurisdictions' evidence-based explanation of relevant MMF vulnerabilities and policy choices made. The review does not assess the effectiveness of those policy measures, as this will be the focus of separate follow-up work by the FSB in 2026.

IMF and World Bank Approach to Cross-Border Payments Technical Assistance

29 February 2024

> “
> Technical assistance plays a critical role in helping achieve the targets for the G20 Roadmap for Enhancing Cross-Border Payments.

This paper

1. details the important role technical assistance plays in achieving the G20 Cross-Border Payments Roadmap targets;
2. summarises stocktakes conducted by the IMF and World Bank of recent and ongoing technical assistance supporting cross-border payments; and
3. explains the IMF's and World Bank's approaches to cross-border payments technical assistance.

Read the report on the IMF website.

Source:
https://www.fsb.org/2024/02/imf-and-world-bank-approach-to-cross-border-payments-technical-assistance/

FSB Guidance on Arrangements to Support Operational Continuity in Resolution (revised version 2024)

18 March 2024

> To resolve a failing financial institution in a manner that maintains continuity of its critical functions, it is important that there is continuity of critical shared services.

This guidance was originally published on 18 August 2016. A supplementary note has now been added to the original guidance.

Critical shared services, such as information technology infrastructure and software-related services, are necessary to support the continued provision of a financial institution's critical functions.

The FSB Guidance on Arrangements to Support Operational Continuity in Resolution, originally published in 2016, sets out arrangements to support the continuity of those services in the event of resolution. The guidance assists supervisory and resolution authorities and financial institutions to evaluate whether financial institutions that are subject to resolution planning requirements have appropriate arrangements to support operational continuity if the firm enters resolution. It covers legal, contractual and governance frameworks, resourcing, management information systems and financial resources.

Source: https://www.fsb.org/wp-content/uploads/P180324.pdf

As part of the digitalisation of the financial services sector, financial institutions have increased their dependencies on third-party service providers in supporting critical shared services in recent years. This can bring multiple benefits to financial institutions, including flexibility, innovation and improved operational resilience. However, if not properly managed, disruption to critical shared services could affect the continued provision of critical functions, posing risks to orderly resolution and, in some cases, financial stability.

The 2016 Guidance has been issued to include a supplementary note on the digitalisation of critical shared services as an addendum. The supplementary note does not create any new guidance or requirements. Rather, it specifies, for each section of the 2016 Guidance, how authorities and firms should think about the continuity of critical shared services in resolution when those services are digital.

Policies and Regulations

LPS Regulation Number 2 of 2023 on The Establishment of the Supervisory Body

A. Overview of the LPS Regulation Number 2 of 2023 is to supplement the legal basis of Law No. 4 of 2023, regulating some of the following matters:

1. The LPS Supervisory Body is a separate entity from LPS, has its own organizational structure, and is responsible to the House of Representatives of the Republic of Indonesia (DPR).
2. The LPS Supervisory Body serves to assist DPR on the oversight function in certain areas of LPS to enhance performance, accountability, independence, transparency, and institutional credibility of LPS.
3. The LPS Supervisory Body consists of a chairman who also serves as a member, with the minimum number of members is five (5), taking into account the number of members of LPS Board of Commissioners.
4. In executing its duties, functions, and authorities, the LPS Supervisory Body is assisted by the secretariat of the Supervisory Body.
5. The secretariat of the LPS Supervisory Body consists of:
   a. One (1) head of the secretariat who is an assigned employee of LPS;
   b. A maximum of seven (7) analysts, who are contracted employees; and
   c. A maximum of two (2) secretariat staff and one (1) administrator to perform service function who are assigned employees of LPS or contracted employees.
6. The LPS Supervisory Body prepares and deliver report on the performance of the Supervisory Body to the House of Representatives of the Republic of Indonesia (DPR), which includes:
   a. Evaluation of the institutional performance of LPS;
   b. Evaluation of the performance of the LPS Supervisory Body
7. Changes in the regulation of LPS in P2SK Law, namely the addition for the Establishment of the LPS Supervisory Body.

B. Mandate for the Drafting LPS Regulation (PLPS) Concerning the Supervisory Body

1. Article 89A paragraphs (1) and (2), and paragraph (8) in Article 7 number 61 of Law No. 4 of 2023 stipulates:
   (1) Pursuant to Law No. 4 of 2023, the LPS Supervisory Body is formed.
   (2) The LPS Supervisory Body serves to assist DPR on the oversight function in certain areas of LPS to enhance performance, accountability, independence, transparency, and institutional credibility of LPS.
   (8) The provisions regarding the organization, structure, and budget of the Supervisory Body are regulated in the PLPS after consultation with DPR.

C. Position and Status of the LPS Supervisory Body

1. The LPS Supervisory Body is located in the same jurisdiction as LPS headquarters.
2. The LPS Supervisory Body is a separate entity from LPS and has its own organizational structure.
3. The LPS Supervisory Body is responsible to DPR.

D. Core Principles of the LPS Supervisory Body

1. Compliance; which means carrying out duties and authorities in accordance with the scope of functions, duties, and authorities regulated in the LPS Law and complying with the legislative provisions;
2. Effectiveness; which involves executing duties and work programs in line with the functions of the LPS Supervisory Body, as well as producing outputs that support the achievement of goals of the LPS Supervisory Body to enhance performance, accountability, independence, transparency, and institutional credibility;
3. Good Governance; which entails conducting duties guided by the principles of good governance through management that is accountable, transparent, open, grounded in legal regulations, and does not abuse authority; and
4. Integrity; which involves carrying out duties and authorities while consistently prioritizing honesty, treating all parties with respect, and adhering firmly to ethical codes and moral principles.

E. Functions, Duties, and Authorities of the LPS Supervisory Board

To carry out its duties, the LPS Supervisory Board is authorized to:

a. Request explanations regarding matters related to the governance of the implementation of duties and institutional authorities of LPS;
b. Receive copies of quarterly and annual institutional performance reports from LPS;
c. Conduct reviews of the governance of the implementation of duties and institutional authorities of LPS;
d. Request necessary documents for conducting reviews mentioned in letter (c) related to the governance of the implementation of duties and institutional authorities of LPS;
e. Receive copies of annual financial reports from the LPS;
f. Conduct reviews of the LPS operational budget (reviews of the implementation of the operational budget established by the Board of Commissioners);
g. Receive reports from the public and industry regarding LPS performance; and
h. Request explanations and responses from the LPS Board of Commissioners regarding the reviews mentioned in letter (c) and letter (f) during meetings with the LPS Supervisory Board.

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