INDONESIA DEPOSIT INSURANCE CORPORATION

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CONTENTS

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 2020

The Association welcomes its newest Member, the Fond de Garantie des Dépôts Bancaires

20 February 2020

The Executive Council has approved the application of the Fond de Garantie des Dépôts Bancaires (Banking Deposits Guarantee Fund (Tunisia)) to join the IADI as a Member.

IADI Research Paper "Deposit Insurance and Financial Inclusion: Current Trends in Insuring Digital Stored-Value Products"

19 March 2020

The International Association of Deposit Insurers (IADI) is pleased to release a Research Paper titled "Deposit Insurance and Financial Inclusion: Current Trends in Insuring Digital Stored-Value Products". The paper was prepared by the Financial Inclusion and Innovation Technical Committee chaired by Mr. Juan Carlos López, Manager of Corporate Affairs and Communications of Fogafín, the Colombia Financial Guarantee Fund. The Technical Committee was established under the IADI Core Principles and Research Council Committee.

The paper provides a review of the adoption of deposit insurance coverage for digital stored-value products (DSPs), which are rapidly evolving products used to foster financial inclusion. In addition, the paper includes a set of elements related to the involvement of deposit insurers in national arrangements to promote financial inclusion, as well as how protection of DSPs may be aligned with the IADI Core Principles for Effective Deposit Insurance Systems.

The Paper is now available on the Papers' section of the IADI public website.

IADI Guidance Paper - "Public Policy Objectives for Deposit Insurance Systems"

23 March 2020

The International Association of Deposit Insurers (IADI) is pleased to release a Guidance Paper titled "Public Policy Objectives for Deposit Insurance Systems". The paper was produced by a Technical Committee chaired by Ms. Yvonne Fan, Executive Vice President of Central Deposit Insurance Corporation of Chinese Taipei and authored by Mr. Kevin Chew, Deputy General Manager of Malaysia Deposit Insurance Corporation. The Technical Committee was established under the IADI Core Principles and Research Council Committee.

This paper provides an update on the public policy objectives of deposit insurance systems in different jurisdictions, taking into account recent developments and, where possible, to illustrate the policy rationale behind changes in objectives. It also provides a set of supporting guidance points for the effective implementation of Principle 1 of the IADI Core Principles for Effective Deposit Insurance Systems.

The Paper is available on the Papers' section of the IADI public website.

Sources: IADI website

BCBS UPDATES – First Quarter 2020

BCBS issued various publications in First Quarter 2020. List of publications during this period are as follows:

Table 1: BCBS Publication

Dates	Type of Publication	Titles
27 Feb 2020	Newsletters	Benchmark rate reforms
19 Mar 2020	Implementation reports	Regulatory Consistency Assessment Programme (RCAP): Assessment of the Basel Committee's Net Stable Funding Ratio standard - Indonesia
19 Mar 2020	Implementation reports	Regulatory Consistency Assessment Programme (RCAP): Assessment of Basel large exposures regulations – Indonesia
19 Mar 2020	Implementation reports	Regulatory Consistency Assessment Programme (RCAP): Assessment of Basel large exposures regulations – Singapore
19 Mar 2020	Implementation reports	Regulatory Consistency Assessment Programme (RCAP): Assessment of the Basel Committee's Net Stable Funding Ratio standard - Hong Kong
19 Mar 2020	Implementation reports	Regulatory Consistency Assessment Programme (RCAP): Assessment of Basel large exposures regulations - Hong Kong
19 Mar 2020	Implementation reports	Regulatory Consistency Assessment Programme (RCAP): Assessment of the Basel Committee's Net Stable Funding Ratio standard - Singapore
27 Mar 2020	Press release	Governors and Heads of Supervision announce deferral of Basel III implementation to increase the operational capacity of banks and supervisors to respond to Covid-19

Benchmark rate reforms

27 Feb 2020

The Basel Committee on Banking Supervision fully supports the global efforts to strengthen the robustness and reliability of existing inter-bank offered rates (IBORs) and promote the development of alternative reference rates. It is critically important that banks consider the effects of benchmark rate reform on their businesses and make the necessary preparations for the transition to the alternative rates. In doing so, they should maintain a close dialogue with their supervisory authorities regarding their plans and transition progress, including impediments that may be identified. In this regard, as the London inter-bank offered rate (LIBOR) is not expected to exist past year-end 2021, market participants should consider carefully the economic, legal and reputational risks associated with continuing to write new contracts based on LIBOR. Public authorities may also wish to consider the actions they can take to help ensure a smooth transition.

In cases where banks continue to use IBORs, the Basel Committee encourages them to include in their contracts robust fallback language that determines how the replacement of a discontinued reference rate would be handled. Banks should also plan carefully to ensure that internally developed and vendor-provided systems and services that they use are prepared fully to accommodate the alternative reference rates.

Updating existing contracts to include fallback language, or directly adjusting contracts to reference a new benchmark rate, may trigger a reassessment of the instrument under prevailing accounting standards. Any revaluation or reclassification of assets or liabilities that result from such a reassessment of contracts could have various impacts on the financial statements of banks. As such, the Committee welcomes the work of accounting standard setters to develop guidance that will address the accounting effects on financial reporting from the transition to the alternative reference rates and looks forward to timely finalisation of these efforts.

Regarding capital instruments, an amendment to their contractual terms could potentially trigger a reassessment of their eligibility as regulatory capital in some jurisdictions. A reassessment could result in an existing capital instrument being treated as a new instrument. This in turn could result in it breaching the minimum maturity and call date requirements that apply to capital instruments within the Basel Framework.iv Existing capital instruments issued under Basel II that are being phased out could also fail to meet eligibility requirements if they are treated as new instruments.v The Committee is clarifying through this newsletter that, under the Basel Framework, amendments to capital instruments pursued solely for the purpose of implementing benchmark rate reforms will not result in them being treated as new instruments for the purpose of assessing the minimum maturity and call date requirements or affect their eligibility for transitional arrangements of Basel III.

Aside from contract changes, banks should consider what adjustments to their risk management frameworks will be necessary to take account of the transition to the alternative reference rates. Banks that use internal models for regulatory capital purposes should consider how they will adapt their models. This is especially important when the alternative reference rates do not have a history that is long enough to cover a stressed period for risk management purposes or sufficient price observations to meet model eligibility requirements. In this regard, the Committee notes that various parts of the Basel Framework permit the use of proxies in internal models. Banks should hold early engagements with their supervisory authorities on how they plan to adapt their models to account for the transition to the alternative reference rates, including what proxies they plan to use. Banks that are required to submit model changes for approval should discuss their submission plans with their supervisory authorities, which will help to avoid bottlenecks.

The Committee is continuing to monitor and assess issues related to benchmark reforms, and during this year, banks should expect greater supervisory scrutiny of their preparations and contingency planning. Based on its analysis, the Committee will consider what additional steps may be necessary to ensure a smooth and timely transition to the alternative reference rates, including issuing any further clarifications that may be necessary.

Regulatory Consistency Assessment Programme (RCAP): Assessment of the Basel Committee's Net Stable Funding Ratio standard – Indonesia

19 Mar 2020

Through its Regulatory Consistency Assessment Programme (RCAP), the Basel Committee monitors the timely adoption of regulations by its members, assesses their 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 Indonesia's implementation of the Basel Committee's Net Stable Funding Ratio (NSFR) standard. Indonesia's NSFR has been assessed as compliant.

Regulatory Consistency Assessment Programme (RCAP): Assessment of Basel large exposures regulations – Indonesia

19 March 2020

Through its Regulatory Consistency Assessment Programme (RCAP), the Basel Committee monitors the timely adoption of regulations by its members, assesses their 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 Indonesia's implementation of the Basel Committee's large exposures framework (LEX). Indonesia's LEX framework has been assessed as compliant.

Regulatory Consistency Assessment Programme (RCAP): Assessment of Basel large exposures regulations – Singapore

19 March 2020

Through its Regulatory Consistency Assessment Programme (RCAP), the Basel Committee monitors the timely adoption of regulations by its members, assesses their 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 Singapore's implementation of the Basel Committee's large exposures framework (LEX). Singapore's LEX framework has been assessed as compliant.

Regulatory Consistency Assessment Programme (RCAP): Assessment of the Basel Committee's Net Stable Funding Ratio standard - Hong Kong

19 March 2020

Through its Regulatory Consistency Assessment Programme (RCAP), the Basel Committee monitors the timely adoption of regulations by its members, assesses their 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 Hong Kong SAR's implementation of the Basel Committee's Net Stable Funding Ratio (NSFR) standard. Hong Kong's NSFR has been assessed as compliant.

Regulatory Consistency Assessment Programme (RCAP): Assessment of Basel large exposures regulations - Hong Kong

19 March 2020

Through its Regulatory Consistency Assessment Programme (RCAP), the Basel Committee monitors the timely adoption of regulations by its members, assesses their 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.

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19 March 2020

Through its Regulatory Consistency Assessment Programme (RCAP), the Basel Committee monitors the timely adoption of regulations by its members, assesses their 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 Singapore's implementation of the Basel Committee's Net Stable Funding Ratio (NSFR) standard. Singapore's NSFR has been assessed as compliant.

Governors and Heads of Supervision announce deferral of Basel III implementation to increase the operational capacity of banks and supervisors to respond to Covid-19

27 March 2020

The Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), has endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the coronavirus disease (Covid-19) on the global banking system.

"It is important that banks and supervisors are able to commit their full resources to respond to the impact of Covid-19. This includes providing critical services to the real economy and ensuring that the banking system remains financially and operationally resilient. The measures endorsed by GHOS today aim to prioritise these objectives and we remain ready to act further if necessary," said François Villeroy de Galhau, Chairman of the GHOS and Governor of the Bank of France.

Pablo Hernández de Cos, Chairman of the Basel Committee and Governor of the Bank of Spain, said: "Today's measures will free up operational capacity for banks and supervisors as they respond to the economic impact of Covid-19. The Committee will continue to closely monitor the impact of Covid-19 on banks and supervisors and respond as necessary in coordination with the Financial Stability Board and other standard-setting bodies on cross-cutting issues."

The measures endorsed by the GHOS comprise the following changes to the implementation timeline of the outstanding Basel III standards:

- The implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028.
- The implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023.
- The implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.
- These standards were finalised with the objective of complementing the initial set of Basel III standards. The revised timeline is therefore not expected to dilute the capital strength of the global banking system, but will provide banks and supervisors additional capacity to respond immediately and effectively to the impact of Covid-19.

GHOS members unanimously reaffirmed their expectation of full, timely and consistent implementation of all Basel III standards based on this revised timeline. Current events demonstrate once again the importance of a resilient financial system, which these reforms will help further reinforce.

Sources: BIS website

FSB UPDATES – First Quarter 2020

Global Monitoring Report on Non-Bank Financial Intermediation 2019

19 January 2020

The Global Monitoring Report on Non-Bank Financial Intermediation 2019 presents the results of the FSB's annual monitoring exercise to assess global trends and risks from non-bank financial intermediation (NBFI).

The annual monitoring exercise is part of the FSB's strategy to enhance the resilience of NBFI. The exercise compares the size and trends of financial sectors in aggregate and across jurisdictions. The FSB focuses particularly on those parts of NBFI that may pose bank-like financial stability risks and/or regulatory arbitrage.

Section 1 introduces the FSB's monitoring approach, including the scope, data, and terminology. It also describes recent innovations in NBFI. The 2019 report covers data up to end-2018 from 29 jurisdictions, which together represent over 80% of global GDP.

Section 2 provides an overview of the size and growth of all sectors in the financial system. Total global financial assets grew by 1.4% in 2018, driven largely by banks. Within MUNFI (Monitoring Universe of Non-Bank Financial Intermediation) assets of insurance corporations and pension funds remained largely unchanged, while those of OFIs (Other Financial Intermediaries) declined marginally as a result of stock market declines in late 2018 and, to a lesser extent, outflows from some of these entities.

In 2018, lending assets of OFIs, which comprise all financial institutions that are not central banks, banks, insurance corporations, pension funds, public financial institutions or financial auxiliaries grew by 3.0%, largely driven by the euro area. In comparison, bank loans grew by 5.9%. Repo assets and liabilities of OFIs increased in 2018, with the net repo position remaining largely unchanged. Growth in repo assets of banks exceeded that of repo liabilities.

Section 3 assesses the interconnectedness among financial entities, both within and across borders. The interconnectedness between banks and OFIs through credit and funding relationships has remained largely unchanged since 2016, after declining from its 2009 levels. Investment funds and money market funds remain the largest OFI sub-sectors that provide credit to banks.

Section 4 focuses on those parts of NBFI where bank-like financial stability risks may arise. This narrow measure of NBFI grew by 1.7%, to $50.9 trillion in 2018, compared to an average annual growth rate of 8.5% from 2012 to17. It now represents 13.6% of total global financial assets. The narrow measure, which reflects an activity-based "economic function" (EF) assessment of risks, includes the following elements:

The narrow measure, which reflects an activity-based "economic function" (EF) assessment of risks, includes the following elements:

Collective investment vehicles (CIVs) with features that make them susceptible to runs (EF1) grew by 0.4% in 2018, much less than the 11.0% average annual growth rate from 2012 to 2017. CIVs represent 72.0% of the narrow measure. Two of the largest EF1 entity types, money market funds and fixed-income funds, invest primarily in credit assets and engage in liquidity and maturity transformation.

Non-bank financial entities engaging in loan provision that is dependent on short-term funding (EF2) grew by 6.9% in 2018, representing 7.0% of the narrow measure. Finance companies, the entity type most commonly classified into EF2, displayed a somewhat elevated degree of leverage, but have moderate maturity transformation in most jurisdictions.

Market intermediaries that depend on short-term funding or secured funding of client assets (EF3) grew by 8.7% in 2018, representing 8.8% of the narrow measure. Broker-dealers that are not prudentially consolidated into banking groups constitute the largest EF3 entity type; they employ significant leverage, particularly when accounting for off-balance sheet exposures. Broker-dealer leverage increased modestly in 2018 in most jurisdictions. In aggregate, it remains lower than the levels seen in the lead up to the financial crisis.

Entities involved in the facilitation of credit creation (EF4) grew by 5.0% in 2018. The size of these entities, which represent less than 1% of the narrow measure, might be significantly understated due to the difficulty in capturing off-balance sheet exposures. Assets of investment funds involved in credit derivatives have increased in recent years, and accounted for the biggest share of EF4 assets in 2018.

The nominal value of entities engaged in securitisation-based credit intermediation (EF5), such as securitisation vehicles, remained largely unchanged in 2018, representing 9.3% of the narrow measure. Assets of structured finance vehicles, which include collateralised loan obligations, grew by 9.7%, continuing the growth seen in 2017. However, this growth was offset by a decrease in the assets of Chinese trust companies, which fell by 21.7%.

Section 5 features case studies that discuss different aspects of NBFI in greater detail, including: (i) flow and valuation effects in the investment fund sector; (ii) the role of non-bank financial institutions in providing financing to commercial real estate; and (iii) the role of investment funds in cross-border capital flows.

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

FSB Chair's letter to G20 Finance Ministers and Central Bank Governors: February 2020

19 February 2020

This letter from the FSB's Chair, Chair Randal K. Quarles, to G20 Finance Ministers and Central Bank Governors ahead of their meetings in Riyadh from 22-23 February.

The letter notes that the global financial system is constantly facing new challenges. Technology is changing the nature of traditional finance; the non-bank sector has grown and requires deeper understanding and coordination among the supervisory and regulatory community. Pressures that can lead to market fragmentation exist. Concurrently, important supervisory and regulatory issues require attention.

Against this backdrop, focus areas for the FSB's work for the Saudi Arabian G20 include:

LIBOR transition. LIBOR is facing cessation in less than two years, but the official and private sectors have much to accomplish to ensure a smooth transition to a post-LIBOR world. The FSB welcomes the increased G20 focus on the issue of LIBOR transition and will publish reports on this transition in July and December.

Technology. Building on work published last year, the FSB will provide a report on the implications of the provision of financial services by large technology firms (BigTechs) for emerging market and developing economies. The G20 Presidency has also asked the FSB to submit a report on the range of practices in the use of technology in regulation ('RegTech') and supervision ('SupTech').

So-called 'stablecoins'. The FSB is resolved to quicken the pace of developing the necessary regulatory and supervisory responses to these new instruments. It will issue a draft report on regulatory issues and possible responses for public consultation in April.

Cross-border payments. Recognising the importance of efficient and inclusive payment services for global growth, the Saudi G20 Presidency has requested the FSB to coordinate the development of a roadmap for improving cross-border payments. The FSB will deliver this roadmap to the G20 in October.

Non-bank financial intermediation (NBFI). NBFI now accounts for roughly half of global financial assets. As this sector grows and evolves, there may be new vulnerabilities that need assessment. The FSB is considering what work is appropriate and whether to reorganize existing work on NBFI.

Evaluating the post-crisis regulatory framework. The FSB is continuing to evaluate whether the post-crisis financial regulatory reforms are working as intended. In June it will publicly consult on an evaluation to assess the extent to which too-big-to-fail reforms are reducing the systemic and moral hazard risks associated with systemically important banks. The FSB will also continue its work to address unintended, negative effects of fragmentation started under the previous G20 presidency.

Implementation monitoring. Finalising post-crisis reforms and monitoring their effective implementation remains a priority. Much of the new financial regulatory framework called for by the G20 is largely in place, but implementation is not complete. The FSB will deliver its annual report on progress in implementation ahead of the G20 Summit.

Peer Review of South Africa

16 March 2020

This peer review examined the framework for bank resolution and deposit insurance in South Africa. The review finds that good progress has been made in recent years on both topics. The authorities have applied the lessons from recent bank failures to inform the proposals for the adoption of a resolution regime broadly aligned with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions. Moreover, the proposed introduction of a deposit insurance system demonstrates the authorities' commitment to implement the International Association of Deposit Insurers (IADI) Core Principles for Effective Deposit Insurance Systems.

Notwithstanding this progress, the review concludes there is additional work to be done to ensure the new measures can be implemented effectively:

On the bank resolution framework:
- setting a clear implementation roadmap, including the identification and sequencing of key policies, timelines for delivery and resource requirements;
- enhancing the operating model for the South African Reserve Bank as resolution authority;
- reviewing emergency liquidity arrangements in light of the new resolution framework; and
- introducing a mechanism for ex post recovery from the industry of public funds used for resolution.

On deposit insurance:
- developing the functional expertise at the deposit insurer;
- launching a comprehensive public awareness campaign covering different stages of the establishment of the deposit insurance system;
- reviewing the design features after the deposit insurance system is established; and
- enhancing the funding structure of the deposit insurance fund by building up the size of the equity tranche, determining a long-term target fund size and setting a reasonable time frame to achieve it.

Peer Review of Mexico

19 March 2020

This peer review examined the implementation of the G20 commitments on over-the-counter (OTC) derivatives in Mexico. The report finds that the Mexican financial authorities have made good overall progress in their implementation of OTC derivatives reforms. Mexico does not have a specific law dedicated to regulating OTC derivatives markets, but the authorities in recent years undertook several initiatives to enhance rules and procedures in this area. These include implementing comprehensive requirements for trade reporting, central clearing and platform trading, with a strong focus on quality, public transparency, and analysis of trade repository (TR) data. The authorities have advanced these reforms in a thoughtful, collaborative and proactive manner.

Notwithstanding these achievements, the review concludes that further steps can be taken:
- completing implementation of remaining OTC derivatives reforms on a timely basis, including margin and final capital requirements for non-centrally cleared derivatives;
- expanding the authority of the National Banking and Securities Commission (CNBV) for aspects of the supervision and enforcement of conduct of market participants; and
- expanding the scope and sharing of TR data, including removing barriers to full reporting of Mexican TR data to foreign TRs.

The peer review report includes recommendations to the Mexican financial authorities in order to address these issues. These steps should be supported by efforts to ensure that the authorities – particularly the CNBV – have adequate resources and powers to fulfil current and potentially expanded OTC derivatives related responsibilities.

Sources: FSB website

IDIC UPDATES – Fourth Quarter 2019 – First Quarter 2020

A. Banking Growth and Stability

In Q4-2019, the Indonesian banking industry closes the year with positive financial performances. Its assets grow by 6.20% YoY, while profits increase by 4.90% YoY. This growth was mainly driven by credits, which grow by 6.17% YoY. Compared to its performance in Q3-2019, banks' assets and credit growths on average are relatively milder. On the right-hand side of the industry's balance sheet, deposits (third parties funds) grow by 6.54% YoY, slightly lower than its growth in Q3-2019 (7.47% YoY). Meanwhile, the industry's Tier 1 capital grow by 9.60% YoY.

Table 1: Indicators of Banking Industry (Trillion IDR)

Indicator	Dec-18	Nov-19	Dec-19	YoY	MtM
Asset	8.060,0	8.408,9	8.557,7	6,2%	1,8%
Conventional	7.743,2	8.073,5	8.207,4	6,0%	1,7%
Islamic	316,8	335,4	350,3	10,6%	4,4%
Credit	5.353,5	5.582,0	5.683,8	6,17%	1,8%
Conventional	5.155,2	5.361,4	5.458,1	5,9%	1,8%
Islamic	203,1	220,6	225,6	11,1%	2,3%
Third Parties Fund	5.630,5	5.947,8	5.998,6	6,54%	0.9%
Conventional	5.372,9	5.672,7	5.709,7	6,3%	0,7%
Islamic	257,7	275,1	289,0	12,1%	5,0%
Tier 1	1.210,7	1.323,2	1.326,5	9,6%	0,2%
Conventional	1.177,2	1.286,4	1.289,4	9,5%	0,2%
Islamic	33,5	35,4	35,6	6,5%	0,5%
Profit/Loss	148,4	142,5	155,8	4,9%	9,3%
Conventional	146,5	139,7	152,7	4,2%	9,3%
Islamic	1,9	2,7	3,0	59,6%	10,4%

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

Table 2 shows that the industry's Gross and Net NPL are slightly higher than last year, suggesting a mild increase in credit risk. However, CAR remain strong at 22.98%, bank efficiency (OC/OR: Operating Cost/Operating Revenues) improves, and bank profits are relatively robust at 2.47% (ROA). These imply that the Indonesian banking industry remains stable over the year of 2019.

Table 2: Financial Ratio of Banking Industry

Ratio	Dec-18	Nov-19	Dec-19	YoY	MtM
CAR	22,50%	23,21%	22,98%	🟢 48bps	🔴 -23bps
Asset Quality	1,68%	1,95%	1,82%	🟢 -14bps	🟢 -14bps
Gross NPL	2,34%	2,74%	2,49%	🔴 15bps	🟢 -25bps
NNPL	0,29%	0,38%	0,36%	🟢 -7bps	🔴 2bps
ROA	2,38%	2,46%	2,47%	🟢 8bps	🟢 1bps
ROE	12,97%	13,71%	12,66%	🔴 -31bps	🔴 -105bps
OC/OR	80,31%	79,71%	79,61%	🟢 70bps	🟢 11bps
NIM	4,68%	4,42%	4,45%	🔴 -23bps	🟢 3bps
LDR	95,17%	93,85%	94,75%	🟢 42bps	🔴 -90bps
Interbank Liabilities	3,10%	2,94%	2,99%	🟢 11bps	🔴 -5bps
CL/CA	19,84%	18,04%	19,37%	🔴 -46bps	🟢 133bps

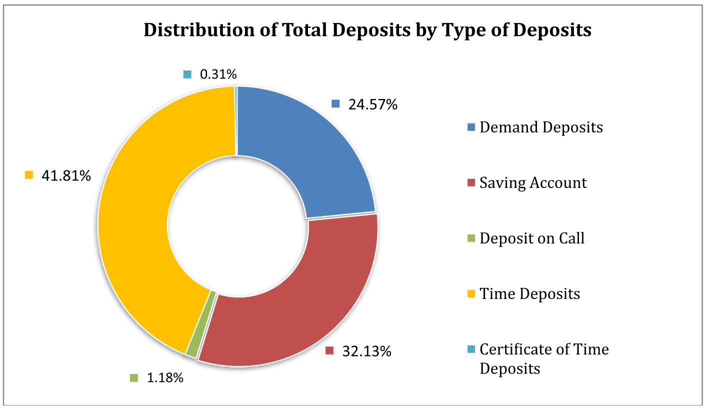
NOTE:

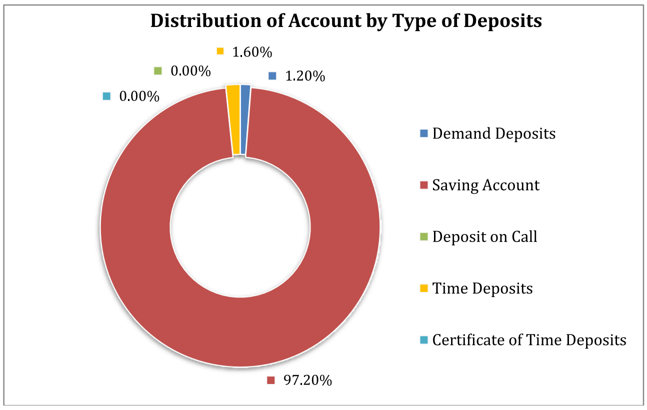
YoY : Year-on-Year growth
MtM : Month-to-Month growth
🟢 : Favorable
🔴 : Unfavorable

B. Deposit Insurance Updates

Per deposit distribution data in Q4/2019, total deposits in the Indonesian banking industry are still dominated by saving deposits in terms of account numbers. In particular, saving deposits account for 97.20% of the total number of accounts. However, in terms of market shares, savings contribute only 32.13% of total deposits. In contrast, time deposits, which represent only 1.60% of the total number of accounts, have the largest shares of total deposits (41.81%). Meanwhile, demand deposits, which mainly for transactional purpose, account for 1.20% of the total number of accounts and contribute to 24.57% shares of total deposits.

Figure 2: Distribution of Deposits in Banking Industry





Most of the deposits belong to either individuals or corporations (third-party funds). Conventional banks hold 95.21% of total deposits, while Islamic banks 4.79%.

Table 3: Distribution of Deposit Based on Type of Deposit

Total Deposits and Number of Accounts by Type of Deposits (Nominal in Million USD)

Type of Deposits	November 2019				Desember 2019				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
Demand Deposits	3.644.718	1.21	107,558	24.70	3.621.507	1.20	107,682	24.57	-23.211	-0.64	0,124	0.12
Saving Account	293.134.179	97.20	134,824	30.90	293.235.696	97.20	140,829	32.13	101.517	0.03	6,004	4.45
Deposit on Call	5.697	0.00	6,229	1.40	6.637	0.00	5,179	1.18	940	16.50	-1,050	-16.85
Time Deposits	4.801.844	1.59	185,912	42.70	4.833.777	1.60	183,267	41.81	31.933	0.67	-2,646	-1.42
Certificate of Time Deposits	289	0.00	1,272	0.30	338	0.00	1,337	0.31	49	16.96	0,065	5.11
Total	301.586.727	100.00	435,780	100.00	301.697.955	100.00	438,294	100.00	111.228	0.04	6,059	0.57

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 and Number of Accounts by Ownership of Deposits (Nominal in Million USD)

Ownership of Deposits	November 2019				Desember 2019				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
Third Party-Fund	301.561.017	99.99	428,099	98.23	301.672.166	99.99	431,401	98.43	111.149	0.04	3,302	0.77
Funds From Other Bank	25.710	0.01	7,697	1.77	25.789	0.01	6,893	1.57	79	0.31	-0,804	-10.44
Total	301.586.727	100.00	435,796	100.00	301.697.955	100.00	438,294	100.00	111.228	0.04	2,498	0.57

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 and Number of Accounts by Type of Business Banks (Nominal in Million USD)

Type of Business Banks	November 2019				Desember 2019				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
Conventional	274.815.736	91.10	415,827	95.46	274.852.192	91.10	417,300	95.21	36.456	0.01	1,473	0.35
Islamic	26.770.991	8.90	19,969	4.54	26.845.763	8.90	20,994	4.79	74.772	0.28	1,025	5.13
Total	301.586.727	100.00	435,796	100.00	301.697.955	100.00	438,294	100.00	111.228	0.04	2,498	0.57

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

Most of deposits accounts (98.18%) were individually less than IDR100 million (USD7,020*), which account for 14.53% of total deposits. In contrast, deposits accounts that were individually more than IDR5 billion (USD360,594) represented only 0.03% of the total number of accounts, but contributed to 46.20% of total deposits.

Note: (*)Exchange rate end of period= IDR13.866/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 2019				Desember 2019				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
N ≤ 100 Mio	296.238.946	98.22	61,573	14.14	296.187.788	98.18	63,684	14.53	-51.158	-0.02	2,112	3.43
100 Mio < N ≤ 200 Mio	2.440.045	0.81	24,696	5.67	2.510.518	0.83	25,397	5.79	70.473	2.89	0,700	2.84
200 Mio < N ≤ 500 Mio	1.687.856	0.56	39,019	8.95	1.741.319	0.58	40,216	9.18	53.463	3.17	1,197	3.07
500 Mio < N ≤ 1 Bio	650.649	0.22	33,919	7.78	678.100	0.22	35,360	8.07	27.451	4.22	1,441	4.25
1 Bio < N ≤ 2 Bio	289.979	0.10	29,739	6.82	296.967	0.10	30,467	6.95	6.988	2.41	0,728	2.45
2 Bio < N ≤ 5 Bio	177.287	0.06	40,016	9.18	180.380	0.06	40,659	9.28	3.093	1.74	0,643	1.61
N > 5 Bio	101.965	0.03	206,834	47.46	102.883	0.03	202,511	46.20	918	0.90	-4.323	-2.09
Total	301.586.727	100.00	435,796	100.00	301.697.955	100.00	438,294	100.00	111.228	0.04	2,498	0.57

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 (USD144,238), the IDIC's insurance program covers 99.91% number of accounts fully and 0.09% number of accounts partially up to IDR2 billion (Table 7). In terms of the nominal amount of deposits, about 53.84% of total deposits are fully insured, while the rest of the 46.16% are partially insured up to IDR2 billion (Table 8).

Table 7: Distribution of Insured Deposit Based on Accounts

Distribution of Account by Insured Accounts Desember 2019			
Item	Deposit Tiering (IDR)	Number of Accounts	%
Account for Fully Insured Deposits	≤ 2 Billion	301.414.692	99.91%
Account for Partially Insured Deposits	> 2 Billion	283.263	0.09%
Total Account		**301.697.955**	**100.00%**

Table 8: Distribution of Deposit Based on Nominal

Distribution of Deposits by Insured Deposits (Billion IDR) Desember 2019			
Item	Deposit Tiering (IDR)	Nominal Account	%
Fully Insured Deposits	≤ 2 Billion	2.705.584	44,52%
Partially Insured Deposits	> 2 Billion	566.526	9,32%
Subtotal - Insured Deposits		**3.272.110**	**53,84%**
Uninsured Deposit	> 2 Billion	2.805.269	46,16%
Subtotal - Uninsured Deposit		**2.805.269**	**100%**
Total Account		**6.077.379**	

C. Technical Assistance Mission from World Bank Group

World Bank Group has supported IDIC in many ways throughout the previous years. It has yet again supported IDIC through a couple of Technical Assistances (TA) within Q1-2020, which includes TA on Resolution Plan and Bank Restructuring Program as well as TA on Single Customer View (SCV).

a. Technical Assistance on Resolution Plan and Bank Restructuring Program

From 3rd to 6th February 2020, IDIC had received its first technical assistance from World Bank Group within the year, with the objective to continue its support in IDIC's efforts towards undertaking its mandate as the bank resolution authority, particularly with regards to Resolution Planning and Bank Restructuring Program. During the mission, World Bank Group mission team and IDIC officials had discussed and finalized the resolution plan templates and the scheme of Bank Restructuring Program. On Friday, 6th February 2020, the wrap-up session was held at the Board of Commissioner meeting room in the 20th floor of Equity Tower and attending the meeting, aside from the World Bank mission team, was IDIC Board of Commissioners and related officials.

Attending all through this mission from the World Bank Group team members were Ismael Ahmad Fontan, a Senior Financial Sector Specialist, and Dara Lengkong, a Senior Financial Sector Specialist.

b. Technical Assistance on Single Customer View (SCV)

From 2nd to 6th March 2020, IDIC received another technical assistance from the World Bank Group pursuant to strengthen the IDIC deposit guarantee payout through Single Customer View (SCV) model. During the mission, World Bank team and IDIC officials had discussed to provide advisory assistance to IDIC in preparation for implementation of the SCV reporting in accordance with the PLPS No 5/2019, through development of technical guidelines and templates for banks on reporting to IDIC. On Friday, 6th March 2020, the wrap up session was held and attended by the World Bank mission team and IDIC Board of Commissioners and related officials.

Attending all through this mission from the World Bank Group team members were Djurdjica Ognjenovic (Deposit Insurance Senior Consultant) and Dara Lengkong (Senior Financial Sector Specialist).

D. Technical Assistance Mission from Prospera

IDIC received its first Technical Assistance mission from Prospera this year in February starting with a Kick-off meeting on the 17th of February and several other meetings on the days followed before finishing off with a wrap-up session on the 27th of February in the presence of IDIC Board of Commissioners and related officials. The mission itself took place in both IDIC Offices in Pacific Century Place as well as Equity Tower. During this visit, Prospera had tackled 2 proposed agendas in advance through its independent Consultant, Ben Bingham. The mentioned agendas include (a) the Review of Macroeconomic Impacts on Systemic Bank and Non-Systemic Bank; and (b) Crisis Simulation.

Mr. Bingham had provided IDIC with essential inputs to allow further progressive actions to be taken on IDIC's research towards the macroeconomic impacts on Systemic Banks and Non-Systemic Banks. On the other hand, Mr. Bingham had also guided IDIC's Bank Restructuring Program (BRP) Group on devising a Crisis Simulation scheme for both Systemic Banks and Non-Systemic Banks that best suit IDIC as well as Indonesia's jurisdiction.

E. New Government Regulation in Lieu of Law (Perppu) No. 1/2020

The Government on March 31, 2020 issued the Government Regulation in Lieu of Law (Perppu) No.1 of 2020 on state financial policy for ensuring financial system stability while handling the fallout from the COVID-19 pandemic.

The Perppu would expand Financial System Stability Committee (FSSC)'s authorities and the scopes of FSSC Meeting, grant Central Bank of Indonesia/Bank Indonesia (BI) the authority to buy long-term Government Bond in the primary market and the purchase/repo of Government Bond owned by IDIC, give access for early involvement of IDIC in handling problem banks as well as extension of sources of fund and deposit insurance program, and extend government's authorities on loans to IDIC.

The Perppu would extend the authorities of IDIC and allow IDIC to involve in the problem bank recovery attempts done by Indonesia Financial Services Authority (OJK) (early involvement), so that IDIC will have sufficient information to carry out the next stage of resolution process of the problem bank. In addition, The Perppu provides an opportunity for IDIC to increase the value of insured deposit and the option to increase the types of insured public deposits. Other key item from that Perppu is that resolution method used would not solely be selected based on least cost test result.

Further provisions will be regulated by respective authorities. IDIC would continue to coordinate with the government, Indonesia Financial Services Authority (OJK), and BI to closely monitor the dynamics of the spread of COVID-19 and its impact on the Indonesian economy from time to time, including further policy coordination for maintaining macroeconomic and financial system stability and sustaining Indonesia's economic growth.

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