Global Updates

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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.

CHANGES IN THE COMPOSITION OF THE BOARD OF COMMISSIONERS OF IDIC

IDIC Chairman and Members of IDIC Board of Commissioners (BOC) took an oath before the President of the Republic of Indonesia, Joko Widodo at the State Palace, Jakarta.

The Presidential Decree (Keputusan Presiden/Keppres) of the Republic of Indonesia Number 58/M of 2020 concerning the Dismissal and Appointment of the Chairman of the IDIC BOC was read during the ceremony.

Based upon the Presidential Decree, the President honourably dismissed Mr. Halim Alamsyah as the Member concurrently Chair of the BOC, as well as dismissing Mr. Didik Madiyono, Mr. Luky Alfirman, and Mr. Erwin Rijanto as Members of the BOC, alongside with expression of gratitude for their dedication and services during their tenure.

Furthermore, through the Presidential Decree, the President appointed Mr. Purbaya Yudhi Sadewa as the Member concurrently Chair of the BOC and appointed Mr. Didik Madiyono, Mr. Luky Alfirman, and Mrs. Destry Damayanti as Members of the BOC, for the term of office of 5 years.

Member concurrently Chairman	: Mr. Purbaya Yudhi Sadewa
Member concurrently Chief Executive	: Mrs. Lana Soelistianingsih
Non-ex-officio member	: Mr. Didik Madiyono
Member (ex-officio Ministry of Finance)	: Mr. Luky Alfirman
Member (ex-officio Bank Indonesia)	: Mrs. Destry Damayanti
Member (ex-officio OJK)	: Mr. Heru Kristiyana

THE BOARD OF COMMISSIONERS OF IDIC

Chairman

Purbaya Yudhi Sadewa

Purbaya Yudhi Sadewa is the Chairman of the Indonesian Deposit Insurance Corporation (IDIC), appointed by a presidential decree in September 2020. He was born in Bogor, July 7 1966. Mr. Purbaya earned his Master of Science (MSc.) in 1997 and Doctorate of Philosophy (PhD.) degree in 2000, both in Economics from Purdue University, USA.

Before joining the IDIC, he was the Deputy Coordinating Minister for Maritime Sovereignty and Energy, covering strategic issues. He held several Special Advisory roles in various governmental offices. His previous posts are within the Presidential Executive Office as member of National Economic Committee; the Coordinating Ministry for Politics, Law, and Security Affairs; and the Coordinating Ministry for Economic Affairs.

Mr. Purbaya was also the Vice-Chair of the Task Force for Case Handling and Settlement (Debottlenecking), under the Coordinating Ministry of Economic Affairs. He started his career in the private sector, with professional experience as a Field Engineer in the Schlumberger Overseas SA. before joining the Danareksa Group as an Economist. In his spare time, he conducts research activities in supervising, modeling and forecasting of the Indonesian Main Economic Indicators including inflation, interest rate, exchange rate, GDP, and trade performance.

THE BOARD OF COMMISSIONERS OF IDIC

Lana Soelistianingsih

Member/
Chief Executive Officer

Dr. Lana Soelistianingsih is the Chief Executive Officer of the Indonesian Deposit Insurance Corporation (IDIC), appointed by a presidential decree in February 2020. She was born in November 2, 1965 in Surabaya. Dr. Soelistianingsih received her bachelor degree from the Faculty of Economics, University of Indonesia, in 1990. She continued her education at Vanderbilt University, Nashville, Tennessee, USA by earning a Master of Economic Development in 1995, and subsequently in 2003, earning a Doctorate degree in Economics, the Faculty of Economics and Business University of Indonesia.

Before joining IDIC, Dr. Soelistianingsih started her career at PT Samuel Sekuritas Indonesia in September 1996. In 2003, she served as research assistant for the Boston Institute of Economic Development (BIDE) in Lexington, MA, USA. Since October 1, 2013. Dr. Soelistianingsih was appointed as Director, as well as Head of Research and Economist at PT Samuel Aset Manajemen (SAM). In addition to her career at SAM, Dr. Soelistianingsih was also a senior lecturer in Faculty of Economics and Business, University of Indonesia, for undergraduate to graduate programs. She taught some major economic courses such as micro-macroeconomics, monetary economics, and Indonesia economy. She is also a prominent Indonesian economist, which has wrote numerous articles in scientific journals and news media.

As a CEO, Dr. Soelistianingsih is fully responsible on IDIC daily management and operations in order to administer its functions and duties as the deposit insurance and bank resolution authority of Indonesian banks.

THE BOARD OF COMMISSIONERS OF IDIC

Didik Madiyono

Born in Sukoharjo on July 10, 1964. He studied at Gadjah Mada University and obtained his Bachelor of Economics in 1989. In 2001 he continued his post-graduate education at the Asian Institute of Management, Manila, Philippines and obtained a Master's degree in Strategic Management.

Member

In 1990, he started his career as a Junior FX Dealer, under the Treasury Department at PT Bank Duta, Tbk. Then, in 1991 he began his career at Bank Indonesia in a Bank Examiner Education Program. During the 18 years he spent at Bank Indonesia, he has held diverse positions in various group. After finishing the education program in 1992, he was assigned as a Junior Bank Examiner under the Private Bank Examiner Beaureau. In 1996, he was promoted to a Bank Supervisor in the Directorate of Private Bank Supervision. In 2000, he was appointed as a Bank Analyst under the Rural Bank Supervision Directorate. Between 2005 to 2009, he was entrusted to be a Senior Bank Analyst at the Directorate of Banking Research and Supervision, Bank Indonesia.

In January 2010, he began working at LPS. He has held various positions in LPS, such as Director of Claim Settlement Group, Director of the Bank Resolution Analysis Group, Director of Surveillance and Financial System Stability Group, Director of the Bank Resolution Group, and Director of the Bank Liquidation Group. In 2014, he was also entrusted by LPS to serve as Commissioner of PT Bank Mutiara, Tbk (in terms of appointment during bank resolution). In September 2016, he was given the mandate to assume the position of Executive Director of Research, Surveillance and Inspection in LPS.

Based on the Presidential Decree No. 56 / M of 2019 on 2 October 2019, he was appointed as a Member of LPS' Board of Commissioners. He is a Member of the LPS' Board of Commissioners who came from the internal structure of LPS.

Based on the Presidential Decree No. 58 / M of 2020, he was reappointed as the member of LPS' Board of Commisioners for the 2020 - 2025 period.

THE BOARD OF COMMISSIONERS OF IDIC

**Member,
(Ex-Officio Financial Services Authority / OJK)**

Heru Kristiyana

Earned his Bachelor of Law from Diponegoro University and Master of Management from STIE IPWIJA (Institut Pengembangan Wiraswasta Indonesia Jakarta).

He started his career at the Foreign Exchange Bank Monitoring Department of Bank Indonesia (BI) in 1983, and then served as BI Deputy Director in 2007.

He was appointed as Head of Bank Supervision 3 Department in 2011, then promoted to Deputy Commissioner of Banking Supervision 4 of Indonesia Financial Services Authority (IFSA) for term 2013-2016. He has been appointed as Member of IFSA Board of Commissioners based on Presidential Decree No. 87/P Year 2017 since 18 July 2017. He was appointed as Member of IDIC Board of Commissioner (ex-officio IFSA) pursuant to Presidential Decree no. 56/M Year 2017 dated September 25, 2017. This appointment was extended in pursuant to Presidential Decree no. 23/M Year 2020 dated March 23, 2020.

THE BOARD OF COMMISSIONERS OF IDIC

Destry Damayanti

Member,
(Ex-Officio Bank Indonesia)

Destry Damayanti was born at Jakarta in 1963. She obtained her Bachelor's Degree in Economics from Universitas Indonesia and her Master of Science from Cornell University, New York, USA. During her career she went through several notable positions, such as the Senior Economic Adviser for the British Embassy from 2000 to 2003, researcher and lecturer at Universitas Indonesia from 2005 to 2006, and the Chief Economist for Mandiri Sekuritas from 2005 to 2011.

From 2011 to 2015 she was the Chief Economist of Bank Mandiri, in 2014 to 2015 as the head of the Economic Task Force under the BUMN Ministry, and as a member of IDIC Board of Commissioners from 2015 to 2019. She is currently the Senior Deputy Governor of Bank Indonesia for the 2019-2024 period.

Based on the Presidential Decree no. 58/M of 2020, she was appointed as a Member of IDIC Board of Commisioners *ex-officio* Bank Indonesia.

THE BOARD OF COMMISSIONERS OF IDIC

Luky Alfirman

Born in Bandung, March 27th 1970, Luky earned his Bachelor's Degree in Industrial Engineering from the Bandung Institute of Technology (ITB) in 1994 and a Mas of Arts in Economics from University of Colorado, Boulder, USA in 2000. He studied further in University of Colorado, achieving a PhD in Economics in 2004.

Luky started his career in the Ministry of Finance in March 1st 1995. He went through several positions during his career, but his most recent position were Director General of Budget Financing and Risk Management from November 2017.

Based on the Presidential Decree No. 78/M of 2019 on 2 December 2019, he was appointed as a Member of LPS' Board of Commissioners

Member,
(Ex-Officio Ministry of Finance)

Dr. Lana Soelistianingsih

Chief Executive Officer of IDIC

“Never Get Tired of Sharing Knowledge”

In the midst of a very busy schedule, Dr. Lana Soelistianingsih (Lana) was willing and happily took her time to be interviewed. The interview was carried out virtually due to the spreading of Coronavirus Disease 2019 (COVID-19). Despite not being able to have a face-to-face conversation, She seems to be an understated figure. It was clearly reflected in our short chat, that afternoon.

Lana was officially appointed by President Joko Widodo (Jokowi) as the Chief Executive Officer of IDIC, replacing Fauzi Ichsan who has ended his term of office on the 20th February 2020. Her appointment was based on the Presidential Decree (Keppres) of the Republic of Indonesia Number 10/M of 2020 concerning the Dismissal and Appointment of Members of the Board of Commissioners of the IDIC.

Without a doubt, her mandate as the IDIC Chief Executive Officer is not to be taken lightly. Numerous challenges have been faced by her. Nevertheless, the philosophy of life that she continues to uphold, namely flowing like the water, has enabled her to continue moving forward.

“In life, I have a philosophy to always follow like a flowing stream of water. I don't have all kinds of targets. So, I just let it flow. As long as our life is beneficial for others, that is the main thing,”said Lana.

In carrying out her duties, Lana always sticks to integrity. After being appointed as a Chief Executive Officer at IDIC, she embraces the vision of LPS, namely to become a leading, trusted and recognized institution at the national and international levels in ensuring protection of customer deposits and implementing bank resolutions to encourage and maintain financial system stability.

"The main function of IDIC is to provide insurance to banking customers, and to help maintain financial system stability in Indonesia. When asked about my vision in carrying out my assignment at IDIC, of course personally I would have to follow the vision of this institution. I think, IDIC should be a trusted institution, not only trusted by banking customers but also by banking partners, "she added.

Lana expresses that even though the responsibility of IDIC in protecting deposits and maintaining customers' trust remains vital, being a partner for the banking sector is no less important. With customer's trust being maintained, the banking industry will certainly have a peace of mind in managing its funds to carry out the intermediary function and channel productive loans. As a result, this will indirectly encourage economic growth.

With regards to the prospects of IDIC in the international scale, Lana envisioned that as a member of IADI, IDIC could give more color as one of the modern DICs in the deposit insurance industry and resolution authorities across the globe.

"I hope that through IADI membership, amongst other international institutions, we can actively participate in international forums and organizations to be more aware and open with the developments in best practices and global conditions. In line with the vision of IDIC, these kinds of participations need to be maintained as well as optimizing IDIC's contribution to improve the quality of deposit insurance and bank resolution, both domestically and internationally. Moreover, I also hope for a tighter bilateral and multilateral cooperation, particularly with respect to sharing of expertise to support the improvement of implementation quality of the functions, duties, and mandates of each institution in maintaining the stability of financial system," Lana stated.

As a member of the IADI Strategic Planning Working Group (SPWG), Lana believes that although the current Strategic Goals are in line with IADI's mission to be the international standard setting body with authoritative voice for the deposit insurance system, promoting and innovation of the resolution regime and system for the members shall also be included in the new strategic goals. She also hoped that IADI could support the development of resolution options and schemes that can be implemented by IDIC.

"With regards to the new IADI Strategic Goals, we think that the current Strategic Goals are in line with the IADI mission. Though on top of those goals, we feel the need to promote and innovate resolution regime and system for the members.

I hope IADI can encourage knowledge creation and become a catalyst for synergy between strategic and technical institutions in the field of deposit insurance, bank resolution, and other fields related to financial system stability at the international level," she added.

Lana trusts that with IDIC's extensive membership in IADI, IDIC has been actively participating in various IADI Activities. She also noted the extensive help that IADI has shown for its members through the years. She concluded with her hopes for IADI.

"The IDIC has joined as a member of IADI from 2005 and has been actively participating since. I understand that IADI Core Principles (CPs) for Effective Deposit Insurance Systems have been set up in the global Compendium of Financial Standards and used by the International Monetary Fund (IMF) & World Bank as parameter components to assess the stability framework of countries around the world including for the application of DIC function owned by a country. In respective of this, IDIC considers IADI CPs in the process of policy formulations and discussions with other Financial System Stability Committee (FSSC).

Alongside that, as a representative of ±65% of jurisdictions around the world, I hope that IADI could attract more DICs so that the goal of equal distribution of information and expertise across the globe could be met, especially in the areas of deposit insurance and bank resolution industry. In addition, my wish is for IADI to improve the quality and applicability of IADI's CPs throughout the country's jurisprudence alongside encouraging strategic and technical synergies between IADI members to achieve a more effective and efficient deposit insurance program and bank resolution," she concluded.

After completing her undergraduate degree at Faculty of Economics at University of Indonesia (FEUI) in 1990, she continued her education at Vanderbilt University, Nashville, Tennessee, USA, and earned a Master of Economic Development Studies in 1995. Subsequently, in 2003 Lana successfully earned a doctorate in economics from the Faculty of Economics and Business (FEB) in University of Indonesia (UI).

"Frankly, I had never pictured myself to be a part of IDIC, not even when I was an active member of the IDIC Information Committee. Nevertheless, being the Chief Executive Officer is a mandate that is beyond expectations. Insha Allah, it is a rightful mandate for me, where I believe I could also gain more knowledge by sitting in this position," uttered Lana. Education is very important for her. She also never gets tired of sharing her knowledge with everyone. Indeed, she is one overflowing with the spirit of a teacher. This is reflected in her line of career, which was mostly devoted to education.

She started her career in 1990 as a teaching assistant at FEUI. Afterwards, in 1995 she became a lecturer at FEUI up to now. In September 1996, she also had a career at PT Samuel Sekuritas. Subsequently, in 2003, Lana served as a research assistant for the Boston Institute of Economic Development (BIDE) in Lexington, MA, USA. Shortly after, in 2005, she served as the Vice Chair (Secretary) of the Department of Economics FEUI. On October 1st of 2013, she was appointed as the Director as well as the Head of Research and Economist at PT Samuel Aset Manajemen (SAM).

"But, thank God I was given the opportunity to teach. So for me, teaching is an essential part of my life. It is for me to have a balance in life. If IDIC or any employee association has social activities, such as teaching or such, then maybe I could participate. At least within that context (teaching)," she added.

In addition to her calling to teach, she also exudes social instinct to help others. From a long time ago, Lana had such a noble desire which was to build a free school for underprivileged people in order for them to get a better education. Because to him, with the provision of education, it will increase the hope for everyone to achieve their goals. "I actually do have the desire to have my own school. I don't know if that is part of my ideals, but maybe it's because my most basic talent is teaching. Since a long time ago, I actually had an initial thought of wanting to build a school that was not commercial, but a free school," she concluded.

In the midst of her busy life as an IDIC official, naturally Lana has very little spare time. However, if occasionally she has the time, she would always makes full use of it to relax while reading her favorite books such as novels.

Talking about activities in spare time, Lana has a hobby that is a little unique and is rarely in demand by girls nowadays, namely sewing. When she was still in high school, she revealed that she often sewed her own clothes. Apart from sewing, another hobby of hers as a teenager was dancing. She said that the two hobbies give her satisfaction.

Sewing and traditional dancing are both my hobbies. Until high school, I was my own seamstress. Afterwards, not anymore.

Likewise with dancing, I haven't done it for a long time. But, if you asked me what I like to do most in my spare time, maybe those two things," she said.

Being someone who is beneficial to others by sharing knowledge is a good form of energy that can have a positive influence on both oneself and others. When sharing knowledge, without us knowing it, we have done so much good. Starting from eradicating ignorance, improving one's perspective and way of thinking, strengthening communication and good relations with others, establishing friendship, to honing one's skills. That is why sharing knowledge can create true happiness for some people, including for Lana Soelistianingsih.

Key Financial Highlights – Second Quarter 2020

A. Banking Growth and Stability

Indonesian banking industry closes the second quarter of 2020 (Q2-2020) with a moderate financial performance. As shown in Table 1, banking industry's assets grow by 5.1 % YoY (0.6% MtM), while profit decreases by 20.3% YoY (14.2% MtM). This growth is mainly driven by credits, which increased by 1.62% YoY (but decreases on MtM basis, i.e. by -0.6%). On the right-hand side of the industry's balance sheet, deposits (third parties funds) grow by 7.93% YoY (1.4% MtM), slightly higher than its growth in Q1-2019 (6.54% YoY, 0.9% MtM). Meanwhile, the industry's Tier 1 capital grow by 0.7% YoY (0.7% MtM).

Table 1: Indicators of Banking Industry (Trillion IDR)

Indicator	Jun-19	May-20	Jun-20	YoY	MtM
Asset	8.239,3	8.606,6	8.659,4	● 5,1%	● 0,6%
Conventional	7.916,3	8.259,1	8.302,9	● 4,9%	● 0,5%
Islamic	322,9	346,8	356,5	● 10,4%	● 2,8%
Credit	5.528,6	5.651,5	5.618,0	● 1,62%	● -0,6%
Conventional	5.315,6	5.421,0	5.384,5	● 1,3%	● -0,7%
Islamic	213,0	230,5	233,5	● 9,6%	● 1,3%
Third Parties Fund	5.799,5	6.174,9	6.259,3	● 7,93%	● 1,4%
Conventional	5.532,9	5.889,6	5.965,2	● 7,8%	● 1,3%
Islamic	266,6	285,3	294,1	● 10,3%	● 3,1%
Tier 1	1.245,7	1.245,5	1.253,8	● 0,7%	● 0,7%
Conventional	1.211,6	1.207,2	1.215,1	● 0,3%	● 0,7%
Islamic	34,0	38,3	38,8	● 13,9%	● 1,2%
Profit/Loss	78,1	54,5	62,3	● -20.3%	● 14,2%
Conventional	76,7	53,3	60,8	● -20,7%	● 14,1%
Islamic	1,4	1,2	1,5	● 2,9%	● 20,7%

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

The key financial ratios in Table 2 show that the Indonesian banking industry at the second quarter of 2020 still has a solid financial performance. The industry's CAR remains strong at 22.50%, increases 48 bps from last year, while Asset Quality, Gross, and Net NPL ratios have improved by 33 bps, 68 bps, and 18 bps respectively from last year. Though Operating Cost/Operating Revenue (OC/OR) has increased and NIM has been lower than last year.

Table 2: Financial Ratio of Banking Industry

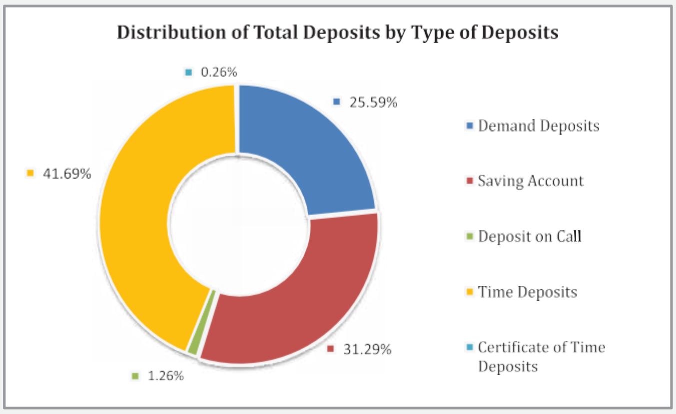
Ratio	Jun-19	May-20	Jun-20	YoY	MtM
CAR	22,02%	22,20%	22,50%	● 48bps	● 30bps
Asset Quality	1,78%	2,06%	2,11%	● -33bps	● 5bps
Gross NPL	2,39%	2,97%	3,07%	● 68bps	● 10bps
NNPL	0,41%	0,23%	0,23%	● 18bps	● 1bps
ROA	2,48%	2,04%	1,93%	● -54bps	● -11bps
ROE	13,00%	10,98%	10,58%	● -242bps	● -40bps
OC/OR	80,06%	83,55%	83,65%	● -359bps	● -10bps
NIM	4,43%	4,04%	4,04%	● -39bps	● -1bps
LDR	95,33%	91,52%	89,75%	● 558bps	● 177bps
Interbank Liabilities	3,29%	2,30%	2,39%	● 90bps	● -9bps
CL/CA	18,23%	16,71%	16,82%	● 141bps	● 10bps

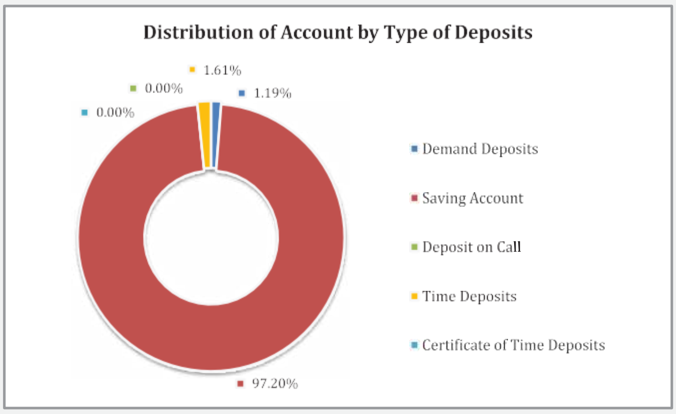
NOTE:
YoY : Year-on-Year growth
MtM: Month-to-Monthgrowth
● : Favorable
● : Unfavorable

B. Deposit Insurance Updates

At the end of second quarter of 2020, 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 31.29% of total deposits. In contrast, time deposits, which represent only 1.61% of the total number of accounts, have the largest shares of total deposits (41.69%). Meanwhile, demand deposits, which mainly are for a transactional purpose, account for 1.19% of the total number of accounts and contribute to 25.59% shares of total deposits.

Figure 2: Distribution of Deposits in Banking Industry





Most of the deposits are belong to either individuals or corporations (third-party funds). There only 1.49% from the total deposits are interbank deposits. Conventional banks hold 95.35% of total deposits, while Islamic banks 4.65%.

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	May 2020				June 2020							
	Account	%	Nominal	%	Account	%	Nominal	%	∆Account	%	∆Nominal	%
Demand Deposits	3,731,797	1.19	110.245	25.14	3,787,957	1.19	113.869	25.59	56,160	1.50	3.625	3.29
Saving Account	304,319,601	97.19	138.552	31.60	309,104,255	97.20	139.229	31.29	4,784,654	1.57	0.677	0.49
Deposit on Call	5,151	0.00	5.426	1.24	5,070	0.00	5.624	1.26	-81	-1.57	0.198	3.64
Time Deposits	5,074,745	1.62	183.225	41.79	5,115,174	1.61	185.042	41.59	40,429	0.80	1.817	0.99
Certificate of Time Deposits	217	0.00	1.033	0.24	215	0.00	1.168	0.26	-2	-0.92	0.134	13.01
Total	313,131,511	100.00	438.481	100.00	318,012,671	100.00	444.932	100.00	4,881,160	1.56%	6.451	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 and Number of Accounts by Ownership of Deposits (Nominal in Million USD)												
Ownership of Deposits	May 2020				June 2020							
	Account	%	Nominal	%	Account	%	Nominal	%	∆Account	%	∆Nominal	%
Third Party-Fund	313,107,507	99.99	431.622	98.44	317,988,396	99.99	437.568	98.51	4,880,889	1.56	5.945	1.38
Funds From Other Bank	24,004	0.01	6.859	1.56	24,275	0.01	6.619	1.49	271	1.13	-0.240	-3.50
Total	313,131,511	100.00	438.481	100.00	318,012,671	100.00	444.187	100.00	4,881,160	1.56	5.706	1.30

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

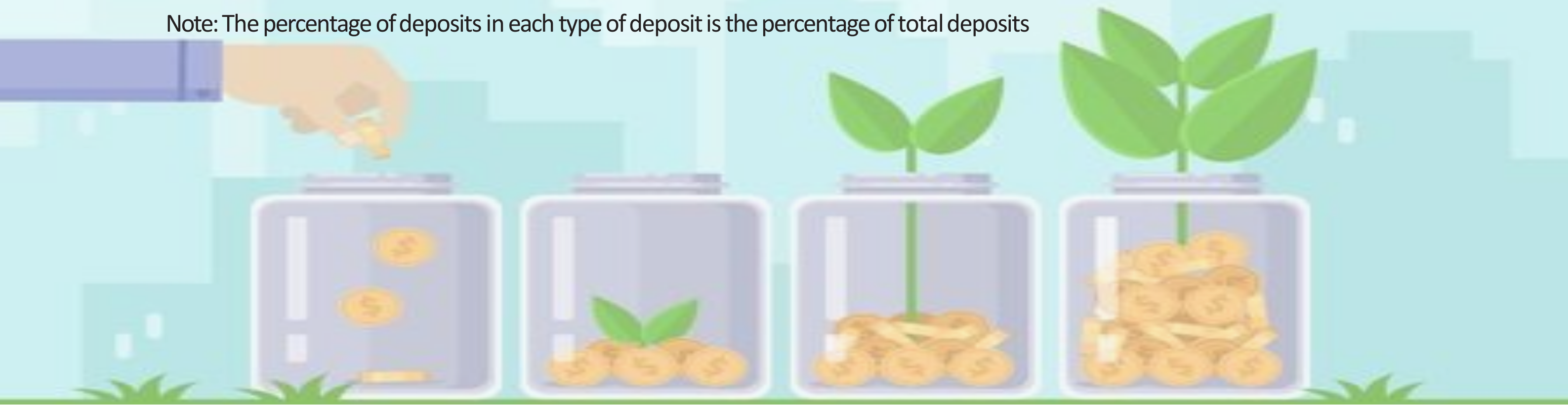


Table 5: Distribution of Deposit Based on Type of Bank

Total Deposits and Number of Accounts by Type of Business Banks (Nominal in Million USD)												
Type of Business Banks	May 2020				June 2020							
	Account	%	Nominal	%	Account	%	Nominal	%	∆Account	%	∆Nominal	%
Conventional	285,100,578	91.05	418.396	95.42	289,705,362	91.10	424.262	95.35	4,604,784	1.62	5.866	1.40
Islamic	28,030,933	8.95	20.085	4.58	28,307,309	8.90	20.670	4.65	276,376	0.99	0.585	2.91
Total	313,131,511	100.00	438.481	100.00	318,012,671	100.00	444.932	100.00	4,881,160	1.56	6.451	1.47

Most of deposits accounts (98.22%) are individually less than IDR100 million (USD7,010*), which account for 13.99% of total deposits. In contrast, deposits accounts that are individually more than IDR5 billion (USD350,508) represent only 0.03% of the total number of accounts, but contribute to 47.46% of total deposits.

Note: (*)Exchange rate end of period= IDR14.265/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)	May 2020				June 2020							
	Account	%	Nominal	%	Account	%	Nominal	%	∆Account	%	∆Nominal	%
N≤100Mio	307,516,742	98.21	62.953	14.36	312,354,921	98.22	62.262	13.99	4,838,179	1.57	-0.691	-1.10
100Mio<N≤200Mio	2,560,082	0.82	25.164	5.74	2,565,537	0.81	25.226	5.67	5,455	0.21	0.062	0.25
200Mio<N≤500Mio	1,783,607	0.57	40.078	9.14	1,805,067	0.57	40.583	9.12	21,460	1.20	0.505	1.26
500Mio<N≤1Bio	685,764	0.22	34.694	7.91	692,792	0.22	35.085	7.89	7,028	1.02	0.391	1.13
1Bio<N≤2Bio	302,849	0.10	30.250	6.90	309,113	0.10	30.872	6.94	6,264	2.07	0.622	2.06
2Bio<N≤5Bio	179,166	0.06	39.217	8.94	181,676	0.06	39.741	8.93	2,510	1.40	0.524	1.34
N>5Bio	103,301	0.03	206.125	47.01	103,565	0.03	211.164	47.46	264	0.26	5.038	2.44
Total	313,131,511	100.00	438.481	100.00	318,012,671	100.00	444.932	100.00	4,881,160	1.56	6.451	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 (USD140,203), the IDIC's insurance program covers 99.91% of total deposit accounts fully and 0.09% of total deposit accounts partially (Table 7). In overall, the total insured deposits are about 52.60% of total deposits, while 47.40% are uninsured (Table 8).

Table 7: Distribution of Insured Deposit Based on Accounts

Distribution of Account by Insured Accounts June 2020			
Item	**Deposit Tiering (IDR)**	**Numberof Accounts**	**%**
Account for Fully Insured Deposits	≤ 2 Billion	317,727,430	99.91%
Account for Partially Insured Deposits	> 2 Billion	285,241	0.09%
Total Account		**318,012,671**	**100.00%**

Table 8: Distribution of Deposit Based on Nominal

Distribution of Deposits by Insured Deposits (Billion IDR) June 2020			
Item	**Deposit Tiering (IDR)**	**Nominal Account**	**%**
Fully Insured Deposits	≤ 2 Billion	2,767,801	43.61%
Partially Insured Deposits	> 2 Billion	570,482	8.99%
Subtotal - Insured Deposits		**3,338,283**	**52.60%**
Uninsured Deposit	> 2 Billion	3,008,674	47.40%
Subtotal - Uninsured Deposit		**3,008,674**	**100%**
Total Account		**6,346,958**	

A. IDIC Multilateral Meeting on "Early Involvement and Deposit Insurer's Role in Navigating the Financial Impact of COVID-19"

Upon entering the COVID-19 pandemic crisis era, IDIC had initiated a virtual multilateral meeting with several Deposit Insurance Corporations (DICs) on the 10th of July 2020, to delve further into discussions on early involvement and deposit insurer's role in navigating the financial impact of COVID-19.

In this meeting, deposit insurers and resolution authorities across the globe, such as Korea Deposit Insurance Corporation (KDIC), Malaysia Deposit Insurance Corporation (MDIC), Philippine Deposit Insurance Corporation (PDIC), Deposit Insurance of Vietnam (DIV), and Fondo Interbancario di Tutela dei Depositi (FITD), have shared their valuable experiences of the attempts and/or resolution preparatory measures taken in ensuring the perseverance of the banking system stability within the region. Fundamentally, the measures taken by the said DICs were adjusting and strengthening regulations with regards to DIC functions and authorities, heightening risk monitoring and providing forbearance to financial institution members, advancement of digital transformation, improving coordination and information exchange between financial safety net players, as well as enhancing Stress-Test Models.

Opening the multilateral meeting was IDIC then Chairman, Dr. Halim Alamsyah and followed by a series of presentations by Dr. Lana Soelistianingsih, IDIC Chief Executive Officer; Dr. Seongbak Wi, Chairman and President of KDIC; Mr. Rafiz Azuan Abdullah, Chief Executive Officer of MDIC; Mr. Roberto Tan, Chief Executive Officer of PDIC; Mr. Nguyen Linh Nam, Deputy General Director of DIV; and Mr. Giuseppe Bocuzzi, General Director of FITD. The meeting was attended by fellow IDIC colleagues as well as other DIC officials.

B. Joint-Webinar on "Navigating COVID-19: Bridge to Recovery and Fortifying Resilience in the Banking Sector"

Malaysia Deposit Insurance Corporation (MDIC) in collaboration with the South Asian Central Banks (SEACEN) Research and Training Centre had organized a high-profile Asia focused webinar on 4th August 2020 to examine how the COVID-19 crisis impact the banking sector differently as compared to past crises and what lessons could be drawn from recent history. This webinar had brought together various experts in the field who shared their experience from previous crises and thoughts on practical actions for banking system stakeholders in this crisis. In substance, the webinar tackled discussions on contingency planning, asset quality reviews, portfolio sales, NPL securitizations, asset management companies, and other tools.

Distinguished guest speakers include Mr. Andrew Gracie, the former Resolution Director for the Bank of England, Ms. Yvonne Chia, the Chairman of Standard Chartered Bank Malaysia, who will be joined by Dr.Lana Soelistianingsih, CEO of the Indonesia Deposit Insurance Corporation (LPS), Dr. Cyn-Yong Park, Director at the Asia Development Bank (ADB), Mr. Rafiz Azuan Abdullah, CEO of PIDM, Dr. Mangal Goswami, Executive Director of The SEACEN Centre, Mr. Tim Pagett, APAC Financial Services Industry (FSI) Leader of Deloitte and Mr. Chi-Nang Kong, Asia Head of Global Portfolio Lead Advisory Services (PLAS) at Deloitte.

C. Road to 7th Indonesia Sharia Economic Festival (ISEF) International Joint Webinar Series

In accordance to 7th Indonesia Sharia Economic Festival (ISEF), several financial institutions in Indonesia had collaborated to present a series of international webinars that revolves around the topic of Islamic finance and economy.

International Joint Webinar on "Islamic Finance Regulatory Developments: Impediments and Opportunities in COVID-19"

On the first international joint webinar series, Indonesian Association of Islamic Economist (IAEI) had collaborated with the National Committee for Islamic Economy and Finance (KNEKS) and IDIC on 11th August 2020 to extend on the challenges and opportunities for the development of Islamic finance regulatory amidst the COVID-19 pandemic mayhem. Not only did this webinar shed a light upon Islamic finance regulatory developments around the world and the opportunities and obstacles in developing those regulations especially in response to the pandemic, it had also edified participants on the innovations and solutions to prosper Islamic finance regulation environment in respective jurisdictions.

The opening remarks was delivered by Mr. Ventje Rahardjo, the Executive Director of KNEKS, and followed by a keynote speech from Vice Chairman II of IAEI and the former Chairman of IDIC, Dr. Halim Alamsyah. The lineup of panelist was the Former Assistance Secretary-General of Islamic Financial Services Board (IFSB), Dr. Jamshaid Anwar Chatta; the Senior Finance Specialist of the Islamic Development Bank (IsDB), Mr. Syed Faiq Najeeb; the Secretary General of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Mr. Omar Mustafa Ansari; and the Chairperson of Islamic Deposit Insurance Technical Committee, Dr. Ronald Rulindo. Owing to the success of the webinar was the moderator, Dr. Sutan Emir Hidayat, Director of Islamic Economy Supporting Ecosystem of KNEKS.

International Joint Webinar on "Ensuring Economic Stability and Resiliency in Response to Pandemic: Policy Choices from Islamic Economics Perspective"

As a continuation of the webinar series, IAEI, KNEKS, and IDIC had commenced another international joint webinar on the 26th of August 2020 to address the policy choices from the Islamic economics perspective in order to maintain economic stability and resiliency in response to the COVID-19 pandemic. Through this webinar, new insights related to Islamic policy contributions were acquired and deepened in respect to strengthening economic stability and resiliency. Furthermore, on the measures taken by each country for economic recovery and the Islamic economic contribution to the recovery of Organization of Islamic Cooperation (OIC) countries from the current economic turmoil.

The opening remarks was delivered by Mr. Taufik Hidayat, the Director of Islamic Financial Services of KNEKS, and followed by a keynote speech from Vice Chairman II of IAEI and the former Chairman of IDIC, Dr. Halim Alamsyah. The lineup of panelist were the Director of Islamic Economy Supporting Ecosystem of KNEKS, Dr. Sutan Emir Hidayat; the Executive Director of International Shari'ah Research Academy (ISRA), Prof. Dr. Mohamad Akram Laldin; and the Senior Research Economist of Islamic Development Bank (IsDB), Dr. Hylmun Izhar. Owing to the success of the webinar was the moderator, Dr. Ronald Rulindo from Indonesia Association of Islamic Economist.

International Joint Webinar on "Exploring Innovation in Islamic Bank: Pro and Cons of Tawarruq and Other Possible Alternatives."

On 9th September 2020, IAEI, alongside KNEKS, LPS, and Bank Indonesia (BI) organized this third webinar series to bring forth a platform to engage in discussions on the pros and cons of *tawarruq* and other possible alternatives for exploring innovations in Islamic bank. This webinar had pooled in arraying views of sharia experts from various Islamic financial institutions on the concept of *tawarruq* as an Islamic banking product. Though it is permissible by the four school of thought, *tawarruq* remains a dubious and controversial product to date. Hence, this webinar serves to increase awareness on the economic, financial, and social risks before tawarruq is being used widely.

The opening remarks was delivered by Mr. Ventje Rahardjo, the Executive Director of KNEKS, and followed by a keynote speech from IDIC Chief Executive Officer, Dr. Lana Soelistianingsih. The lineup of panelist was the Chairman of Non-Regulatory Committee of ASBISINSO, Mr. Herwin Bustaman; the Regional Head of Sharia Governance of CIMB Islamic Malaysia, Mr. Ashraf Gomma Ali; from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Mr. Sohaib Umar; and the Member of the National Sharia Board of Indonesia, Mr. Cecep Maskanul Hakim. Owing to the success of the webinar was the moderator, Dr. Ronald Rulindo from Indonesia Association of Islamic Economist.

D. IDIC WEBINAR on Maintaining Financial System Resilience to the COVID-19 Black Swan: Deposit Insurance Strategic Responses & Policy Options

This year, the Indonesia Deposit Insurance Corporation (IDIC) held its annual International Seminar as a webinar entitled "Maintaining Financial System Resilience to the COVID-19 Black Swan: Deposit Insurance Strategic Responses & Policy Options" on the 16th of September 2020 at 19.00-21.00 (Indonesian western standard time, GMT+7) which was attended by 362 participants on Webex Event, 165 viewers on YouTube live streaming, and was subsequently published by 25 publishers on online news, social media, and electronic media.

As various experts in the field are brought together through a series of presentations and panel discussions, this webinar seeks to invoke discussions on the latest economic conditions, the response/state policies to COVID-19 in order to maintain financial system stability, and coordination between financial system safety net institutions during this challenging time.

The COVID-19 pandemic creates a crisis that reminded Indonesia of the past crisis in 1998 as well as the global financial crisis in 2008, as these crises had a significant impact on the banking system. The major distinguisher, however, lies on the fact that the root cause of the current crisis is health. Upon the success of IDIC International Webinar on "Maintaining Financial System Resilience to the COVID-19 Black Swan: Deposit Insurance Strategic Responses & Policy Options" which was held on 16th September 2020 via Webex Event and YouTube live streaming, IDIC hoped that deposit insurance corporation and resolution authorities across the globe will be able to build a stronger and more resilient deposit insurance system to face economic and financial problems that entail this COVID-19 pandemic.

Former IDIC Chairman, Dr. Halim Alamsyah, officially commenced the webinar by giving his welcoming remark and followed by a keynote speech from the honorable Mrs. Sri Mulyani Indrawati, the Minister of Finance of the Republic of Indonesia. A series of presentation was then delivered by the panelists namely, Mr. Hassan Zaman as Regional Director, East Asian and Pacific for the Equitable Growth Finance and Institutions Vice President of the World Bank Group; Mr. Arthur J. Murton as Deputy to Chairman for Financial Stability of Federal Deposit Insurance Corporation (FDIC); and Mr. Yuri Oligovich Isaev, General Director of State Corporation Deposit Insurance Agency (DIA) of Russia.

This pandemic has created a much wider complication not only for the safety and health of the people but also the social and economic impact of it as well. This webinar has put forth an important and potent discussions that engages financial authorities, especially deposit insurance institutions, across the globe. In his welcoming remark, Dr. Halim shared that the concept of executing bank liquidation is concerning in a situation that we are in now, especially for the banking sector. Nevertheless, IDIC has strategic roles to maintain the financial system stability and had increased coordination with the Financial System Stability Committee (FSSC/KSSK). He also added that the national banking condition is relatively stable in Indonesia.

On the other hand, Mrs. Sri Mulyani Indrawati appreciated this webinar saying that it allows exchange of experience and views on the policies taken globally related to the economic, social and financial sector in response to the COVID-19 pandemic. Therefore, not only could this help enlighten the people in Indonesia of the policy responses from all across the world, it could also be a source for adoption of global practices that is suitable domestically. It was mentioned in this event that the Ministry of Finance, through Government Regulation no. 33 of 2020, has provided IDIC with an extensive authority that enables IDIC to place funds in systemic banks to prevent disruption of liquidity, given that preconditions are met. In line with the new set of regulations, it is hoped upon that IDIC can heighten its mandate as well as its coordination with the FSSC.

During this webinar, it was noted that deposit insurers all over the world implemented regulation forbearance pertaining to deposit insurance program requirements, such as moratorium for premium payment and data collection. Overall, this webinar had shed the light upon precautionary actions and measures that could be taken by each financial institution, especially deposit insurance corporations, across the globe to be prepared to face all kinds of unpredictable situations that could strengthen the roles of those institutions. It was touched upon that even if a vaccine is to be found, it couldn't be entirely assured that the condition will return to the way it was. As what suggested by the Ministry of Finance, a resolution for systemic banks is in the highest priority for the banking sector as of today.

Source: Sindonews.com (https://ekbis.sindonews.com/read/167330/178/terimbas-covid-19-lps-makin-ketat-pantau-bank-sakit-1600312191)

Source: Wartaekonomi (https://www.wartaekonomi.co.id/read304615/sri-mulyani-sekarang-sering-bawa-kabar-buruk-kali-ini-ya-allah)
Source: CNN Indonesia (https://m.cnnindonesia.com/ekonomi/20200916215214-78-547429/tantangan-makin-besar-sri-mulyani-ingin-lps-diperkuat)
Source: Infobanknews (https://infobanknews.com/topnews/kesiapan-resolusi-bank-gagal-jadi-prioritas-asosiasi-penjamin-simpanan-di-dunia/); and
Liputan6.com (https://www.liputan6.com/bisnis/read/4358289/meski-vaksin-sudah-ditemukan-sektor-ekonomi-masih-dibayangi-ketidakpastian)

E. IDIC RESEARCH FAIR

Indonesia Deposit Insurance Corporation (IDIC/LPS) through the Research Group (GRIS) under the Directorate of Research, Surveillance and Bank Examination (DRSP) are organizers of LPS Call for Research 2019/2020, a competition where academics and aspiring academics were asked to submit their research papers from which we select the best papers to receive a reward. It is the second time we have organized such an event, the first being in 2018/2019. The theme for this year's LPS Call for Research is "Strengthening Synergy between LPS and Academics: Developing Policy based on Research (Research-Based Policy)" which we hope can resonate LPS's vision and commitment to implement policies based on solid scientific foundations.

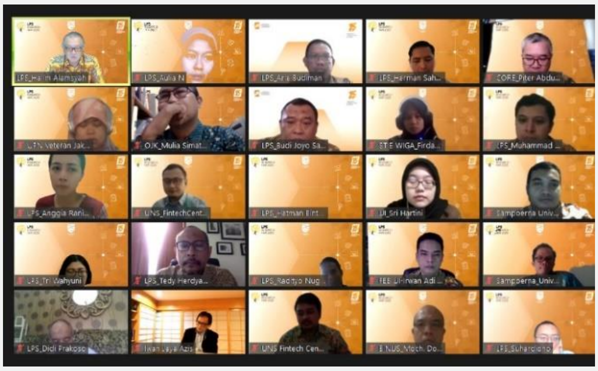
LPS Call for Research is separated into two categories, LPS Call for Proposals and LPS Call for Papers. The first category - LPS Call for Proposals - targets experienced researchers and academics (with prior experience in publishing a paper within the past 5 years being a prerequisite) to submit their research proposals which we then select five of the most promising proposals to provide funding to write the research set out in the proposal. Where previously we aim for experienced researchers and academics, for LPS Call for Papers we target undergraduate students and less experienced researchers (limited by a maximum master degree holder to be eligible to participate) to submit their final research papers. By doing so we acknowledge that relatively less experienced researchers with potential can also express their ideas and research capabilities without having to be compared to those that are already established in their field.

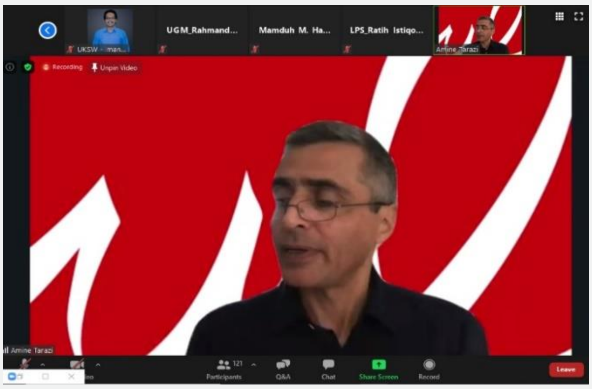
Name	University	Title
1. Leader: Leo Indra Wardhana 2. Mamduh M. Hanafi	Universitas Gadjah Mada	Competition, Governance, and Financial Stability of the Indonesian Banking Industry
1. Leader: Pananda Pasaribu 2. Masripah	Sampoerna University dan UPN Veteran Jakarta	Board of Directors / Commissioners Heterogeneity and Bank Stability: Empirical Evidence from Indonesia
Rizky Yudaruddin	Universitas Mulawarman	Financial Technology Startups and Banking Liquidity Levels in Indonesia
1. Leader: Yudistira H. Permana 2. Saiqa Ilham Akbar 3. Anisa Nurpita	Universitas Gadjah Mada	Systemic Risk in Financial System Networks: Experimental Investigation
1. Leader: Dr. Zuherman Rustam 2. Sri Hartini	Universitas Indonesia	Predicting Bank Probability of Default Using Machine Learning

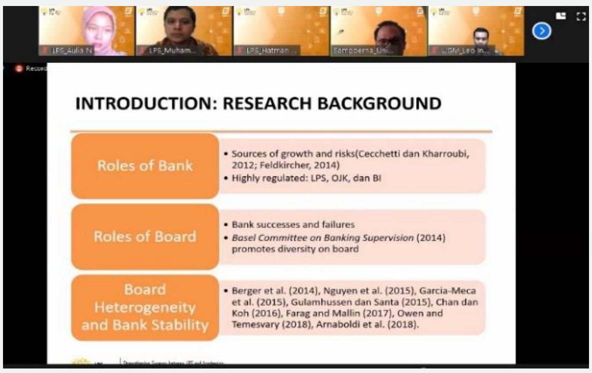
As for LPS Call for Papers, the top 5 participants and the title of their paper are listed below:

Name	University	Title
1. Leader: Nugroho Saputro 2. Yoshia Christian Mahulete	Universitas Sebelas Maret	Google Trends and Depositor Behaviour
1. Leader: Muhammad Fawdy Renardi Wahyu 2. Arif Anindita 3. Rahmanda Muhammad Thaariq	Universitas Gadjah Mada	Predicting Risk Preferences of Indonesian Communities: Findings from Longitudinal Data
1. Leader: Alyta Shabrina Zusryn 2. Rizqi Umar Al Hashfi	Universitas YARSI dan UIN Sunan Kalijaga	The Role of Capital Buffer as a Moderation of the Relationship of Liquidity and Bank Risk-Taking
1. Leader: Jul Aidil Fadli 2. Imanuel Madea Sakti	1. Universitas Esa Unggul 2. Universitas Kristen Satya Wacana	Market Resilience and Bank Liquidity Risk: Basel III Implementation Using a Net Stable Funding Ratio Approach
Firdaus Al Maidah	STIE Widya Gama Lumajang	The Impact of Competition in the Credit Market and the Time Deposit Market on Bank Profitability

For LPS Research Fair 2020, we also invited two prominent academics as keynote speakers in this event. First, Prof. Iwan Jaya Azis from Cornell University and Universitas Indonesia, who also serves as a Research Advisor at LPS. Second, we had the opportunity to discuss current trends in research in finance and banking with Prof. Amine Tarazi from Université de Limoges, France. Prof. Iwan Jaya Azis emphasized that financial and macroeconomic models with classical theories need to be revisited. Classical assumptions such as static economic agent behavior need to be refined by taking into account behavioral factors of economic agents as social beings. Therefore, more contemporary research in economics and finance has led to behavioral economics & finance. As for Prof. Amine Tarazi, he underlined the importance of bank capital and liquidity interaction and how they influence each other. Thus, regulators need to review the banking regulatory framework more comprehensively, not seeing solvency and liquidity regulations separately.







F. IADI-FSI Joint Webinar on Ongoing and Expected Impact of the COVID-19

The Financial Stability Institute (FSI) of the Bank of International Settlements (BIS) and the International Association of Deposit Insurers (IADI) have organized a joint webinar on the ongoing and expected implications of the COVID-19 Crisis for resolution authorities and deposit insurers which was held using the Webex platform on the 22nd and 24th of September 2020 at 14.00-15.30 CEST (Central European Summer Time, Basel Time).

In this 2-day webinar, the collected panelists from supervisory and resolution authorities and deposit insurers had offered their views and experience on this webinar. The focus discussion topic on the first day of the webinar was on the impacts of the pandemic. Elod Takats, Principal Economist from BIS Monetary and Economic Development, and Kevin Bertsh, US Federal Reserve Board have shed some light on the risks to the banking sector during the COVID-19 pandemic, whilst Diane Ellis, Division of Insurance and Research Director from the Federal Deposit Insurance Corporation (FDIC), together with Romeo M. Mendoza, Jr., Senior Vice President for the Deposit Insurance Sector of Philippine Deposit Insurance Corporation (PDIC), shared the actions and impacts taken by respective deposit insurance during a pandemic.

On the second day, the discussion revolves around the emphasis on contingency planning and preparedness. The topic on contingency planning and preparedness for resolution authorities and deposit insurers was brought by Philippa de Villoutreys, Senior Manager from the Resolution Directorate of the Bank of England, alongside Mustapha M Ibrahim, Director of Research, Policy and International Relations of the Nigeria Deposit Insurance Corporation (NDIC). On the other hand, Carlos Colao Osorio, a Senior Expert from Fondo de Garantia de Depositos de Entidades de Credito (FGD Spain), with Herman Saheruddin, Director of Research from IDIC, have together delivered the topic on challenges and opportunities for deposit insurers and resolution authorities during COVID-19 and its impact on fintech growth.

In essence, this webinar has enlightened us on the humanitarian and health risk which have never been seen before. On top of that, banks will be increasingly susceptible to operational and cyber risk at this time of pandemic. Banks have become more resilient and subject to a more stringent supervisory system, hence their position is stronger as compared to the previous crises. Moreover, bank central and financial supervisory authority (FSA) interventions and heightened coordination of FSN players have reduced the liquidity pressure and maintain a financial system stability. In terms of fintech, there are still complexity being faced by resolution authorities, however it is something that needs to be further developed as we are entering a contactless economy. Hence, to increase financial inclusion and public awareness.

IADI Brief – "Depositor Preference and Implications for Deposit Insurance"

31 August 2020

The International Association of Deposit Insurers (IADI) is pleased to release a IADI Brief titled "Depositor Preference and Implications for Deposit Insurance." The Brief was prepared by the IADI Secretariat Research Unit.

Depositor preference has attracted renewed interest in the wake of the global financial crisis of 2007/8 and particularly in the context of international regulatory reform as it affects loss allocation among various stakeholders. This topic remains important to deposit insurers given their responsibility to protect insured depositors and the need to minimise their net failed bank resolution costs. Rules relating to the creditor hierarchy and preferential treatment of depositors affect deposit insurers' (DIs) recoveries and the overall protection of uninsured depositors visà-vis other unsecured creditors of a failed bank.

This briefing note explores the different types of depositor preference, the advantages and disadvantages of depositor preference and the issues arising in the context of depositor preference that are relevant for Dis.

The rules regarding loss allocation among creditors are usually described in insolvency laws. The application of depositor preference varies across jurisdictions, but is commonly represented by the following three approaches:

- Insured depositor preference offers preferential treatment for insured depositors, which treatment is passed to the DI through subrogation. It ranks uninsured depositors pari passu with the senior unsecured creditors.
- General depositor preference provides preference to all depositors, including uninsured depositors, over senior unsecured creditors. In this case, the DI in its role as the subrogated party for insured depositors ranks pari passu with uninsured depositors.
- Tiered depositor preference gives preference to insured depositors (and the DI through subrogation) over uninsured depositors, and prefers both over senior unsecured creditors.

Some issues for deposit insurers:

a. Depositor preference does not replace deposit insurance protection.
b. The type of depositor preference can have an impact on the amount of DI resources that can be used for purposes other than payout (ie "Least Cost Criterion").
c. General depositor preference can be helpful in the context of a bank resolution regime, especially if a P&A transaction is the chosen resolution strategy.
d. Type of depositor preference regime has implications for "pricing" of deposit insurance.
e. Cross-border considerations. Differences in depositor preference rules (eg due to differences in insolvency regimes, powers of courts, DI mandates, creditor hierarchies and other factors) can present challenges to resolving banks with cross-border operations.

Summary and conclusions:

a. Depositor preference changes the allocation of losses between preferred depositors and senior unsecured creditors of an insolvent bank by creating a new order of priority in claims. It may be general, applying to all depositors, specific (such as insured depositor preference), or tiered, applying to all depositors, but giving insured depositors preference over uninsured depositors.
b. General depositor preference helps to protect uninsured depositors from the risk of loss due to the insolvency of a bank; in so doing it can play a complementary role to deposit insurance in the financial safety net.
c. Under depositor preference, the deposit insurer, after paying specific protected depositor claims, receives, through its subrogation rights, preferential claims treatment, thereby maximising its share in failed bank recoveries and helping to reduce its net resolution costs. However, it could add to the complexity of the resolution process and lead to delays as well.
d. Depositor preference is not a substitute for deposit insurance. Instituting depositor preference may improve the standing of uninsured depositors and through subrogation the DI in the creditor hierarchy. In the case of insured or tiered depositor preference, the cost to the DI could be further reduced.
e. For uninsured depositors, general or tiered depositor preference may lessen incentives to run and help to mitigate to some degree the likelihood of contagion. However, it may also increase moral hazard.
f. Depositor preference may help facilitate the implementation of resolution options, such as P&As, the use of bridge institutions, and the conversion of debt to equity.
g. Jurisdictions considering introducing depositor preference, or changing their existing depositor preference arrangements, should weigh the advantages and disadvantages in the context of their legal and judicial framework and financial system structure.

Sources: IADI Member's Website
https://www.ebis.org/rooms/IADI/Publications/internalrp/BISUsefulDocuments/IADI%20-%20RU%20Depositor%20Preference%20Briefing%20Note%2031%20August%202020%20version%20for%20Members.pdf

IADI Research Paper - "Evaluation of Differential Premium Systems for Deposit Insurance"

02 July 2020

The International Association of Deposit Insurers (IADI) is pleased to release a Research Paper titled "Eval- uation of Differential Premium Systems for Deposit Insurance." The paper was prepared by the Differential Premium Systems Technical Committee chaired by Mr. Anthony Sinopole, Director of International Affairs of the Federal Deposit Insurance Corporation in the United States. The Technical Committee was estab- lished under the IADI Core Principles and Research Council Committee.

The paper examines how to determine whether differential premium systems (DPSs) in place are effective in achieving the goals of decreasing moral hazard and increasing fairness. The four principle objectives of the paper were to:

1. determine reasonable goals and expectations in implementing a DPS;
2. identify basic considerations in evaluating a DPS, including factors in the operating environment and design features that promote DPS effectiveness;
3. examine how different jurisdictions measure, or evaluate, the effectiveness of a DPS; and
4. describe quantitative methodologies used to evaluate the effectiveness of a DPS.

With these objectives in mind, the paper provides a review of the literature, data from IADI annual surveys on the adoption of DPS, six case studies, and methodologies for evaluating a DPS.

Sources: IADI Website
https://www.iadi.org/en/news/iadi-research-paper-evaluation-of-differential-premium-systems-for-deposit-insurance/

The Association welcomes its 16th Partner, the Arab Monetary Fund

21 September 2020

The Executive Council has apporoved the application of the Arab Monetary Fund to join the IADI as a Partner.

Arab Monetary Fund is a Regional Arab Organisation, Founded in 1976, and has started operations in 1977. Member Countries (22) are: Jordan, United Arab Emirates, Bahrain, Tunisia, Algeria, Djibouti, Saudi Arabia, Sudan, Syria, Somalia, Iraq, Oman, Palestine, Qatar, Kuwait, Lebanon, Libya, Egypt, Morocco, Mauritania, Yemen, Comoros.

The fund aims at contributing to the achievement of the following objectives:

1. Correcting disequilibria in the balance of payments of member States.
2. Striving for the removal of restrictions on current payments between member States.
3. Establishing policies and modes of Arab monetary co-operation.
4. Rendering advice, whenever called upon to do so, with regard to policies related to the investment of the financial resources of member States in foreign markets.
5. Promoting the development of Arab financial markets.
6. Paving the way towards the creation of a unified Arab currency.
7. Promote trade among member States.

The member States shall co-operate among themselves and with the Fund for the realisation of the goals of the Fund and each member shall, in particular; Reduce the restrictions on current payments among member States and the restrictions on the transfer of capital and the transfer of profits therefrom, with a view to the total elimination of the said restrictions, and endeavour to achieve the necessary degree of co-ordination between Arab economic policies, particularly financial and monetary, in a manner that will contribute to Arab economic integration and assist in creating the necessary conditions for the establishment of a unified Arab currency.

The fund shall provide technical assistance and services in the financial and monetary sphere to member States, which conclude economic agreements aimed at attaining a monetary union between them as on of the stages leading the realisation of the goals of the Fund.

Sources: IADI Website
https://www.iadi.org/en/news/the-association-welcomes-its-16th-partner-the-arab-monetary-fund/

BCBS UPDATES
Third Quarter 2020

Basel Committee on Banking Supervision
BANK FOR INTERNATIONAL SETTLEMENTS

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

Table 1: BCBS Publication

Dates	Type of Publication	Titles
02 Jul 2020	Guidelines	Sound management of risks related to money laundering and financing of terrorism: revisions to supervisory cooperation
06 Jul 2020	Implementation Reports	Eighteenth progress report on adoption of the Basel regulatory framework
08 Jul 2020	Standards	Targeted revisions to the credit valuation adjustment risk framework
06 Aug 2020	Consultative	Revisions to the principles for the sound management of operational risk
06 Aug 2020	Consultative	Principles for operational resilience

Sound management of risks related to money laundering and financing of terrorism: revisions to supervisory cooperation

2 July 2020

The Basel Committee has amended Sound management of risks related to money laundering and financing of terrorism, to introduce guidelines on cooperation and information exchange among prudential and AML/CFT supervisors for banks.

Consistent with the goals and objectives of the standards issued by the Financial Action Task Force (FATF) and principles and guidelines published by the Basel Committee, the revisions provide further detailed guidelines to strengthen the interaction and cooperation between prudential and AML/CFT supervisors.
The revised guidelines include new paragraph 96 in Part IV (The role of supervisors) and Annex 5 (Interaction and cooperation between prudential and AML/CFT supervisors). Annex 5 sets out specific principles, recommendations and descriptive examples, to facilitate effective and efficient cooperation in relation to authorisation related procedures of a bank, ongoing supervision, and enforcement actions. It also describes possible methods of implementation including mechanisms to facilitate such cooperation at the jurisdictional and international level.

The guidelines are not included in the Basel standards and are only applicable for those jurisdictions that choose to implement them on a voluntarily basis.

Sources: BIS website
https://www.bis.org/bcbs/publ/d505.htm

Related Information:

- Press release (02 July 2020) : Basel Committee finalises AML/CFT guidelines on supervisory cooperation
https://www.bis.org/press/p200702.htm
- Guidelines Sound management of risks related to money laundering and financing of terrorism
https://www.bis.org/bcbs/publ/d505.pdf

Eighteenth progress report on adoption of the Basel regulatory framework

6 July 2020

This updated progress report provides a high-level view of Basel Committee members' progress in adopting the Basel III standards as of end-May 2020.

It focuses on the status of adoption of all the Basel III standards, including the finalised Basel III post-crisis reforms published in December 2017 and the finalised minimum capital requirements for market risk in January 2019, to ensure that they are transposed into national law or regulation according to the internationally agreed time frames. The report is based on information provided by individual members as part of the Committee's Regulatory Consistency Assessment Programme (RCAP).

The report includes the status of adoption of the Basel III risk-based capital standards, the leverage ratio, the standards for global and domestic systemically important banks (SIBs) and interest rate risk in the banking book (IRRBB), the Net Stable Funding Ratio (NSFR), the large exposures framework and the disclosure requirements.

In addition to periodically reporting on the status of adoption, all Committee members undergo an assessment of the consistency of their domestic rules with the Basel standards.

Sources: BIS website
https://www.bis.org/bcbs/publ/d506.htm

Related Information:
Eighteenth progress report on adoption of the Basel regulatory framework
https://www.bis.org/bcbs/publ/d506.pdf

Targeted revisions to the credit valuation adjustment risk framework

8 July 2020

The credit valuation adjustment (CVA) risk framework replaces an earlier version of the standard as published in December 2017.
This final standard incorporates changes proposed in the November 2019 consultative document and has been informed by a quantitative impact assessment based on data as of end-June 2019. Compared to the earlier standard, the revisions include recalibrated risk weights, a different treatment for certain client cleared derivatives, and an overall recalibration of the standardised approach CVA as well as the basic approach CVA.

The revised standard comes into effect on 1 January 2023.

Sources: BIS website
https://www.bis.org/bcbs/publ/d507.htm

Revisions to the principles for the sound management of operational risk

6 August 2020

The Committee introduced its Principles for the sound management of operational risk in 2003, and subsequently revised them in 2011 to incorporate the lessons from the financial crisis. In 2014, the Committee conducted a review of the implementation of the principles which indicated that several principles had not been adequately implemented, and that the principles did not sufficiently capture certain important sources of operational risk. The Committee is proposing a limited number of updates to: (i) align the principles with the recently finalised Basel III operational risk framework; (ii) update the guidance where needed in the areas of change management and information and communication technologies; and (iii) enhance the overall clarity of the principles.

Sources: BIS website
https://www.bis.org/bcbs/publ/d508.htm

Principles for operational resilience

6 August 2020

Through the publication of this consultative document, the Committee seeks to promote a principles-based approach to improving operational resilience. The principles aim to strengthen the ability of banks to with- stand operational risk-related events which could cause significant operational failures or wide-scale dis- ruptions in financial markets, such as pandemics, cyber incidents, technology failures or natural disasters. The approach builds on updates to the Committee's Principles for the sound management of operational risk, and draws from previously issued principles on corporate governance for banks, as well as outsourcing, business continuity and relevant risk management-related guidance.

Sources: BIS website
https://www.bis.org/bcbs/publ/d509.pdf

Supervisory issues associated with benchmark transition: Report to the G20

9 July 2020

This report is the Stage 1 report of the FSB's project to develop a roadmap to enhance cross-border payments. This Stage 1 report, which is being delivered to the G20, provides an assessment of existing arrangements.

This report published by the Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS) concludes that the continued reliance of global financial markets on LIBOR poses clear risks to global financial stability. Transition away from LIBOR by end–2021 requires significant commitment and sustained effort from both financial and non-financial institutions across many jurisdictions. On 1 July the FSB reiterated its view that financial and non-financial sector firms across all jurisdictions should continue their efforts to make wider use of risk-free rates to reduce reliance on IBORs where appropriate and in particular to remove remaining dependencies on LIBOR by the end of 2021.

The report includes insights on remaining challenges to transition based on surveys undertaken by the FSB, the BCBS and the International Association of Insurance Supervisors (IAIS). It sets out recommendations for authorities to support financial institutions' and their clients' progress in transitioning away from LIBOR.

Most FSB jurisdictions have a strategy in place to address LIBOR transition, as opposed to only half of the surveyed non-FSB jurisdictions. Authorities in LIBOR jurisdictions are relatively more advanced in taking initiatives to facilitate and monitor benchmark transition. Financial institutions in these jurisdictions have shown better progress, although significant challenges remain. In light of the expected cessation of LIBOR after end-2021, authorities should strengthen their efforts in facilitating financial and non-financial institutions to transition away from LIBOR.

The report includes three sets of recommendations to support LIBOR transition that should generally be applicable to all jurisdictions with LIBOR exposures.

- **Identification of transition risks and challenges** – authorities and standard-setting bodies to issue public statements to promote awareness and engage with trade associations, and authorities to undertake regular surveys of LIBOR exposure and to request updates from financial institutions.
- **Facilitation of LIBOR transition** – authorities to establish a formal transition strategy supported by adequate resources and industry dialogue. Supervisory authorities should consider increasing the intensity of supervisory actions when the preparatory work of individual banks is unsatisfactory.
- **Coordination** – authorities to promote industry-wide coordination, maintain dialogue on the adoption of fallback language, consider identifying legislative solutions, where necessary, and exchange information on best practices and challenges. The FSB and the standard-setting bodies will coordinate at the international level to identify key common metrics for monitoring transition progress.

LIBOR transition is a G20 priority and the report responds to the G20 request to identify remaining challenges to benchmark transition and to explore ways to address them. The report is a deliverable for the G20 Finance Ministers and Central Bank Governors virtual meeting on 18 July.

The FSB set out in 2014 a series of recommendations for strengthening key interbank offered rates (IBORs) in the unsecured lending markets, and for promoting the development and adoption of alternative nearly risk-free reference rates, where appropriate. The FSB published its most recent annual progress report in December 2019 on implementation of the recommendations.

Sources: FSB website
https://www.fsb.org/2020/07/fsb-and-basel-committee-set-out-supervisory-recommendations-for-benchmark-transition/

Building blocks for a roadmap to enhance cross-border payments: letter to the G20

13 July 2020

This letter from the FSB Chair, Randal K. Quarles, to the G20, accompanied a report setting out building blocks for a roadmap to enhance cross-border payments. The report, by the Committee on Payments and Market Infrastructures (CPMI), was welcomed by the FSB. The CPMI report sets out the necessary elements to address problems with the high costs, low speed, limited access and insufficient transparency of cross-border payments, highlighted by an FSB report published in April.

The publication of the CPMI report marks the second of a three-stage process, coordinated by the FSB at the request of the G20, to develop a roadmap to enhance cross-border payments. The report was delivered to G20 Finance Ministers and Central Bank Governors ahead of their virtual meeting on 18 July.

The G20 at is February 2020 Finance Ministers and Central Bank Governors meeting asked the FSB to coordinate a three-stage process to develop a roadmap to enhance cross-border payments:

- **Assessment (Stage 1):** In its April report the FSB, in coordination with relevant international organisations and standard-setting bodies assessed existing arrangements and challenges.
- **Building Blocks (Stage 2):** The Committee on Payments and Market Infrastructures (CPMI) led the work on creating building blocks of a response to improve the current global cross-border payment arrangements. The report sets out areas where further public sector work could assist in moving to an improved cross-border payments system and in public goods or removing unnecessary barriers.
- **Roadmap (Stage 3):** Building on the previous stages, the FSB will coordinate, with CPMI and other relevant international organisations and standard-setting bodies, the development of a roadmap to pave the way forward. In particular, the FSB will report to the G20 on practical steps and indicative timeframes needed to do so. The three-stage process will be submitted as a combined report to the G20 in October 2020.

Sources: FSB website
https://www.fsb.org/2020/07/building-blocks-for-a-roadmap-to-enhance-cross-border-payments-letter-to-the-g20/

COVID-19 pandemic: Financial stability implications and policy measures taken – Report to the G2

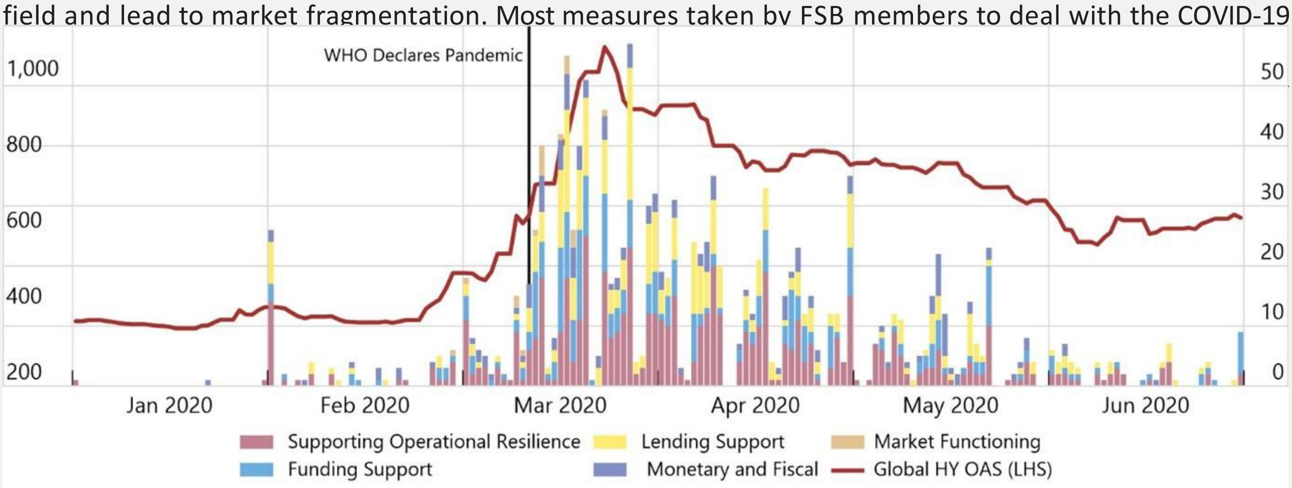
15 July 2020

This report, delivered to G20 Finance Ministers and Central Bank Governors for their virtual meeting on 18 July, assesses COVID-related financial stability developments, details policy measures taken and sets out work to assess their effectiveness.

Since the FSB last updated the G20 in April, financial markets have continued to recover from the COVID-19 shock on the back of this decisive policy action. While improving market sentiment has lifted risky asset prices, this may not fully reflect the fact that the pandemic continues and the path of recovery remains highly uncertain. As a result, risky assets remain vulnerable to shifts in the economic outlook.

The report notes that credit provision to the real economy has held up, but lenders face a challenging combination of deteriorating credit quality and rising credit demand. There has been a notable increase in bank lending to non-financial corporates. Capital markets – assisted by determined policy actions – have remained open and enabled firms to raise new and longer-term financing. However, virus containment measures, sharp reductions in supply capacity and falling commodity prices have led to a broad-based reduction in corporate earnings. This, together with relatively high levels of indebtedness and more relaxed underwriting standards in certain market segments in recent years, is weighing on credit quality.

The FSB Principles have guided national responses to COVID-19 to date. The international standards adopted through the G20 reforms have discouraged unilateral actions that would distort the level playing field and lead to market fragmentation. Most measures taken by FSB members to deal with the COVID-19



Policy measures taken in response to COVID-19: Number of policy submissions per day

The FSB continues to support international cooperation and coordination on the COVID-19 response underpinned by the FSB principles. The FSB is:

- **Assessing financial risks and vulnerabilities** – to support assessments of the appropriateness of financial policy responses and potential adjustments.
- **Information sharing** - regularly sharing information on policy responses and has begun supporting domestic assessments of the use of policy measures taken.
- **Coordinating policy responses** – the FSB has been coordinating the response to policy issues, including measures that standard-setting bodies (SSBs) may take to provide, or give guidance on, flexibility available to authorities and firms within existing international financial standards. The FSB and SSBs will also coordinate the future timely unwinding of the temporary measures taken as well as addressing any areas where existing policy frameworks have been found wanting.
- **Considering the longer-term implications of the market turmoil in March** - this will include a holistic post-mortem of what happened, drawing also on work by the SSBs.

The FSB will provide a further update on member authorities' and SSBs' COVID-19 responses, its financial stability risk assessment and its work on the effectiveness of policy responses by November 2020, ahead of the G20 Leaders' Summit. The report was delivered to G20 Finance Ministers and Central Bank Governors together with a letter from the FSB Chair, Randal K. Quarles.

Sources: FSB website
https://www.fsb.org/2020/07/covid-19-pandemic-financial-stability-implications-and-policy-measures-taken-report-to-the-g20/

Stocktake of financial authorities' experience in including physical and transition climate risks as part of their financial stability monitoring

22 July 2020

This stocktake considers financial authorities' experience of including climate-related risks in financial stability monitoring. It draws on information provided by FSB members, international bodies and a workshop with the private sector.

The stocktake finds that financial authorities vary in terms of whether – and to what degree – they consider climate-related risks as part of their financial stability monitoring. Around three-quarters of survey respondents consider, or are planning to consider, climate-related risks as part of their financial stability monitoring. Most focus on the implications of changes in asset prices and credit quality. A minority of authorities also consider the implications for underwriting, legal, liability and operational risks.

Authorities also consider the implications of these risks for financial institutions. Consideration of climate-related credit and market risks faced by banks and insurers appears more advanced than that of other risks, or of risks faced by other types of financial institutions. Some financial authorities have quantified, – or have work underway to quantify – climate-related risks. Such work is hindered by a lack of consistent data on financial exposures to climate risks and difficulties translating climate change outcomes into changes in those exposures. No approach to quantification provides a holistic assessment of climate-related risks to the global financial system.

In some jurisdictions, climate-related risks are being integrated into microprudential supervision of banks and insurance firms (including via requirements for firms' stress testing and disclosure). However, such work is generally at an early stage. Some authorities report having set out – or being in the process of setting out – their expectations as to firms' disclosure of climate-related risks. In some cases such expectations explicitly refer to the recommendations of the FSB's Task Force on Climate-related Financial Disclosures.

The stocktake draws on takeaways from discussions with the private sector. At a workshop market participants said that climate-related risks were significant and had the potential to impact their businesses. However, they said it is unclear whether – and to what degree – financial market prices incorporate climate-related risks. The workshop included discussion of the channels through which climate-related risks to the financial system may affect the real economy, and, in turn, have further effects on the financial system.

The FSB will conduct further work by October 2020 to assess the channels through which physical and transition risks could impact the financial system and how they might interact. Particular focus will be given to the potential amplification mechanisms and cross-border effects, and to prioritising channels that could materialise in the short-to-medium term. The FSB will also consider the scope for work to assess available data through which climate-related risks can be monitored, as well as any data gaps. This work will build upon, and be coordinated with, that taking place in other relevant international fora.

Sources: FSB website
https://www.fsb.org/2020/07/fsb-stocktake-considers-climate-risks-and-financial-stability/

FSB Continuity of Access to FMIs for firms in resolution: streamlined information collection to support resolution planning

14 August 2020

This questionnaire provides common template for gathering information about continuity of access to financial market infrastructures (FMIs) for firms in resolution. The template takes the form of a questionnaire that all FMIs are encouraged to complete. The responses to the questionnaire should be published or made available in other ways to firms that use the FMI services and their resolution authorities to inform their resolution planning. The use of a common questionnaire should reduce the "many to one" nature of inquiries from FMI participants and authorities to FMIs for resolution planning and streamline the provision of this information from FMIs to firms and authorities.

The questionnaire follows from a workshop held in May 2019 with stakeholders about the implementation of the FSB's *Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution.* The Guidance sets out arrangements and safeguards to facilitate continued access to critical clearing, payment, settlement, custody and other services provided by FMIs in cases where firms need to be resolved.

The FSB developed the questionnaire in consultation with FMIs, FMI participants, FMI oversight authorities and with the assistance of the Secretariats of the International Organization of Securities Commissions and of the Committee on Markets and Payments Infrastructures. It covers general information on the FMI and its legal structure; (the rulebook/contractual provisions regarding termination; and arrangements and operational processes to facilitate continued access in resolution. The experience with the use of the questionnaire will be reviewed after one year in consultation with FMIs and FMI participants.

The FSB will hold a webinar for stakeholders in September to explain the questionnaire and answer questions. Representatives of FMIs, FMI participants and authorities who would like to attend should contact fsb@fsb.org for more details.

Sources: FSB website
https://www.fsb.org/2020/08/fsb-publishes-questionnaire-on-continuity-of-access-to-fmis-for-firms-in-resolution/

Key Attributes Assessment Methodology for the Insurance Sector

25 August 2020

This methodology sets out essential criteria to guide the assessment of the compliance of a jurisdiction's insurance resolution framework with the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions ('Key Attributes'). It was developed in collaboration with experts from FSB jurisdictions, relevant standard-setting bodies, the International Monetary Fund and the World Bank. It is designed to promote consistent assessments across jurisdictions and to provide guidance to jurisdictions when adopting or amending their resolution regimes to implement the Key Attributes.

The Key Attributes constitute an 'umbrella' standard for resolution regimes for all types of financial institutions. Implementation of the Key Attributes allows authorities to resolve financial institutions in an orderly manner without taxpayer exposure to loss from solvency support, while maintaining continuity of their vital economic functions. However, not all attributes are equally relevant for all sectors. The Key Attributes Assessment Methodology provides an insurance sector-specific interpretation of individual KAs. It stresses that a jurisdiction's insurance resolution regime should be proportionate to the size, structure and complexity of the jurisdiction's insurance system.

The FSB also issued a note explaining the application of the insurance KAAM and the Key Attributes during the period of suspension of the designation of Global Systemically Important Insurers (G-SIIs). It states that the Key Attributes continue to apply during the suspension period to any insurer that could be systemically significant or critical in failure. National authorities may apply to certain insurers the requirements specific to G-SIIs, which are the requirements for a crisis management group, institution-specific cross-border cooperation agreements and resolvability assessments). In the event of a 2022 decision to discontinue the G-SII list, the FSB will review the scope of application of G-SII specific requirements in consultation with the International Association of Insurance Supervisors.

Sources: FSB website
https://www.fsb.org/2020/08/fsb-publishes-key-attributes-assessment-methodology-for-the-insurance-sector/

FSB Middle East and North Africa group discusses economic and financial market developments

19 September 2020

The Financial Stability Board (FSB) Regional Consultative Group (RCG) for the Middle East and North Africa (MENA) held its 18th meeting (virtually) today to discuss recent global and regional macroeconomic and financial market developments.

Members exchanged views on the latest financial stability implications of COVID-19, as well as any medium- or long-term threats to regional financial stability that might arise from the COVID-19 pandemic and its economic implications, including their policy responses.

The group received an update on the FSB's deliverables to the Saudi Arabian G20 Presidency, with an emphasis on the initiatives where the RCGs have provided input. This includes the FSB's work on BigTech firms in Emerging Market and Developing Economies (EMDEs), benchmark transition, enhancing cyber resilience and cross-border payments, as well as addressing regulatory, and supervisory and oversight challenges raised by "global stablecoin" arrangements. RCG members also exchanged views and shared experiences on how the recommendations from the "global stablecoin" report could be implemented in their jurisdictions.

Sources: FSB website
https://www.fsb.org/2020/09/fsb-middle-east-and-north-africa-group-discusses-economic-and-financial-market-developments/

The IFSB Issues Statements Addressing the Implications of COVID-19 on Aspects of Islamic Banking and Islamic Capital Markets

8 July 2020

The statement on Islamic banking aims to clarify the treatment of payment moratoriums, the expected credit loss approach and profit-sharing investment accounts in-line with Shar'iah rules and principles and guidance issued by the IFSB as well as other international standard-setters.
The Islamic capital markets statement is focused on investor protection, and highlights areas for greater regulatory vigilance and appropriate regulatory responses across IFSB member countries to mitigate the negative economic effects of the COVID-19 pandemic and to ensure continued strong investor protection in the Islamic capitalmarkets.

These statements are part of the IFSB's ongoing programme to provide appropriate policy guidance and to serve as a reference tool kit for its members and the Islamic financial services industry to navigate the current economic and regulatorychallenges.

The IFSB will continue to assess the implications of the pandemic on Islamic banking, Islamic capital markets and Takaful, and will issue further public statements where necessary.

Sources: IFSB website
https://www.ifsb.org/press_full.php?id=529&submit=more

Regulatory measures to mitigate the impact of COVID-19 for Institutions Offering Islamic Financial Services (IIFS)

8 July 2020

The COVID-19 pandemic and various unprecedented policy responses taken by the Governments to contain the spread of the virus have had an increasingly significant impact on the global economy and financial markets. The Islamic Financial Services Board (IFSB) noted the suites of extraordinary measures including the range of regulatory and supervisory responses that have been rolled out by its member jurisdictions to preserve resilience of the financial system and the continued provision of financial services to the real economy. These include payment moratorium1 and Shariah-compliant government guarantees on bank exposures to certain segments of the recipients of Shariah-compliant financing.
The current development necessitates the IFSB to issue public statements and provide technical guidance related to the extraordinary measures when calculating capital requirements of IIFS, in line with treatments prescribed by the International Accounting Standards Board (IASB)2 , the Basel Committee on Banking Supervision (BCBS)3 and the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)4, on 27 March 2020, 3 April 2020, and 21 May 2020, respectively, and to ensure that such treatment are not in conflict with Shariah rules and principles.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=530&submit=more

Regulatory measures to mitigate the impact of COVID-19: Recommendations for the Islamic Capital Markets

8 July 2020

The COVID-19 pandemic and the measures taken to prevent its spread have had an increasingly significant impact on the global economy and the global financial markets. Many IFSB member jurisdictions have had to take a range of extraordinary regulatory and supervisory measures to alleviate the impact of COVID-19 on financial stability in their jurisdictions and preserve the orderly functioning of markets.
The main objective of this public statement is to recommend the highlighted areas for greater regulatory vigilance and appropriate regulatory responses across IFSB member countries to mitigate the negative economic effects of the COVID-19 pandemic and to ensure continued strong investor protection in the Islamic capital markets during these unprecedented times.

In the current environment of heightened uncertainty and market volatility in the capital markets, the IFSB recommends that regulators encourage firms operating in the Islamic capital market to exercise even greater care in their duty to act in the best interests of their clients, ensure fair treatment of clients and comply with all relevant governance and conduct of business obligations.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=531&submit=more

The IFSB to Launch Islamic Financial Services Industry Stability Report 2020 at the Members and Industry Engagement Session (MIES)

30 July 2020

The IFSB's IFSI Stability Report series, which was first launched in 2013, has become an important benchmark publication, providing an assessment of the growth, development, and stability of the IFSI. The objective of this flagship Report is anchored on the IFSB's mandate to promote the development of a prudent and resilient IFSI.
The launching of this eighth edition of the IFSI Stability Report will be followed by the IFSB's Members and Industry Engagement Session, which provides an interactive platform for communication between the IFSB member organisations, other IFSI stakeholders, and the IFSB Secretariat.
In this MIES session, the IFSB will present key structural and prudential developments, assessment of vulnerability, resilience, and future outlook, as well as expected implications of COVID-19 on the global IFSI to the audience. This will be followed by a panel discussion to allow greater interaction and exchange of views among the industry's stakeholders, regulators and market players. The discussion will be moderated by the Secretary-General of the IFSB, Dr. Bello Lawal Danbatta and representatives from the regulatory and supervisory authorities as well as market players. A question and answer session will be held after the discussion, led by Dr. Bello Lawal Danbatta and both Assistant Secretary-Generals, Mr. Walid Alzahrani and Dr. Rifki Ismal.

Regulatory and supervisory authorities and industry players from among IFSB members and non-members are invited to witness the launch of the IFSB's IFSI Stability Report 2020 and also participate in the online MIES. Interested participants are invited to register at www.ifsb.org. Please contact Mr. Ahmed Barakat (ahmed.barakat@ifsb.org) for further information.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=533&submit=more

The IFSB issued the Eighth Edition of its Annual Flagship Publication: the Islamic Financial Services Industry (IFSI) Stability Report 2020

6 Agustus 2020

The IFSB Secretary-General, Dr. Bello Lawal Danbatta stated that "the IFSI Stability Report 2020 takes place at a time when numerous developments that may impact the stability of the global financial system are prevalent: notably, the COVID-19 pandemic and global crude oil price volatility." He stated further that "notwithstanding, the total worth of the IFSI had increased to an estimated USD 2.44 trillion in 2019 and that, the IFSI sustained its growth momentum in 2019, recording a growth rate of 11.4% year-on-year (y-o-y) based on significant improvement across the three segments of the IFSI, especially in Islamic banking and the Islamic Capital Market."

Dr. Bello highlighted that based on various analyses contained in the IFSI Stability Report 2020, the performance of the global IFSI projected a sense of optimism for 2020. However, the combined effects of the shock from the COVID-19 pandemic and oil price volatility, as well as the financial services industry's vulnerability to factors such as global trade wars, economic sanctions and political blockades, will test the strength and resilience of the IFSI in 2020 and beyond.

Key highlights of the IFSI Report 2020 include:

The Islamic banking segment retained its dominance in the global IFSI. The domestic market share for Islamic banking in relation to the total banking segment continued to increase in at least 27 countries, remained constant in seven, and declined in two jurisdictions among the 36 jurisdictions covered in the IFSI Stability Report 2020.

The Islamic banking segment's performance grew by 12.7% in 2019, compared to a mere 0.9% in 2018. As at 3Q19, the Islamic banking segment accounts for 72.4% (76% in 2018) of the total value of IFSI assets, the declining share being mainly due to increased prominence of the ICM segment.

The ICM sector as at end of 2019 accounts for 26.5% of the global IFSI assets on the back of a positive performance due to the sovereign and multilateral ṣukūk issuances in key Islamic finance markets to support fiscal financing and eco-friendly environment projects.

Islamic funds also recorded a noteworthy growth of 29.8% in terms of the total value of assets under management, while the Islamic equity markets also rebounded in 2019 posting its strongest performance since the Global Financial Crisis in 2009.

The share of global takāful industry in the global IFSI declined marginally to 1.1%. However, global takāful contributions grew by 3.2% (y-o-y and in nominal terms) in 2018, with a seven-year (2012–18) compound average growth rate of 8.5%. As at end 2018, an estimated 353 takāful institutions including retakāful and takāful windows now offer takāful products and services globally.

The IFSI Stability Report 2020 utilises data from the IFSB's Prudential and Structural Islamic Financial Indicators (PSIFIs) database for the Report's Islamic banking sector analysis.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=534&submit=more

The IFSB and the Islamic Development Bank (IsDB) Sign Technical Assistance (TA) Grant Agreement for the Final Review of the Ten-Year Framework and Strategy Project for the Islamic Financial Services Industry

7 September 2020

The TA fund will support the consultancy services, consultative workshops, and the publication of the final report. The main objective of the final review is assessing the progress and current status of the priorities and initiatives recommended in the “Ten Year Framework (2007)” and its “Mid-Term Review (2014) over the past 10 years, and also provide future roadmap for the IFSI. The scope of the project will cover: Islamic banking, Islamic capital market, Islamic insurance (takāful), and Islamic non-banking financial institutions and microfinance.

Regarding the signing of this TA agreement, the Vice President Country Programs, IsDB, Dr. Mansur Muhtar said, “the IsDB is pleased to support this project, which is the culmination of the 10-year IFSI strategy. The Islamic finance industry has evolved enormously over this time with great opportunities but also new challenges and issues. The project is expected to guide the industry in its future trajectory and inform stakeholders of the critical actions needed on our part to ensure its sustainability and growth.”

On this occasion, the IFSB Secretary-General, Dr. Bello Lawal Danbatta stated: “The IFSB is very appreciative of this assistance from the IsDB for this important project; the outcome of which will provide a roadmap for the IFSI to consolidate on the remarkable achievements recorded since the Mid-term review published in 2014.” He further added that “the recommendations from the final review will also be very useful to ensuring the soundness, stability, and resilience of the IFSI especially due to the implication of COVID-19 and digital transformation of operations, supervision, and regulation”. This final review will also provide a basis to developing new strategies and framework for the IFSI in the future.

This assistance is the seventh TA from the IsDB to the IFSB since the IFSB started operations in 2003. Previous TA were granted to the IFSB in 2004, 2009, 2013, 2015, 2018, and 2019. The IsDB is a full and founding member of the IFSB, and sits on the IFSB Council.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=536&submit=more

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