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IDIC Global Updates is a periodical newsletter issued by IDIC International Affairs Group that aims to update IDIC Staffs and relevant stakeholders on international initiatives in promoting stability and resilience of financial services industry. Whilst we have used our best endeavors and efforts to ensure the accuracy of the contents, we do not hold any or represent that the respective opinions are accurate and therefore shall not be held responsible for any inaccuracies.

IADI UPDATES – First Quarter 2019

The International Association of Deposit Insurers held an International Conference In Almaty, Kazakhstan

March 2019

The Kazakhstan Deposit Insurance Fund (KDIF) and the International Association of Deposit Insurers (IADI) held an International Conference "Deposit Insurance and the public: Promoting Communication, Financial Literacy and Transparency". The conference took place in Almaty, Kazakhstan on 28 February 2019.

The conference was attended by 140 participants from 40 jurisdictions and addressed the role of Deposit Insurance Organizations (DIOs) in promoting communication, raising financial literacy and enhancing the transparency of operations. Mr Katsunori Mikuniya, IADI President and Governor of the Deposit Insurance Corporation of Japan, made opening remarks stating that history shows us failure resolution can only be carried out efficiently with public trust. In order to earn trust from the public, it is indispensable not only to establish robust regulatory structures and operate them properly, but also to promote good communication among authorities and the public. President Mikuniya noted that from his experience in dealing with an actual financial crisis, the real world does not give deposit insurers sufficient time and resources to carry out their various objectives in an orderly manner. To make deposit insurers themselves resilient, it is critically important to promote communication, financial literacy and transparency in non-crisis times.

Mr Nurlan Abdrakhmanov, Chairman of KDIF, stated that unsolved problems in financial literacy may be revealed during the crisis period, especially in circumstances of a bank failure. On the one hand, the desire of an ordinary depositor to make the maximum of his or her investments is reasonable. On the other hand, not many people have sufficient financial knowledge. People may ignore the obvious risks and not apply simple risk management rules. Moreover, most banks do not pay enough attention to the financial knowledge and culture of their consumers. In order to create greater knowledge and enhance financial culture and behaviour, there must be general commitment by the people, banks and the government to financial literacy.

In his keynote address, IADI Secretary General David Walker stressed that financial literacy has different aspects and goals in developed economies and in the emerging markets countries. While in general the developed economies may be characterized by a higher financial literacy level, there are still specific groups of population that need help. Ideally, financial literacy should be addressed starting from school. Meanwhile, in the emerging markets countries the whole segments of society are "new" to banking, and the share of digitally stored-value products in the finance system is relatively high there.

Mr Zhanat Kurmanov, Deputy Governor of the National Bank of the Republic of Kazakhstan, stated that the regulators and the deposit insurers both have the same objective of a sustainable and efficient banking system. To achieve this goal, it is critical to design a comprehensive financial architecture that rests on three pillars, namely, prudential regulation and risk-based supervision; a credible bank resolution regime; and public confidence in a sound financial system, including effective deposit insurance system.

Conference attendees were privileged to receive presentations and case studies from a wide range of experts from Canada, Colombia, Indonesia, Japan, Kazakhstan, Kenya, Korea, the Philippines, Poland, Russia, Turkey, Ukraine, the United Kingdom and the United States. The Alliance for Financial Inclusion, the Financial Stability Institute and the Organisation for Economic Cooperation and Development also contributed presenters to the Conference and shared their perspectives on promoting communication, financial literacy and transparency.

The International Association of Deposit Insurers (IADI) was formed in May 2002 to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation. Members of IADI conduct research and produce guidance for the benefit of those countries seeking to establish or improve a deposit insur-

ance system. Members also share their knowledge and expertise through participation in international conferences and other forums. IADI currently represents 87 deposit insurers IADI is a non-profit organisation constituted under Swiss Law and is domiciled at the Bank for International Settlements in Basel, Switzerland.

Sources: IADI website

BCBS UPDATES – First Quarter 2019

BCBS issued various publications in First Quarter 2019, range from Standards, Newletters, Quantitative Impact Study (QIS), Implementation Reports, and Others. List of publications during this period are as follows:

Table 1: BCBS Publication

Dates	Type of Publication	Titles
14 Jan 2019	Standards	Minimum capital requirements for market risk
05 Feb 2019	Working papers	An examination of initial experience with the global systemically important bank framework
07 Mar 2019	Implementation reports	Regulatory Consistency Assessment Programme (RCAP): Assessment of the Basel Committee's large exposures framework - Brazil
07 Mar 2019	Implementation reports	Regulatory Consistency Assessment Programme (RCAP): Assessment of the Basel Committee's NSFR regulations - Brazil
13 March 2019	Newsletters	Statement on crypto-assets
14 March 2019	Working papers	Survey on the interaction of regulatory instruments: results and analysis
19 March 2019	Other	Proportionality in bank regulation and supervision - a survey on current practices
20 March 2019	QIS	Basel III Monitoring Report

Minimum capital requirements for market risk

14 Jan 2019

The standard has been revised to address issues that the Basel Committee identified in the course of monitoring the implementation and impact of the framework. This final standard incorporates changes that were proposed in a March 2018 consultative document and has been informed by a quantitative impact based on data as of end-December 2017.

As in the January 2016 framework, the core features of the standard include:
- a clearly defined boundary between the trading book and the banking book;
- an internal models approach that relies upon the use of expected shortfall models and sets out separate capital requirements for risk factors that are deemed non-modellable; and
- a standardised approach that is risk-sensitive and is designed and calibrated to serve as a credible fallback to the internal models approach.

Revisions to the January 2016 framework includes the following key changes:
- a simplified standardised approach for use by banks that have small or non-complex trading portfolios;
- clarifications on the scope of exposures that are subject to market risk capital requirements;
- refined standardised approach treatments of foreign exchange risk and index instruments;
- revised standardised approach risk weights applicable to general interest rate risk, foreign exchange and certain exposures subject to credit spread risk;

- revisions to the assessment process to determine whether a bank's internal risk management models appropriately reflect the risks of individual trading desks; and
- revisions to the requirements for identification of risk factors that are eligible for internal modelling.

This revised standard comes into effect on 1 January 2022.

The Basel Committee has published an accompanying explanatory note to provide a non-technical description of the overall market risk framework, the changes that have been incorporated into in this version of the framework and impact of the framework. The note also sets out a number of worked examples to illustrate the application of the framework's standardised approach.

The standard text has been prepared in a new modular format that adopts the style of the new "consolidated framework" which the Basel Committee will apply to all standards on its website in the coming months.

An examination of initial experience with the global systemically important bank framework

05 Feb 2019

This paper presents a first analysis of the experience to date with the global systemically important bank (G-SIB) framework, the methodology for assessing the systemic importance of G-SIBs. Several issues are examined. First, we investigate whether G-SIBs and non-G-SIBs have behaved differently since the implementation of the G-SIB framework and if observed differences in behaviour are in accordance with the framework's aims. Next, we ask whether there are regional differences in the behaviour of G-SIBs and non-G-SIBs.

The analysis reveals that G-SIBs and non-G-SIBs behave differently; however, both groups are heterogeneous, so that the indicator outcomes are often highly influenced by a few banks. Nevertheless, most G-SIBs have reduced their G-SIB scores during the period assessed, changing their balance sheets in ways that are consistent with the G-SIB framework's aims. In contrast, non-G-SIBs have increased their relative G-SIB scores during the same period. Finally, the regional analysis indicates that trends in banks' G-SIB indicators, and the indicators that contribute most to the final G-SIB score, are heterogeneous across countries and regions. While G-SIBs from the euro area, Great Britain (GB) and the United States (US) have reduced their systemic importance for most indicators, Chinese and Japanese G-SIBs have shown relatively positive growth rates for all indicators, and particularly high ones for indicators in the substitutability category.

Regulatory Consistency Assessment Programme (RCAP): Assessment of the Basel Committee's large exposures framework – Brazil

07 Mar 2019

Through its Regulatory Consistency Assessment Programme (RCAP), the Basel Committee monitors the timely adoption of regulations by its members, assesses the regulations' consistency with the Basel framework and examines the consistency of banks' calculation of the prudential ratios across jurisdictions. The RCAP also helps member jurisdictions to identify and assess the materiality of any deviations from the Basel framework.

This report describes the Committee's assessment of Brazil's implementation of the Basel Committee's large exposures framework. Brazil's large exposures framework has been assessed as compliant, which is the highest possible grade.

Regulatory Consistency Assessment Programme (RCAP): Assessment of the Basel Committee's NSFR regulations – Brazil

07 Mar 2019

Through its Regulatory Consistency Assessment Programme (RCAP), the Basel Committee monitors the timely adoption of regulations by its members, assesses the regulations' consistency with the Basel framework and examines the consistency of banks' calculation of the prudential ratios across jurisdictions. The RCAP also helps member jurisdictions to identify and assess the materiality of any deviations from the Basel framework.

This report describes the Committee's assessment of Brazil's implementation of the Basel Committee's Net Stable Funding Ratio (NSFR) standard. The Brazilian NSFR has been assessed as compliant, which is the highest possible grade.

Statement on crypto-assets

13 March 2019

The past few years have seen a growth in crypto-assets. While the crypto-asset market remains small relative to that of the global financial system, and banks currently have very limited direct exposures, the Committee is of the view that the continued growth of crypto-asset trading platforms and new financial products related to crypto-assets has the potential to raise financial stability concerns and increase risks faced by banks.

While crypto-assets are at times referred to as "crypto-currencies", the Committee is of the view that such assets do not reliably provide the standard functions of money and are unsafe to rely on as a medium of exchange or store of value. Crypto-assets are not legal tender, and are not backed by any government or public authority. 1 Through this newsletter, the Basel Committee is setting out its prudential expectations related to banks' exposures to crypto-assets and related services, for those jurisdictions that do not prohibit such exposures and services.

Crypto-assets have exhibited a high degree of volatility and are considered an immature asset class given the lack of standardisation and constant evolution. They present a number of risks for banks, including liquidity risk; credit risk; market risk; operational risk (including fraud and cyber risks); money laundering and terrorist financing risk; and legal and reputation risks. Accordingly, the Committee expects that if a bank is authorised and decides to acquire crypto-asset exposures or provide related services, the following should be adopted at a minimum:

- Due diligence: Before acquiring exposures to crypto-assets or providing related services, a bank should conduct comprehensive analyses of the risks noted above. The bank should ensure that it has the relevant and requisite technical expertise to adequately assess the risks stemming from crypto-assets.
- Governance and risk management: The bank should have a clear and robust risk management framework that is appropriate for the risks of its crypto-asset exposures and related services. Given the anonymity and limited regulatory oversight of many crypto-assets, a bank's risk management framework for crypto-assets should be fully integrated into the overall risk management processes, including those related to anti-money laundering and combating the financing of terrorism and the evasion of sanctions, and heightened fraud monitoring. Given the risk associated with such exposures and services, banks are expected to implement risk management processes that are consistent with the high degree of risk of crypto-assets. Its relevant senior management functions are expected to be involved in overseeing the risk assessment framework. Board and senior management should be provided with timely and relevant information related to the bank's crypto-asset risk profile. An assessment of the risks described above related to direct and indirect crypto-asset exposures and other services should be incorporated into the bank's internal capital and liquidity adequacy assessment processes.
- Disclosure: A bank should publicly disclose any material crypto-asset exposures or related services as part of its regular financial disclosures and specify the accounting treatment for such exposures, consistent with domestic laws and regulations.

- Supervisory dialogue: The bank should inform its supervisory authority of actual and planned crypto-asset exposure or activity in a timely manner and provide assurance that it has fully assessed the permissibility of the activity and the risks associated with the intended exposures and services, and how it has mitigated these risks.

The Committee continues to monitor developments in crypto-assets, including banks' direct and indirect exposures to such assets. The Committee will in due course clarify the prudential treatment of such exposures to appropriately reflect the high degree of risk of crypto-assets. It is coordinating its work with other global standard setting bodies and the Financial Stability Board.

Survey on the interaction of regulatory instruments: results and analysis

14 March 2019

This report summarises and analyses the results of the third-wave survey conducted by the Research Task Force on the role of multiple regulatory constraints in the Basel III framework. The latest survey (end-December 2017) retains the format of the end-December 2016 survey: each block of questions tests the impact of a regulatory instrument and provides an indication of the interaction among said instruments and the problems created by the growing complexity of the Basel III framework.

Proportionality in bank regulation and supervision - a survey on current practices

19 March 2019

The Basel Committee on Banking Supervision is today publishing the results of a survey it conducted on proportionality practices in bank regulation and supervision. The report summarises the responses received to the survey by Basel Committee member jurisdictions and those of the Basel Consultative Group.

In brief, the majority of respondents to the survey currently apply proportionality measures in their jurisdictions. In most cases, such measures are applied to banks that represent a relatively small share of total banking assets in the relevant jurisdiction, although there is a fair degree of heterogeneity.

Jurisdictions rely on a number of determinants in identifying proportionality thresholds / segments. These include a wide number of balance sheet metrics and differentiation by banks' business models. In most cases, these indicators are coupled with supervisory judgment when determining the scope of banks subject to different requirements.

Most jurisdictions apply some form of proportionality related to capital and liquidity requirements. These generally take the form of a modified / simpler version of existing Basel standards, particularly for the more complex risk categories, or an exemption from such requirements for certain banks. Jurisdictions similarly apply proportionate reporting and disclosure requirements, with some banks subject to less onerous requirements and submission frequencies. Most jurisdictions also apply a proportionate approach to their supervisory practices, including the intensity of on- and off-site examinations, requirements related to risk management controls and governance, and supervisory stress tests.

Basel III Monitoring Report

20 March 2019

This report presents the results of the Basel Committee's latest Basel III monitoring exercise, based on data as of 30 June 2018. Through a rigorous reporting process, the Committee regularly reviews the implications of the

Basel III standards for banks, and has been publishing the results of such exercises since 2012. The report sets out the impact of the Basel III framework that was initially agreed in 2010 as well as the effects of the Committee's December 2017 finalisation of the Basel III reforms. However, it does not yet reflect the finalisation of the market risk framework published in January 2019.

Data are provided for a total of 189 banks, including 106 large internationally active banks. These "Group 1"banks are defined as internationally active banks that have Tier 1 capital of more than €3 billion, and include all 29 institutions that have been designated as global systemically important banks (G-SIBs). The Basel Committee's sample also includes 83 "Group 2" banks (ie banks that have Tier 1 capital of less than €3 billion or are not internationally active).

The final Basel III minimum requirements are expected to be implemented by 1 January 2022 and fully phased in by 1 January 2027. On a fully phased-in basis, the capital shortfalls at the end-June 2018 reporting date are €30.1 billion for Group 1 banks at the target level. These shortfalls are more than 70% smaller than in the end-2015 cumulative QIS exercise, thanks mainly to higher levels of eligible capital. For Group 1 banks, the Tier 1 minimum required capital (MRC) would increase by 5.3% following full phasing-in of the final Basel III standards relative to the initial Basel III standards. This compares with an increase of 3.2% at end-2017.

The increases in both shortfalls and the change in MRC over the last six months are driven partly by a higher market risk contribution; this does not yet reflect the finalisation of the market risk framework published in January 2019, which is expected to offset the increases to some extent. By excluding all revisions to the market risk framework, the current end-June 2018 data show increases in Tier 1 MRC of 1.7%, 1.5% and 8.3% for Group 1 banks, G-SIBs and Group 2 banks, respectively, compared to 1.7%, 1.2% and 5.3% six months earlier.

The report also provides data on the initial Basel III minimum capital requirements, total loss-absorbing capacity (TLAC) and Basel III's liquidity requirements.

Sources: BIS website

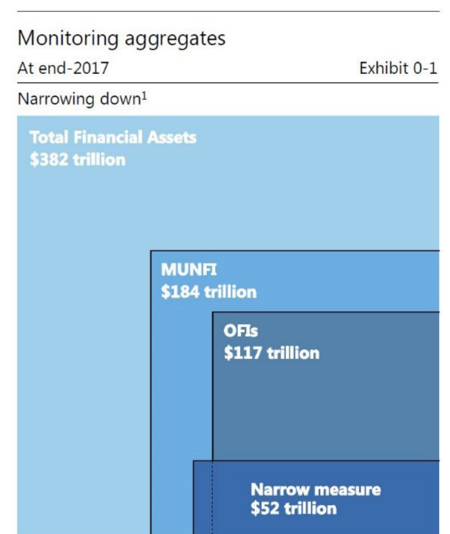
FSB UPDATES – First Quarter 2019

Global Monitoring Report on Non-Bank Financial Intermediation 2018

4 February 2019

The Global Monitoring Report on Non-Bank Financial Intermediation 2018 presents the results of the FSB's annual monitoring exercise to assess global trends and risks from non-bank financial intermediation.

The annual monitoring exercise is part of the FSB's policy work to enhance the resilience of non-bank financial intermediation. It focuses on those parts of non-bank financial intermediation that perform economic functions which may give rise to bank-like financial stability risks (i.e. the narrow measure of non-bank financial intermediation).



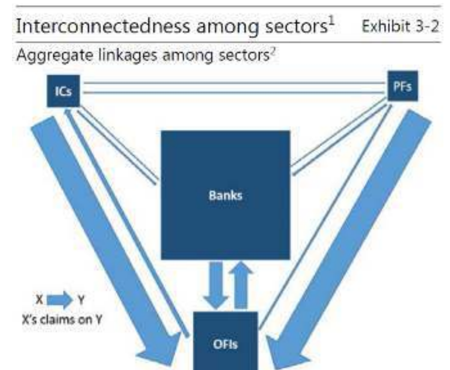
Section 1 introduces the FSB's monitoring approach, including its scope, data, and terminology. It also describes recent innovations in non-bank financial intermediation.

Section 2 provides an overview of the size and growth of all sectors in the financial system. Among them, "Other Financial Intermediaries" (OFIs) aggregate, which includes all financial institutions that are not central banks, banks, insurance corporations, pension funds, public financial institutions or financial auxiliaries, grew by 7.6% in 2017OFIs' growth exceeded that of banks, insurance corporations and pension funds. With $116.6 trillion, OFI assets represent 30.5% of total global financial assets, the largest share on record. Among the OFI sub-sectors, in 2017 structured finance vehicles grew for the first time since the 2007-09 global financial crisis.

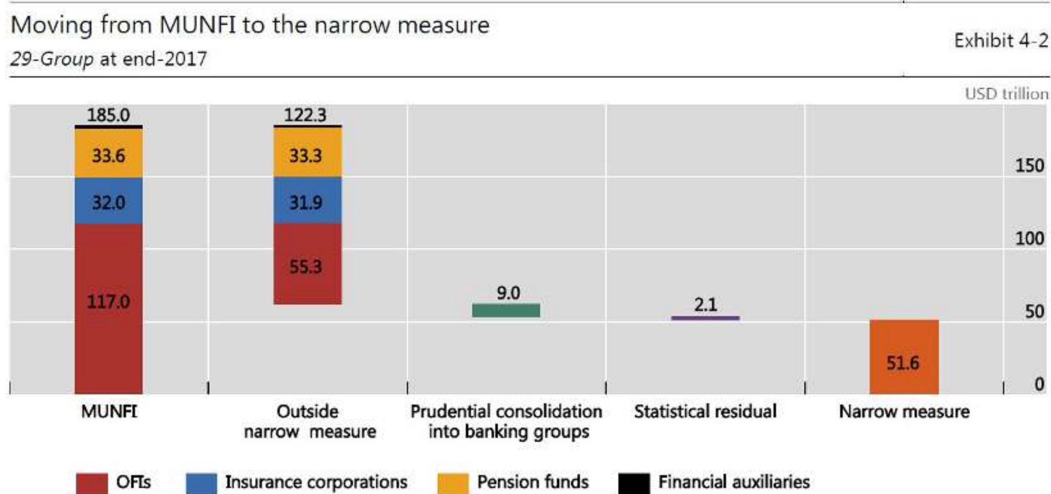
Section 3 assesses the interconnectedness between non-bank financial entities and banks and among non-bank financial entities and cross-border linkages. In aggregate, banks and OFIs have become marginally more interconnected through credit and funding relationships in 2017, at levels similar to 2003-06. Investment funds and money market funds are the largest OFI sub-sectors that provide credit to banks.

Section 4 focuses on those parts of non-bank financial intermediation where bank-like financial stability risks may arise. The narrow measure of non-bank financial intermediation, which reflects an activity-based "economic function" assessment of risks, grew by 8.5% to $51.6 trillion in 2017, at a slightly slower pace than 2011-16. Since 2011, the Cayman Islands, China, Ireland and Luxembourg together have accounted for over two-thirds of the dollar value increase. The narrow measure represents 14% of total global financial assets. Key components include:

- Collective investment vehicles (CIVs) with features that make them susceptible to runs continued to drive the overall growth of the narrow measure in 2017. They grew by 9.1%, a somewhat slower pace than annual growth during 2011-16 (13.2%). Together, CIV assets represent 71% of the narrow measure. The CIVs included in the narrow measure invest mostly in credit assets and are involved in liquidity transformation.
- Non-bank financial entities engaging in loan provision that is dependent on short-term funding grew by 6% in 2017, and account for 7% of the narrow measure. This category largely consists of finance companies, which were found to employ some degree of leverage, and in some jurisdictions, a high degree of maturity transformation. Finance companies in a few jurisdictions also displayed high liquidity risk.



- Market intermediaries that depend on short-term funding or secured funding of client assets grew by 5%, and make up 8% of the narrow measure. Broker-dealers constitute the largest entity type in this category. Reflecting their business models, broker-dealers in some jurisdictions continue to employ significant leverage, although it is considered to be lower than the level seen prior to the 2007-09 global financial crisis.
- Securitisation-based credit intermediation increased by 9% in 2017, to account for 10% of the narrow measure, primarily driven by growth in trust company assets and securitisations.



Section 5 features case studies that discuss various aspects of non-bank financial entities and activities in greater detail, including: (i) FinTech credit; (ii) recent developments in the leveraged loan markets and the role of non-bank financial intermediaries; (iii) the non-bank credit cycle; (iv) cross-border movements of non-bank financial intermediation systems; and (v) the use of credit default swaps by non-bank financial institutions in the European Union.

Datasets from the report are publicly available for use in accordance with the FSB's normal terms and conditions.

FSB work programme for 2019

12 February 2019

This work programme details the FSB's planned work and an indicative timetable of main publications for 2019. It reflects the FSB's continued pivot from policy design to the implementation and evaluation of the effects of reforms and, in particular, vigilant monitoring to identify and address new and emerging risks to financial stability.

- Addressing new and emerging vulnerabilities in the financial system - Preserving financial stability, and thereby supporting sustainable growth, requires the continued monitoring of developments in the global financial system. The FSB will continue to scan the horizon to identify and assess emerging risks through regular discussion by its members of macro-financial developments, as well as through the biannual Early Warning Exercise conducted jointly with the International Monetary Fund. The FSB will also continue to assess the impact of evolving market structures and of technological innovation on global financial stability. This includes the resilience of financial markets in stress, the implications of the growth of non-bank financial intermediation and operational issues such as cyber risks.
- Finalising and operationalising post-crisis reforms - G20 post-crisis financial reforms have delivered a safer, simpler and fairer financial system. To reinforce this progress, the FSB is working with standard-setting bodies (SSBs) to complete work on a few final issues in the main reform areas.
- Implementation and evaluating the effects of the reforms - Implementation of the reforms is not complete and it remains uneven. It is critical to maintain momentum and avoid complacency, in order to achieve the goal of greater resilience. The FSB, in collaboration with SSBs, will continue work on implementation monitoring through regular progress reports and peer reviews.

- Evaluating the effects of the reforms. The FSB will also take forward its programme to evaluate the effects of post-crisis reforms. The objective is to assess whether reforms are operating as intended in an efficient manner, and to identify and deliver adjustments where appropriate, without compromising on the agreed level of resilience.

FinTech and market structure in financial services: Market developments and potential financial stability implications

14 February 2019

This report assesses FinTech market developments in the financial system and the potential implications for financial stability. The FSB defines FinTech as technology-enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services.

Technological innovation holds great promise for the provision of financial services, with the potential to increase market access, the range of product offerings, and convenience while also lowering costs to clients. At the same time, new entrants into the financial services space, including FinTech firms and large, established technology companies (‘BigTech’), could materially alter the universe of financial services providers.

Greater competition and diversity in lending, payments, insurance, trading, and other areas of financial services can create a more efficient and resilient financial system. However, heightened competition could also put pressure on financial institutions’ profitability and this could lead to additional risk taking among incumbents in order to maintain margins. Moreover, there could be new implications for financial stability from BigTech in finance and greater third-party dependencies, e.g. in cloud services.

Some key considerations from the FSB’s analysis of the link between technological innovation and market structure are the following:

- To date, the relationship between incumbent financial institutions and FinTech firms appears to be largely complementary and cooperative in nature.
- The competitive impact of BigTech may be greater than that of FinTech firms. BigTech firms typically have large, established customer networks and enjoy name recognition and trust.
- Reliance by financial institutions on third-party data service providers (e.g. data provision, cloud storage and analytics, and physical connectivity) for core operations is estimated to be low at present. However, this warrants ongoing attention from authorities.

Sources: FSB website

IDIC UPDATES – First Quarter 2019

A. Banking Growth and Stability

Indonesian banking industry starts the year with a satisfactory financial performance in the first quarter of 2019 (Q1-2019). As shown in Table 1, banking industry's assets grow by 9.1% YoY (2% MtM), while profits rise by 11.3% YoY (59% MtM). This growth is mainly driven by credits, which are able to grow by 11.71% YoY (1.2% MtM). On the right-hand side of the industry's balance sheet, deposits (third parties funds) grow by 7.16% YoY (1.3% MtM), a relatively better pace than growth at the end of December 2018 (6.45% YoY, 1% MtM). Meanwhile, the industry's Tier 1 capital is able to grow by 12.3% YoY (1.4% MtM), supported by a strong growth of net profits (11.3% YoY, 59% MtM).

Compared to their conventional peers, Indonesian Islamic banks start the year with a more moderate financial performance. Islamic banks' assets have grown by 4.5% YoY (1.1% MtM) in the first quarter of 2018, while profits rise by 33.9% YoY (61.7% MtM). In terms of lending performance, Sharia financing has increased by 5.2% YoY (2.2% MtM). Meanwhile, Sharia deposits (third party funds) has risen by 3.7% YoY (1% MtM), and Tier 1 capital has increased by 8.3% YoY (but decreases on MtM basis, i.e. by -0.3%).

Table 1: Indicators of Banking Industry (Trillion IDR)

Indicator	Mar-18	Feb-19	Mar-19	YoY	MtM
Asset	7,435.9	7,958.6	8,114.9	↑ 9.1%	↑ 2.0%
Conventional	7,131.7	7,643.8	7,796.9	↑ 9.3%	↑ 2.0%
Islamic	304.2	314.7	318.1	↑ 4.5%	↑ 1.1%
Credit	4,789.4	5,287.4	5,350.3	↑ 11.71%	↑ 1.2%
Conventional	4,593.3	5,085.4	5,144.0	↑ 12.0%	↑ 1.2%
Islamic	196.1	202.0	206.4	↑ 5.2%	↑ 2.2%
Third Parties Fund	5,294.1	5,600.4	5,673.1	↑ 7.16%	↑ 1.3%
Conventional	5,040.9	5,340.4	5,410.4	↑ 7.3%	↑ 1.3%
Islamic	253.2	260.0	262.7	↑ 3.7%	↑ 1.0%
Tier 1	1,105.8	1,224.2	1,241.5	↑ 12.3%	↑ 1.4%
Conventional	1,074.4	1,190.1	1,207.6	↑ 12.4%	↑ 1.5%
Islamic	31.4	34.1	34.0	↑ 8.3%	↓ -0.3%
Profit/Loss	36.0	25.2	40.1	↑ 11.3%	↑ 59.0%
Conventional	35.5	24.8	39.4	↑ 11.0%	↑ 59.0%
Islamic	0.5	0.4	0.6	↑ 33.9%	↑ 61.7%

The key financial ratios in Table 2 show that the Indonesian banking industry at the first quarter of 2019 has a strong capital and improved assets quality. Some challenges remain, especially in the aspect of overall liquidity, as implied by the Loan-to-Deposits (LDR) ratio that has increased 384 bps from Q1 last year.

Table 2: Financial Ratio of Banking Industry

Ratio	Mar-18	Feb-19	Mar-19	YoY	MtM
CAR	21.93%	22.47%	22.49%	↑ 56bps	↑ 2bps
Asset Quality	1.85%	1.82%	1.78%	↑ -7bps	↑ -4bps
Gross NPL	2.72%	2.56%	2.49%	↑ -24bps	↑ -7bps
NNPL	0.47%	0.39%	0.37%	↑ 10bps	↑ 2bps
ROA	2.49%	2.40%	2.55%	↑ 6bps	↑ 15bps
ROE	13.69%	13.71%	13.70%	↑ 1bps	↓ -1bps
OC/OR	78.54%	83.31%	81.05%	↓ -250bps	↑ 226bps
NIM	4.55%	4.30%	4.36%	↓ -20bps	↑ 6bps
LDR	90.47%	94.41%	94.31%	↓ -384bps	↑ 10bps
Interbank Liabilities	3.77%	3.04%	3.19%	↑ -57bps	↓ 15bps
CL/CA	18.09%	17.87%	18.60%	↑ 51bps	↑ 73bps

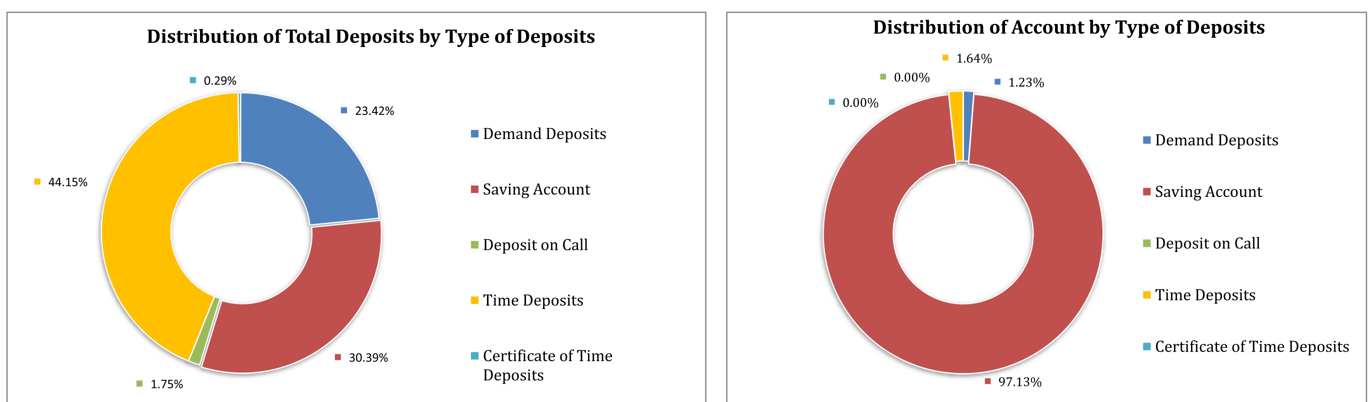
Financial Ratio of Banking Industry

NOTE:
YoY : Year-on-Year growth
MtM : Month-to-Month growth
↑ : Favorable
↓ : Unfavorable

B. Deposit Insurance Updates

At the end of first quarter of 2019, total deposits in the Indonesian banking industry are still dominated by saving deposits in terms of account numbers. In particular, saving deposits account for 97.13% of the total number of accounts. However, in terms of market shares, savings contribute only 30.39% of total deposits. In contrast, time deposits, which represent only 1.64% of the total number of accounts, have the largest shares of total deposits (44.15%). Meanwhile, demand deposits, which mainly are for a transactional purpose, account for 1.23% of the total number of accounts and contribute to 23.42% shares of total deposits. Other types of deposits—Deposits on Call and Certificates of Deposits (CDs)—have still relatively limited market shares.

Figure 2: Distribution of Deposits in Banking Industry



Most of the deposits are belong to either individuals or corporations (third-party funds). There only 1.77% from the total deposits are interbank deposits. Conventional banks hold 95.43% of total deposits, while Islamic banks 4.57%.

Table 3: Distribution of Deposit Based on Type of Deposit

Total Deposits by Type of Deposits (Nominal in Million USD)												
Type of Deposits	November 2018				December 2018				∆ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	∆ Account	%	∆ Nominal	%
Demand Deposits	3,433,450	1.23	91.743	23.00	3,465,363	1.23	94.808	23.42	31.913	0.93	3.065	3.34
Saving Account	272,109,854	97.13	122.955	30.80	274,097,071	97.13	123.045	30.39	1,987,217	0.73	0.090	0.07
Deposit on Call	5.276	0.00	5.686	1.40	5.687	0.00	7.096	1.75	411	7.79	1.410	24.80
Time Deposits	4,592,252	1.64	177.566	44.50	4,628,110	1.64	178.767	44.15	35.858	0.78	1.201	0.68
Certificate of Time Deposits	313	0.00	1.077	0.30	359	0.00	1.158	0.29	46	14.70	0.081	7.52
Total	280,141,145	100.00	399.026	100.00	282,196,590	100.00	404.873	100.00	2,055,445	0.73	5.846	1.47

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

Table 4: Distribution of Deposit Based on Ownership of Deposit

Total Deposits by Ownership of Deposits (Nominal in Million USD)												
Ownership of Deposits	November 2018				December 2018				∆ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	∆ Account	%	∆ Nominal	%
Third Party-Fund	280,115,413	99.99	392.493	98.36	282,170,875	99.99	397.710	98.23	2,055,462	0.73	5.217	1.33
Funds From Other Bank	25.732	0.01	6.533	1.64	25.715	0.01	7.162	1.77	(17)	-0.07	0.629	9.64
Total	280,141,145	100.00	399.026	100.00	282,196,590	100.00	404.873	100.00	2,055,445	0.73	5.846	1.47

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

Table 5: Distribution of Deposit Based on Type of Bank

Total Deposits by Type of Business Banks (Nominal in Million USD)												
Type of Business Banks	November 2018				December 2018				∆ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	∆ Account	%	∆ Nominal	%
Conventional	255,341,276	91.15	380.685	95.40	257,189,852	91.14	386.351	95.43	1,848,576	0.72	5.666	1.49
Islamic	24,799,869	8.85	18.341	4.60	25,006,738	8.86	18.522	4.57	206.869	0.83	0.181	0.99
Total	280,141,145	100.00	399.026	100.00	282,196,590	100.00	404.873	100.00	2,055,445	0.73	5.846	1.47

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

Most of deposits accounts (98.21%) are individually less than IDR100 million (USD7,020*), which account for 14.08% of total deposits. In contrast, deposits accounts that are individually more than IDR5 billion (USD351,025) represent only 0.03% of the total number of accounts, but contribute to 47.72% of total deposits.

Note: (*)Exchange rate end of period= IDR14,243/USD

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

Total Deposits by Tiering of Nominal (Nominal in Million USD)												
Deposit Tiering (IDR)	November 2018				December 2018				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
N ≤ 100 Mio	275,083,937	98.19	57.197	14.33	277,131,692	98.21	57.018	14.08	2,047,755	0.74	0.180	-0.31
100 Mio < N ≤ 200 Mio	2,319,437	0.83	22.850	5.73	2,323,701	0.82	22.927	5.66	4.264	0.18	0.077	0.34
200 Mio < N ≤ 500 Mio	1,587,203	0.57	35.809	8.97	1,589,471	0.56	35.856	8.86	2.268	0.14	0.047	0.13
500 Mio < N ≤ 1 Bio	611.468	0.22	31.146	7.81	612.081	0.22	31.166	7.70	613	0.10	0.020	0.06
1 Bio < N ≤ 2 Bio	274.515	0.10	27.515	6.90	274.267	0.10	27.498	6.79	(248)	-0.09	0.017	-0.06
2 Bio < N ≤ 5 Bio	168.829	0.06	37.071	9.29	169.089	0.06	37.201	9.19	260	0.15	0.1	0.35
N > 5 Bio	95.756	0.03	187.438	46.97	96.289	0.03	193.207	47.72	533	0.56	5.770	3.08
Total	280,141,145	100.00	399.026	100.00	282,196,590	100.00	404.873	100.00	2,055,445	0.73	5.846	1.47

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 (USD140,410), the IDIC's insurance program covers 99.91% of total deposit accounts fully and 0.10% of total deposit accounts partially (Table 7). In overall, the total insured deposits are about 52.30% of total deposits, while 47.70% are uninsured (Table 8).

Table 7: Distribution of Insured Deposit Based on Accounts

Distribution of Account by Insured Accounts March 2019			
Item	Deposit Tiering (IDR)	Number of Accounts	%
Account for Fully Insured Deposits	≤ 2 Billion	281,931,212	99.91%
Account for Partially Insured Deposits	> 2 Billion	265.378	0.09%
Total Account		**282,196,590**	**100.00%**

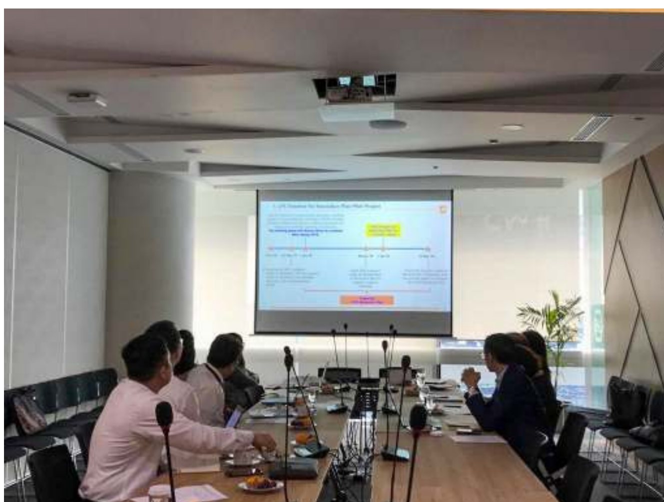
Table 8: Distribution of Deposit Based on Nominal

Distribution of Deposits by Insured Deposits (Billion IDR) March 2019			
Item	**Deposit Tiering (IDR)**	**Nominal Account**	**%**
Fully Insured Deposits	≤ 2 Billion	2,483,326	43.09%
Partially Insured Deposits	> 2 Billion	530.756	9.21%
Subtotal - Insured Deposits		**3,014,082**	**52.30%**
Uninsured Deposit	> 2 Billion	2,748,877	47.70%
Subtotal - Uninsured Deposit		**2,748,877**	**100%**
Total Account		**5,762,959**	

C. Technical Assistance Mission from the World Bank

From 25th February to 1st March 2019, IDIC received technical assistance from the World Bank Group (World Bank) with the objective to continue the World Bank's support to IDIC's efforts towards undertaking its mandate as the bank resolution authority, particularly with regards to resolution planning for systemic banks. During the missioin, Wolrd Bank mission team and IDIC officials discussed and finalized the resolution plan templates and data requests to banks, reviewed and discussed the draft resolution manuals/handbook, the draft policy/regulations for launching the resolution planning exercise, and agreed on a refined Technical Mission workplan for 2019. On Tuesday, 26th March 2019, the wrap up session held and attended by the World Bank mission team and IDIC Board of Commissioners and related officials.

The World Bank mission team members were Ismael Ahmad Fontan (Senior Financial Sector Specialist), Dara Lengkong (Senior Financial Sector Specialist), Neni Lestari (Financial Sector Specialist). Francesco Strobbe (Senior Financial Sector Economist/Program Coordinator) with Irina Astrakhan (Practice Managers) provided support and join some selected meetings during this mission.



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