LEMBAGA PENJAMIN SIMPANAN

GLOBAL UPDATES

Volume 01 of 2021

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IDIC Updates

First Quarter 2021

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Don’t Stop Saving at The Bank

Banks being on the brink of failure or could not be recovered may lead to the revocation of their business license. These circumstances often make customers feel uneasy and nervous about their savings.

Indonesia Deposit Insurance Corporation (IDIC) is highly committed to keep providing deposit insurance through an effective and efficient deposit insurance program. Let’s find out on how do the customers think about IDIC’s deposit insurance program?

We had interviewed several customers of Brata Nusantara Rural Bank, a liquidated bank who had its license revoked on 14 October 2020. Nearly 98% of deposits have been claimed by customers. Mr. Rudi Sumarna (55) and Mrs. Puaelah (Ela, 43) were among those eligible depositors who had successfully claimed their deposit insurance to IDIC.

Mr. Rudi works as a vegetable trader at Cibeureum Market, Ciwidey, Bandung Regency. This resident of Alamendah Village, Rancabali District, admits that he has set aside a profit of selling Rp 150,000 per day for savings.

"I don't get monthly wages, so I am saving up for the future," said Mr. Rudi when he was chatting with the IDIC Public Relations team. Meanwhile, Mrs. Ela is a Garment Entrepreneur who lives in Sadu Village of Soreang Regency and saves her income in the bank for her children’s future needs. In addition, Mrs. Ela uses her savings when her business is short on capital.

"I save up for the future needs of my children. I also use this savings if my business needs more capital, as we know, not every day your business is peaking " said Mrs. Ela when IDIC Public Relations team met her at her home and place of business.

Both customers of Brata Nusantara Rural Bank expressed their disappointment when they heard that the bank where they were saving had their business license revoked. As they continued to look for information about the whereabouts of their savings, they felt at ease when they saw the announcement and was told that their savings had been handled by IDIC. "At first, I felt confused, will I get my deposit back and where else should I save my money?", shared Mr. Rudi, who has been saving for 15 years at Brata Nusantara Rural Bank. "But then, I feel confidence that my savings will be restored, because I was informed that our deposits in the bank will be insured by IDIC" said Mrs. Ela while taking us around her house.

Their experience has not traumatized them saving their money in the bank. On top of that, they are now feeling less hesitant to save their money in banks because they had experienced IDIC's deposit insurance program for themselves. "No, I don't give up saving at the bank", Pak Rudi concluded.

Source. Youtube

https://youtu.be/40AIUAcn-IA

Policies and Regulations

IDIC Regulation Number 1 of 2021 on the Implementation of Resolution Plan for Commercial Bank

The regulation enables IDIC to improve the effectiveness of the resolution or settlement of a failed systemic commercial bank and the settlement of a failed non-systemic bank. For the purpose, IDIC shall obtain a report on the Resolution Plan from selected commercial banks. The government has put the regulation in force since March 30, 2021.

The Resolution Plan is intended to complement the action plan (a.k.a. recovery plan) that has been prepared by Systemic Banks as stipulated in Law Number 9 of 2016 concerning Financial System Crisis Prevention and Management.

In brief, it regulates, among others, the bank's obligation to prepare and submit resolution plan to IDIC, how the resolution plan should be made by the bank, what information should be included in the resolution plan, when it should be submitted to IDIC and updated, resolution plan and resolvability assessment by IDIC, as well as prevailing sanctions

When performing the resolution and resolvability assessment, IDIC has to take into account all concerns of IDIC in a complete, accurate, and intact manner.

Moreover, it is necessary for a Resolution Plan to consider critical interconnectedness with bank business groups and external parties which may affect the financial or operational performance of the bank.

Not only preparing the resolution plan, IDIC requires Banks to perform a periodical update to their Resolution Plan every two years and at any time required in the occurrence of any of the following:

A. Changes in the structure of the controlling shareholders

B. Merger, Takeover, Separation, or Consolidation of Bank

C. Changes in Bank's key business lines

D. The deterioration of the soundness level of the Bank; and / or

E. Other conditions that may affect the process of bank resolution or settlement when the bank failed.

Key Financial Highlights

Banking Growth and Stability

In February 2021, the Indonesian banking industry recorded mixed financial performance indicators. Its assets grew by 6.90% YoY, while profits declined by 15.20% YoY. Asset growth was not accompanied by growth in credits, which dropped by 2.20% YoY.

Interestingly, Islamic banks significantly outperformed their conventional peers in terms of asset and credit growth YoY. On the right-hand side of the industry's balance sheet, deposits (third parties funds) grew by 10.10% YoY and the industry's Tier 1 capital grew by 6.50% YoY.

Table 1: Indicators of Banking Industry (Trillion IDR)

Indicator	Feb-20	Jan-21	Feb-21	YoY	MtM
Asset	8.529,7	8.998,7	9.119,6	6,9%	1,3%
Conventional	8.178,7	8.604,1	8.724,8	6,7%	1,4%
Islamic	351,0	394,6	394,9	12,5%	0,1%
Credit	5.604,0	5.461,0	5.482,1	-2,2%	0,4%
Conventional	55.379,4	5.214,5	5.235,8	-2,7%	0,4%
Islamic	224,6	246,5	246,3	9,7%	-0,1%

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Indicator	Feb-20	Jan-21	Feb-21	YoY	MtM
Third Parties Fund	6.035,7	6.569,7	6.645,9	10,10%	1,2%
Conventional	5.744,6	6.248,4	6.324,5	10,1%	1,2%
Islamic	291,1	321,3	321,4	10,4%	0,0%
Tier 1	1.254,9	1.887,7	1.336,7	6,5%	-0,1%
Conventional	1.217,0	1.292,5	1.291,3	6,1%	-0,1%
Islamic	37,9	45,2	45,4	19,6%	0,4%
Profit/Loss	27,0	12,3	22,9	-15,2%	86,5%
Conventional	26,4	12,0	22,3	-15,8%	86,1%
Islamic	0,6	0,3	0,6	14,5%	105,0%

Note : YoY : Year-on-Year growth
MtM : Month-to-Month growth

● : Favourable
● : Unfavourable

Table 2 shows that the industry's Gross NPL were higher than last year while Net NPL improved. Such occurance suggests a slight improvement in credit quality. However, the improvement in Net NPL was not sufficient to prevent bank operating efficiency from declining compared to previous year.

Profitability ratios, ROA and ROE, also declined in alignment with the operating ratios. Despite negative trend in efficiency and profitability, the banking industry CAR grew healthily at 24.12%. These increase in CAR imply that the Indonesian banking industry remains stable over the period of February 2020 to February 2021.

Table 2: Financial Ratio of Banking Industry

Ratio	Feb-20	Jan-21	Feb-21	YoY	MtM
CAR	22,17%	24,28%	24,12%	🟢 195bps	🔴 16bps
Asset Quality	1,93%	1,98%	1,99%	🔴 6bps	🔴 1bps
Gross NPL	2,75%	3,11%	3,17%	🔴 43bps	🔴 6bps
Net NPL	0,21%	0,15%	0,16%	🟢 5bps	🔴 1bps
ROA	2,47%	2,14%	1,96%	🔴 51bps	🔴 17bps
ROE	13,56%	11,53%	11,10%	🔴 245bps	🔴 43bps
OC/OR	82,86%	83,11%	83,53%	🔴 67bps	🔴 42bps
NIM	4,33%	4,16%	4,08%	🔴 25bps	🔴 8bps
LDR	92,85%	83,22%	82,59%	🟢 1026bps	🟢 63bps

Note : YoY : Year-on-Year growth; MtM : Month-to-Month growth

🟢 : Favourable
🔴 : Unfavourable

Deposit Insurance Updates

Per deposit distribution data in Q1 2021, total deposits in the Indonesian banking industry is still dominated by saving deposits in terms of account numbers. To be exact, saving deposits accounts for 97.38% of the total number of accounts. However, in terms of market shares, savings contributes only 31.01% of total deposits. In contrast, time deposits, which represents only 1.43% of the total number of accounts, has the largest shares of total deposits (40.36%). Meanwhile, demand deposits, which mainly for transactional purpose, accounts for 1.19% of the total number of accounts and contribute to 27.49% shares of total deposits.

Figure 1: Distribution of Deposits in Banking Industry

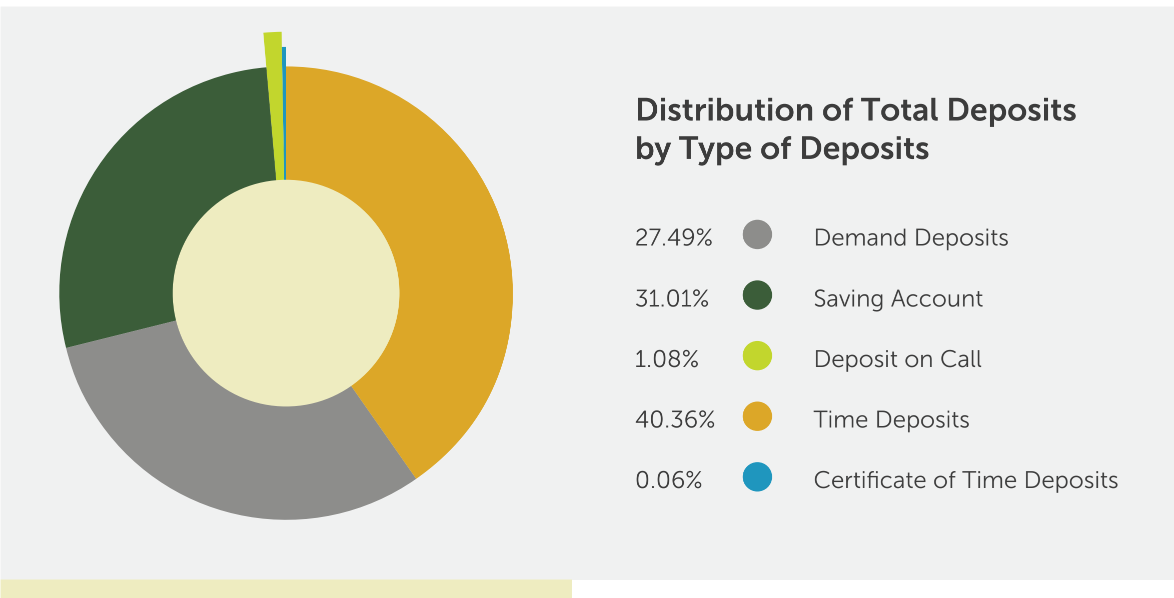
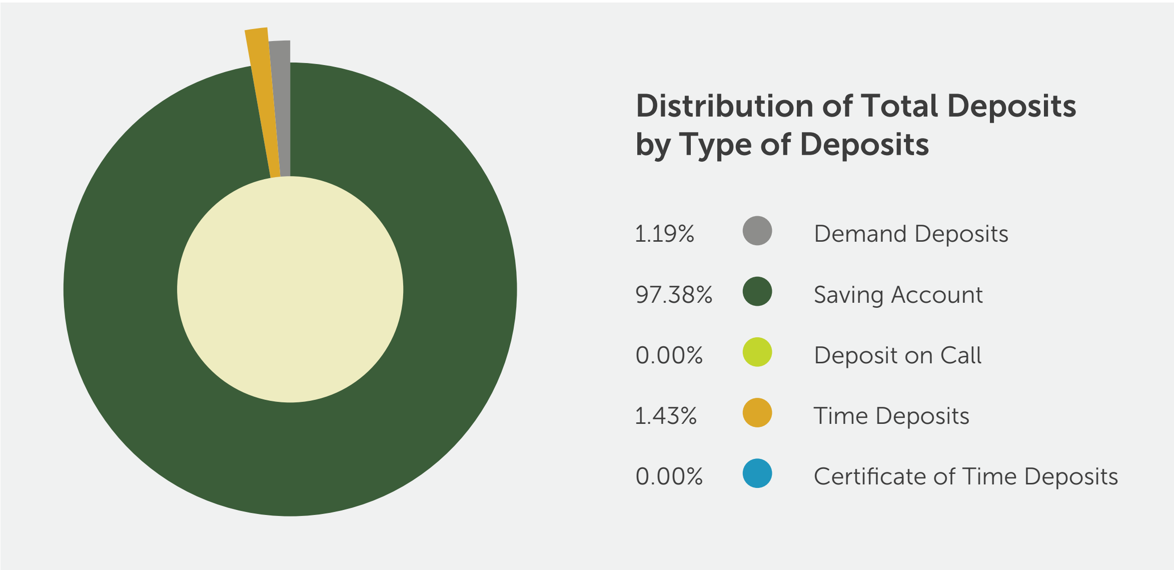


Figure 1: Distribution of Deposits in Banking Industry



Most of the deposits belong to either individuals or corporations (third-party funds). Only 1.40% of the total deposits are interbank deposits. Conventional banks hold 95.31% of total deposits, while Islamic banks hold 4.69%.

Table 3: Distribution of Deposits Based on Type of Deposits

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

Type of Deposits	Feb-21				Mar-21				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
Demand Deposits	4.163.449	1,17%	123,024	26,57%	4.225.698	1,19%	130,399	27,49%	62.249	1,.50%	7,375	5,99%
Saving Account	346.329.057	97,39%	145,576	31,44%	346.002.405	97,38%	147,071	31,01%	-326.652	-0,09%	1,495	1,03%
Deposit on Call	3.456	0,00%	4,923	1,06%	3.505	0,00%	5,143	1,08%	49	1,42%	0,220	4,46%
Time Deposits	5.103.263	1,44%	189,254	40,87%	5.071.358	1,43%	191,414	40,36%	-31.905	-0,63%	2,160	1,14%
Certificate of Time Deposits	52	0,00%	0,277	0,06%	50	0,00%	0,271	0,06%	-2	-3,85%	-0,006	-2,33%
Total	355.359.277	100,00%	463,055	100,00%	355.303.016	100,00%	474,298	100,00%	-296.261	-0,08%	11,243	2,43%

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

Table 4: Distribution of Deposits Based on Ownership of Deposit

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

Type of Deposits	Feb-21				Mar-21				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
Third Party-Fund (DPLK)	351.572.819	99,99%	456,283	98,54%	355.276.789	99,99%	467,259	98,60%	3.703.970	1,05%	10,976	2,41%
Funds From Other Bank	26.458	0,01%	6,772	1,46%	26.227	0,01%	6,619	1,40%	-231	-0,87%	-0,153	-2,25%
Total	351.599.277	100,00%	463,055	100,00%	355.303.016	100,00%	473,878	100,00%	3.703.739	1,05%	10,823	2,34%

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

Table 5: Distribution of Deposits Based on Type of Bank

Total Deposits and Number of Accounts by Type of Business Banks (Nominal in Million USD)												
Type of Deposits	Feb-21				Mar-21				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
Conventional	320.567.795	91,17%	440,768	95,19%	323.648.075	91,12%	452,055	95,31%	3.085.280	0,96%	11,287	2,56%
Islamic	31.036.482	8,83%	22,287	4,81%	31.542.941	8,88%	22,244	4,69%	506.459	1,63%	-0,044	-0,20%
Total	351.599.277	100,00%	463,055	100,00%	355.303.016	100,00%	474,298	100,00%	3.591.739	1,02%	11,244	2,43%

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

Most of deposits accounts (98.34%) were individually less than IDR100 million (USD6,885*), which account for 13.22% of total deposits. In contrast, deposits accounts that were individually more than IDR5 billion (USD344,234) represented only 0.03% of the total number of accounts, but contributed to 50.01% of total deposits.

Note: (*)Exchange rate end of period= IDR14.525/USD

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

Total Deposits by Tiering of Nominal (Nominal in Million USD)

Deposit Tiering (IDR)	Feb-21				Mar-21				∆ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	∆ Account	%	∆ Nominal	%
N ≤ 100 Mio	345.722.267	98.33%	62,457	13.49%	349.422.348	98,34%	62,710	13.22%	3.700.081	1,07%	0,253	0,40%
100 Mio < N ≤ 200 Mio	2.662.269	0,76%	25,684	5,55%	2.670.113	0,75%	25,759	5,43%	7.844	0,29%	0,074	0,29%
200 Mio < N ≤ 500 Mio	1.872.406	0,53%	41,222	8,90%	1.871.568	0,53%	41,184	8,68%	-838	-0,04%	-0,038	-0,09%
500 Mio < N ≤ 1 Bio	722.346	0,21%	35,846	7,74%	720.047	0,20%	35,738	7,53%	-2.299	-0,32%	-0,108	-0,30%
1 Bio < N ≤ 2 Bio	320.998	0,09%	31,358	6,77%	319.517	0,09%	31,235	6,59%	-1.481	-0,46%	-0,123	-0,39%
2 Bio < N ≤ 5 Bio	188.603	0,05%	40,495	8,75%	188.001	0,05%	40,471	8,53%	-592	-0,31%	-0,024	-0,06%
N > 5 Bio	110.388	0,03%	225,992	48,80%	111.412	0,03%	237,202	50,01%	1.024	0,93%	11,210	4,96%
Total	351.599.277	100,00%	463,055	100,00%	355.303.016	100,00%	474,298	100,00%	3.703.739	1,05%	11,243	2,43%

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 (USD137,694), the IDIC's insurance program covers 99.92% number of accounts fully and 0.08% number of accounts partially up to IDR2 billion (Table 7).

In terms of the nominal amount of deposits, about 50.15% of total deposits are fully insured, while the rest of the 49.85% are partially insured up to IDR2 billion (Table 8).

Table 7: Distribution of Insured Deposit Based on Accounts

Distribution of Account by Insured Accounts Maret 2021			
Item	**Deposit Tiering (IDR)**	**Number of Accounts**	**%**
Account for Fully Insured Deposits	≤ 2 Billion	355.003.593	99,92%
Account for Partially Insured Deposits	> 2 Billion	299.423	0,08%
Total Account		**355.303.016**	**100,00%**

Table 8: Distribution of Deposit Based on Nominal

Distribution of Deposits by Insured Deposits Billion IDR - Maret 2021			
Item	**Deposit Tiering (IDR)**	**Number of Accounts**	**%**
Fully Insured Deposits	≤ 2 Billion	2.855.986	41,46%
Partially Insured Deposits	> 2 Billion	598.846	8,69%
Subtotal - Insured Deposits		**3.454.832**	**50,15%**
Uninsured Deposits	> 2 Billion	3.434.351	49,85%
Subtotal - Uninsured Deposits		**3.434.351**	**100,00%**
Total Account		**6.889.183**	

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

IDIC Activities

First Quarter 2021

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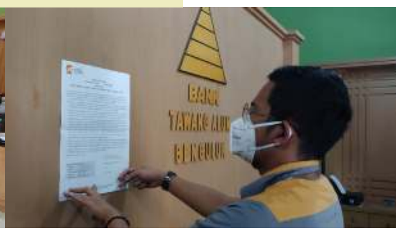
IDIC Prepares Payment for Customer Claims Reimbursement and Liquidation of Tawang Alun Rural Bank Cooperative

7 January 2021

Indonesia Deposit Insurance Corporation (IDIC) has started the process of claim disbursement for deposits and liquidation of the Tawang Alun Rural Bank Cooperative, Banyuwangi, East Java soon after the Rural Bank Cooperative business license was revoked by the Financial Services Authority or Otoritas Jasa Keuangan (OJK) on January 7, 2021.

The reconciliation and verification process of deposits are planned to be completed within 90 working days period since the date of revocation of its business license, which is no later than 27 May 2021. Furthermore, customer fund payments will be made in stages during that period.

To provide peace of mind to the effected depositors, IDIC will ensure that their deposits can be paid promptly and in accordance to the applicable regulations to those eligible claimants.



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Signing of a Memorandum of Understanding between IDIC and Fondo Interbancario at Tulela dei Depositi (FITD)

27 January 2021

On January 27, 2021, Chairman of the Board of Commissioners of the Indonesia Deposit Insurance Corporation (IDIC), Purbaya Yudhi, signed a virtual Memorandum of Understanding (MoU) between IDIC and Fondo Interbancario at Tulela dei Depositi (FITD). This agreement is bound to encourage cooperation and collaboration between the two institutions in order to increase the effectiveness of the implementation of the duties and responsibilities of each institution in providing deposit insurance and maintaining the stability of the banking system in respective jurisdictions.

The signing of the MoU has brought the cooperation between both institutions to another level. It enables each party to cooperate in terms of capacity building, joint research, personnel exchange/apprenticeship program, and so on.

As part of an effort to improve capabilities in carrying out its duties and functions, in addition to collaborating with FITD, IDIC is also actively collaborating with 14 other institutions from various countries such as PIDM Malaysia, DIA Russia, FDIC USA, and the Philippine DIC, amongst others.

IDIC-World Bank Joint Resolution Workshop on "Hybrid Resolution Strategies" and "Cross-Border Coordination in Resolution"

28 & 29 January 2021

On 28-29 January 2021, IDIC along with the World Bank conducted a joint workshop that discussed the topics "Hybrid Resolution Strategies" and "Cross-Border Coordination on Resolution".

A total of 12 experts were invited as speakers from various international institutions, namely the World Bank Group, FSA Denmark, Bank of Italy, Bank of Portugal, IPAB Mexico, Bank of South Africa, National Bank of Belgium, Single Resolution Board, and Price Waterhouse Coopers.

Given the interesting workshop topics and exceptional line up of prominent speakers, IDIC invited fellow members of the Financial System Stability Committee (KSSK) of Indonesia to participate in the event. This was aimed to deepen knowledge of participation in the resolution related area which could enhance the coordination between institutions in terms of banking resolution in Indonesia going forward.

The total number of participants that had joined the IDIC-World Bank Resolution Workshop was 193 participants, which consisted of 156 participants from LPS, 22 people from OJK, and 11 people from BI, and 4 people from the KSSK Secretariat.

The series of activities began with an opening remark from both, IDIC who was represented by Mr. Ramadhian Moetomo as the Acting Director of the International Relations Group, as well as the World Bank who was represented by Mrs. Cecile Thioro Niang as Practice Manager of Finance, Competitiveness, and Innovation of the World Bank. On the first day, the workshop focused entirely on the overview of various resolution tools for hybrid resolution experiences from a wide range of jurisdictions, whilst the second day of the event focused on the coordination of cross-border resolution in other jurisdictions. The event was closed by Mr. Suhardiono, Director of Claim Settlement Group from LPS and Mr. Ismael Ahmad Fontan, Senior Financial Sector Specialist.

IDIC Provides Relief Aid for Majene Earthquake Victims

12 February 2021

Indonesia Deposit Insurance Corporation (IDIC) had given out provided a recovery/relief aid to communities affected by the earthquake in Majene Regency, West Sulawesi. The Chief Executive Officer of IDIC, Lana Soelistianingsih, had the honour to symbolically hand over the Rp100 million worth relief aid to to the Regent of Majene, Lukman. The virtual relief aid hand over was also witnessed by the members ranks of the Majene Regency’s Muspida, a regional leaders forum.

In her remarks, Lana Soelistianingsih expressed her concerns over the earthquake that occurred in Majene Regency and she hoped that the community's socio-economic activities would soon recover.

Strengthening Policy Synergy for Economic Recovery, IDIC Lower Insured Interest Rate

24 February 2021

On 22nd February 2021, Indonesia Deposit Insurance Corporation (LPS) has established a policy to lower the Insurance Interest Rate for Rupiah at Commercial Banks and Rural Banks by 25 bps (basis point) and lower the Insurance Interest Rate for foreign currencies at Commercial Banks by 25 bps (basis point).

Accordingly, the Insurance Interest Rate for Rupiah at Commercial Banks is set at 4.25% and for foreign currencies at Commercial Banks at 0.75%. Meanwhile, the Insurance Interest Rate for Rupiah at Rural Banks was 6.75%. The rates are valid from 25 February 2021 to 28 May 2021.

Furthermore, IDIC will continuously monitor the rates and asses them by the end of the period by taking into account the dynamics of economic and banking conditions.

Member of the IDIC Board of Commissioners, Didik Madiyono said that the policy to reduce the IDIC’s Insurance Interest Rate was based on several considerations, including the course of the bank deposit interest rate which continued to show a downward trend, relatively loose conditions and prospects for banking liquidity, as well as the latest developments in economic recovery requiring support in the form of policy synergy from the financial authorities.

World Bank Technical Assistance on Single Customer View

18,19, 23 March 2021

World Bank Group has supported IDIC in many ways throughout the previous years and has yet again supported IDIC through Virtual Technical Assistance in the 1st Quarter of 2021.

As a continuation of the World Bank's Technical Assistances within the past years, on 18th, 19th, and 23rd of March 2021, IDIC has received another virtual Technical Assistance mission from the World Bank Group with the objective to meet the Development Policy Loan (DPL) 2 target for SCV and overall continuing the support for IDIC to advance on a global scale as the bank resolution authority and contribute to the nation's financial system resiliency.

In this mission, World Bank Group mission team and IDIC officials have discussed updates related to the development of SCV implementation in Indonesia, reviewed and had in-depth discussion of the working papers related to the result of SCV reporting system trial exercise, SCV guidelines, as well as examining the quality of SCV data and system reliability SCV in banking.

Attending throughout this mission from the World Bank Group team members were Djurdjica Ogjnenovic, International Consultant, Dara Lengkong, a Senior Financial Sector Specialist, Neni Lestari, a Financial Sector Specialist.

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IDIC International Virtual Webinar Series

The Rise of Digital Banking and the Future of Deposit Insurance System

Save The Date

07 . 07 . 2021

16.00 - 18.00 GMT+7

BCBS Updates

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Guidelines

Principles for Operational Resilience

31 March 2021

With this document, the Basel Committee seeks to promote a principles-based approach to improving operational resilience.

The principles aim to strengthen banks' ability to withstand operational risk-related events that could cause significant operational failures or wide-scale disruptions in financial markets, such as pandemics, cyber incidents, technology failures or natural disasters.

The approach builds on revisions 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.

Source. BIS Website

https://www.bis.org/bcbs/publ/d516.htm

Related Information:

Press release: Basel Committee issues principles for operational resilience and risk - https://www.bis.org/press/p210331a.htm

Guidelines

Revisions to the principles for the sound management of operational risk

31 March 2021

The Basel Committee has revised its Principles for the sound management of operational risk to make technical revisions 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.

The principles were introduced in 2003, and subsequently revised in 2011 to incorporate the lessons from the Great Financial Crisis. In 2014, the Committee conducted a review of the implementa tion of the principles which indicated that several principles had not been adequately implemented, and that they did not sufficiently capture certain important sources of operational risk.

Source. BIS Website

https://www.bis.org/bcbs/publ/d515.htm

Related Information:

Press release: Basel Committee issues principles for operational resilience and risk - https://www.bis.org/press/p210331a.htm

Guidelines

Minimum haircut floors for securities financing transactions

26 January 2021

The Committee has published for consultation two technical amendments to the chapter of the Basel Framework that sets out the calculation of minimum haircut floors for securities financing transactions (SFTs). The technical amendments seek to address an interpretative issue relating to collateral upgrade transactions and correct for a misstatement of the formula used to calculate haircut floors for netting sets of STFs.

Technical amendments are defined as changes in standards that are not substantial in nature but that cannot be unambiguously resolved based on the current text.

Source. BIS Website

https://www.bis.org/bcbs/publ/d514.htm

Related Information:

Press release: Basel Committee proposes amendments to rules on haircut floors for securities financing transactions
https://www.bis.org/press/p210126.htm

FSB Updates

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Evaluation of the effects of too-big-to-fail reforms: Final Report

31 March 2020

This final report reflects feedback and more extensive description of issues raised in public consultation, as well as analytical updates since the outbreak of the COVID-19 pandemic.

The Financial Stability Board (FSB) today published the final report on its evaluation of the effects of too-big-to-fail (TBTF) reforms for systemically important banks (SIBs). The evaluation examines the extent to which the reforms have reduced the systemic and moral hazard risks associated with SIBs, as well as their broader effects on the financial system.

The evaluation finds that TBTF reforms have made banks more resilient and resolvable, and that reforms have produced net benefits to society. Indicators of systemic risk and moral hazard moved in the right direction, suggesting that market participants view these reforms as credible. Increased bank resilience and greater market discipline have been tested by the COVID-19 pandemic. However, banks – thanks also to the unprecedented fiscal, monetary and supervisory support measures – have so far been able to absorb the shock.

Nevertheless, the evaluation finds some gaps that need to be addressed: Resolution reforms should be implemented in full to enhance the feasibility and credibility of resolution, minimising the need for state support of failing banks. This includes further work to enhance the resolvability of SIBs.

There is still scope to improve public disclosures of information relating to resolution frameworks and funding mechanisms and resolution actions. Additional information, for example on Total Loss Absorbing Capital (TLAC) holdings, could enable public authorities and market participants to assess the potential impact of resolution actions.

The application of the reforms to domestic systemically important banks warrants further monitoring and improvements in data.

The report also highlights that, in response to TBTF reforms, risks associated with credit intermediation may have shifted to non-bank finance. Following up on its Holistic Review of the March 2020 market turmoil, the FSB has embarked on a comprehensive work programme to enhance the resilience of non-bank financial intermediation.
Claudia M. Buch, Vice-President of the Deutsche Bundesbank and chair of the group that produced the report, said: "Higher capital for systemically important banks is key for financial stability, and the report shows no material negative side effects. But we also need mechanisms to restructure and resolve banks in stress.

While the evaluation highlights the progress we have made, more can be done to fully realise the benefits of these reforms. I look forward to further work by the FSB and standard-setting bodies to close the gaps we have identified".

Source. FSB Website

https://www.fsb.org/2021/03/evaluation-of-the-effects-of-too-big-to-fail-reforms-final-report/

Peer Review of Indonesia

26 February 2021

Indonesia continues to implement over-the-counter derivatives reforms as it develops its domestic derivatives market.

This peer review examines the implementation of the G20 commitments on over-the-counter (OTC) derivatives market reforms in Indonesia.

The review finds that the Indonesian authorities have made some progress in implementing OTC derivatives reforms, while focusing on developing their domestic derivatives market. Reporting requirements have been in place for banks' OTC foreign exchange and interest rate derivatives transactions and for other participants' commodity derivatives transactions for many years, and there is effective sharing and use of the data collected among domestic authorities.

Progress continues on central clearing requirements and margin requirements for non-centrally cleared derivatives (NCCDs), and the authorities are appropriately prioritising these areas over establishing platform trading. The report notes the authorities' continued progress on these reforms despite pressures in the wake of the COVID-19 pandemic.

Notwithstanding this progress, the review concludes that further steps can be taken. These include:

improving the reporting, use and public transparency of OTC derivatives data, including a timeline for adopting unique global identifiers for entities, transactions and products;

addressing legal uncertainties relating to netting for derivatives transactions in bankruptcy in order to facilitate central clearing and margin requirements; and

implementing the remaining OTC derivatives reforms (central clearing of standardised OTC derivatives, margin requirements for NCCDs, and capital requirements for exposures to central counterparties) in an appropriately sequenced manner.

The peer review report includes recommendations to the Indonesian authorities in order to address these issues.

Source. FSB Website

https://www.fsb.org/2021/02/peer-review-of-indonesia-2/

FSB Chair's letter to G20 Finance Ministers and Central Bank Governors: February 2021

25 February 2021

The FSB's ambitious work programme for 2021 seeks to address vulnerabilities directly related to COVID-19 and to increase resilience of non-bank financial intermediation

This letter from the FSB Chair, Randal K. Quarles, to G20 Finance Ministers and Central Bank Governors ahead of their virtual meeting on 26 February notes the unprecedented challenges faced by the FSB, like many others, due to the outbreak of COVID-19 and the imposition of containment measures across the globe (the "COVID Event").

Nevertheless, over the past year, FSB members' actions have demonstrated their responsiveness to crisis; coordination in action; and adaptability.
These attributes remain as critical now, with a still uncertain pathway to a post-COVID world, as during the past year.

Against this backdrop, the FSB's ambitious work programme for 2021 seeks to address vulnerabilities directly related to COVID-19 and to increase resilience of non-bank financial intermediation (NBFI). It also aims to support strong, sustainable, and balanced growth in a post-COVID world. Key priorities include:

Addressing COVID-19 related vulnerabilities. The FSB will produce an assessment of initial lessons learned from the COVID Event for financial stability. The FSB will report in April on factors needed for an orderly unwinding of support measures, as part of its work to support international coordination on COVID-19 policy responses. The FSB will also publish in April the final version of its evaluation of too-big-to-fail reforms for banks

Increasing the resilience of NBFI. The FSB's work includes examining and addressing specific risk factors that contributed to amplification of the March 2020 market turmoil; enhancing understanding of systemic risks in NBFI; and investigating policies to address these risks.

As part of this work, the FSB will deliver policy proposals to enhance the resilience of money market funds in July for public consultation.
Improving efficiency and access in cross-border payments. As well as an overall progress report in October on the implementation of the FSB roadmap to enhance cross-border payments, the FSB will deliver a final set of quantitative targets for making cross-border payments cheaper, faster, more transparent, and more inclusive. The FSB will also update on regulatory and supervisory approaches to global 'stablecoins'.

Bettering our understanding of climate-related risks. Building on its report on the financial stability implications of climate change, the FSB will assess the availability of data through which climate-related risks to financial stability could be monitored, as well as any data gaps.

The FSB will also coordinate with other SSBs to promote globally comparable, high-quality, and auditable standards of disclosure; and review regulatory and supervisory approaches to addressing climate-related risks at financial institutions.

These initiatives will provide a meaningful contribution as market participants and financial authorities seek to ensure that financial markets have the information and tools they need to manage risks, and seize opportunities, stemming from climate change.

Addressing other financial stability topics of ongoing importance. Addressing challenges to, and opportunities for, enhancing financial stability that existed before the COVID Event remain important. The FSB's work includes enhancing central counterparty resilience, recovery, and resolvability; exploring areas to harmonise cyber incident reporting; and ensuring a smooth transition away from LIBOR by end-2021 to more robust benchmarks.

The letter notes that the FSB, with its broad and diverse membership, is well positioned to tackle the global financial stability issues outlined above. The FSB will also continue to engage with external stakeholders through workshops, public consultations on key policy reports, and other mechanisms.

The FSB's work will result in robust analysis and proposals to help define a path forward and highlight issues that may arise as we continue to navigate these unpredictable times.

Source. FSB Website

https://www.fsb.org/2021/02/peer-review-of-indonesia-2/

IFSB Updates

First Quarter 2021

Content

The IFSB Issues Two New Working Papers on: Assessing the Stability of Islamic Banking Amid COVID-19, and Digital Transformations in Islamic Banking

22 February 2021

WP-18 empirically assesses the preliminary effect and implication of the abrupt and pervasive COVID-19 pandemic for the stability of the global Islamic banking industry. Data extracted from the IFSB Prudential and Structural Islamic Finance Indicators (PSIFIs) from 1Q 2018 to 3Q 2020 for eight jurisdictions is used for the analysis. Specific focus is on the quarter-on- quarter changes in five core prudential indicators: capital adequacy, asset quality, earnings, leverage, and liquidity.

Findings indicate that while the Islamic banking sector across jurisdictions in the sample still records prudential indicators well-above the minimum regulatory and their historical average thresholds, preliminary impact of the COVID-19 pandemic is also observed across indicators and countries.

WP-19 investigates the operational activities and regulatory approaches relating to the Islamic banking digital transformation process across IFSB member jurisdictions. Specifically, this paper investigates the current status, technology adopted, and rationale for digitalisation among Islamic banks.

The paper also investigates the regulatory approaches, challenges, prudential risks and the financial stability implications of digitalisation of Islamic banking. Findings reveal that most Islamic banks' digitalisation process is still in progress but have gained more traction especially since the outbreak of the COVID-19 pandemic.

Amongst many other pertinent reasons cited in the paper, strengthening competitiveness, enhancing operational efficiency, and improving customer satisfaction are the main rationale for IBs digitalisation drive. To achieve these, mobile and digital wallet, biometric authentication, and artificial programming interface are the main technologies adopted.

Regarding the WP-18, the Secretary-General of the IFSB, Dr. Bello Lawal Danbatta stated that, "notwithstanding uncertainty in terms of its effect and duration, it is pertinent that the preliminary implication of the COVID-19 pandemic for the stability of the Islamic banking industry is assessed. This is because while the policy response measures generally apply to both the Islamic banks and their conventional counterparts, there may be peculiar implications for the former due to among other factors the size and portfolio components of their balance sheet relative to the latter. It is from these concern that the paper is derived" he further added.

Dr. Bello stated that "the WP-19 describes the views of Islamic banks about their digital transformation processes, drivers, and challenges. He noted further that digitalisation is indispensable for Islamic banks if they want to enhance their competitiveness by broadening outreach, exploring new horizons, identifying untapped potentials, and unlocking opportunities. The paper also stated the implication of both the benefits and risks of digitalisation for the stability of the Islamic banking industry as well as recommendations on way forward" he further added.

WP-18 and WP-19 are available for download from the IFSB website: www.ifsb.org

Source. IFSB Website

https://www.ifsb.org/preess_full.php?id=554&submit=more

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Inspired by Indonesian Nature

This bulletin characteristic with the concept of business or corporate look, as well as indonesian nuances. Neat, clean and informative bulletin design remains characteristic of IDIC to get the impression of business/corporate look. Especially for the concept of nuance Indonesia, the visual concept is inspired by Indonesian nature.

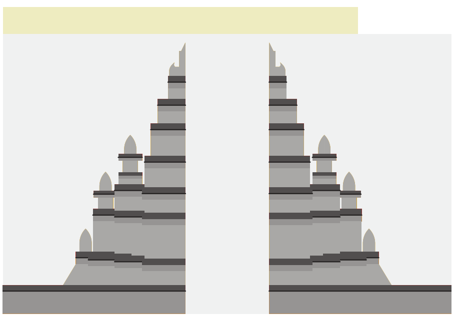
Visual Style

The illustration used is a vector illustration that gives a modern impression and align with corporate values from IDIC.

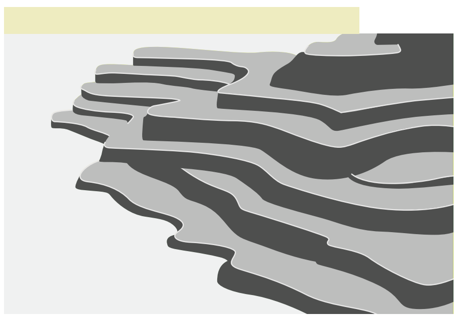
There are several detailed lines for easy information delivered and added a traditional impression of Indonesia.

Pura Ulun Danau Beratan Bedugul

Nusa Penida



Pura Besakih



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