INDONESIA DEPOSIT INSURANCE CORPORATION

IDIC GLOBAL UPDATES

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IDIC International Affairs Group

CONTENTS

Key Financial Highlights – Fourth Quarter 2021

A. Banking Growth and Stability

By the end of November 2021, the Indonesian banking industry showed positive development financial performances. Its assets grew by 9.7% YoY, while profits increased at an encouraging figure of 34.1% YoY. This growth was mainly driven by non-credits assets, as credit assets grew by 4.4% YoY. Islamic banks maintains the trend in asset growth by scoring asset growth of 10.9% yoy but the rate on profit growth of Islamic banks fell to -22.2% . On the right-hand side of the industry's balance sheet, deposits (third parties funds) grew by 10.5% YoY and the industry's Tier 1 capital grew by 10.3% YoY

Table 1: Indicators of Banking Industry (Trillion IDR)

Indicator	Nov-20	Oct-21	Nov-21		YoY		Mtm
Asset	9.043,0	9.819,9	9.918,4	▲	9,7%	▲	1,0%
Conventional	8.655,6	9.396,7	9.488,6	▲	9,6%	▲	1,0%
Islamic	387,4	423,2	429,7	▲	10,9%	▲	1,5%
Credit	5.517,0	5.707,9	5.759,7	▲	4,4%	▲	0,9%
Conventional	5.271,0	5.450,5	5.509,7	▲	4,5%	▲	1,1%
Islamic	246,0	257,4	250,0	▲	1,6%	▼	-2,9%
TPF	6.635,0	7.245,0	7.329,4	▲	10,5%	▲	1,2%
Conventional	6.318,5	6.899,8	6.976,7	▲	10,4%	▲	1,1%
Islamic	316,5	345,2	352,7	▲	11,4%	▲	2,2%
Tier 1	1.324,7	1.444,1	1.461,0	▲	10,3%	▲	1,2%
Conventional	1.282,6	1.396,5	1.412,7	▲	10,1%	▲	1,2%
Islamic	42,0	47,6	48,3	▲	14,9%	▲	1,4%
Profit/Loss	97,8	118,7	131,2	▲	34,1%	▲	10,5%
Conventional	95,2	114,3	129,2	▲	35,7%	▲	13,0%
Islamic	2,6	4,4	2,0	▼	-22,2%	▼	-54,2%

Note:

YoY : Year-on-Year growth

MtM : Month-to-Month growth

▲ : Favorable

▼ : Unfavorable

Table 2 shows that the industry's Gross NPL is a fraction higher while Net NPL is slightly lower than last year. Nonetheless, The Gross NPL and Net NPL numbers demonstrate robust credit risk. Moreover, CAR improved to 25.60% from 23,89%. Bank efficiency (OC/OR: Operating Cost/Operating Revenues) improves, and bank profits are relatively stable at 1.99% (ROA).

Table 2: Financial Ratio of Banking Industry

Ratio	Nov-20	Oct-21	Nov-21		YoY		Mtm
CAR	23,89%	25,30%	25,60%	▲	171bps	▲	30bps
Asset Quality	2,04%	2,04%	2,04%	▼	-0bps	▲	0bps
Gross NPL	3,14%	3,19%	3,16%	▲	3bps	▼	-3bps
Net NPL	0,20%	0,19%	0,17%	▼	-3bps	▼	-2bps
ROA	1,64%	1,97%	1,99%	▲	35bps	▲	2bps
ROE	8,86%	11,94%	12,16%	▲	330bps	▲	22bps
OC/OR	85,45%	81,64%	81,74%	▼	-371bps	▲	10bps
NIM	4,05%	4,38%	4,46%	▲	41bps	▲	8bps
LDR	83,27%	78,78%	78,58%	▼	-468bps	▼	-20bps

Note:

YoY : Year-on-Year growth

MtM : Month-to-Month growth

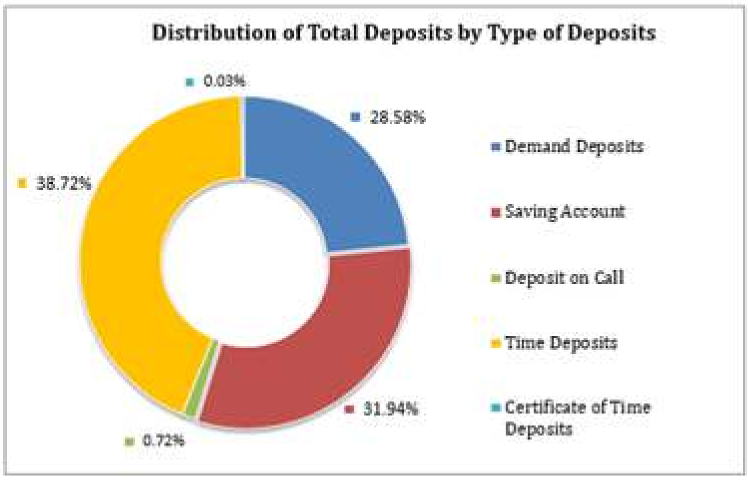
▲ : Favorable

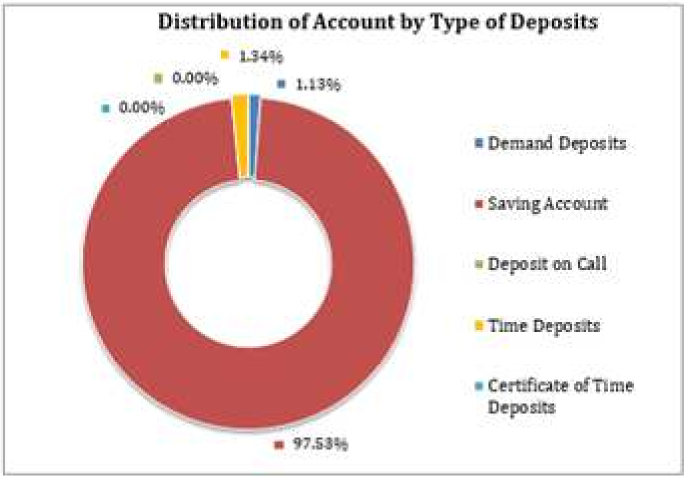
▼ : Unfavorable

B. Deposit Insurance Updates

Per deposit distribution data in November 2021, total deposits in the Indonesian banking industry were still dominated by saving deposits in terms of account numbers. In particular, saving deposits accounted for 97.53% of the total number of accounts. However, in terms of market shares, savings contributed only 31.94% of total deposits. In contrast, time deposits, which represented only 1.34% of the total number of accounts, had the largest shares of total deposits (38.72%). Meanwhile, demand deposits, which mainly for transactional purpose, accounted for 1.13% of the total number of accounts and contributed to 28.58% shares of total deposits.

Figure 1: Distribution of Deposits in Banking Industry





Most of the deposits belonged to either individuals or corporations (third-party funds). There is only 1.28% from the total deposits are interbank deposits. Conventional banks hold 95.20% of total deposits, while Islamic banks 4.80%.

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	October 2021				November 2021				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
Demand Deposits	4.288.846	1,13%	144,379	28,34%	4.364.021	1,13%	147,330	28,58%	75.175	1,75%	2,951	2,04%
Saving Account	369.157.915	97,51%	162,048	31,81%	375.426.021	97,53%	164,660	31,94%	6.268.106	1,70%	2,612	1,61%
Deposit on Call	2.792	0,00%	3,461	0,68%	5.132	0,00%	3,723	0,72%	2.340	83,81%	0,262	7,57%
Time Deposits	5.121.299	1,35%	199,392	39,14%	5.155.032	1,34%	199,613	38,72%	33.733	0,66%	0,220	0,11%
Certificate of Time Deposits	60	0,00%	0,160	0,03%	51	0,00%	0,143	0,03%	-9	-15,00%	-0,017	-10,79%
Total	**378.570.912**	**100,00%**	**509,440**	**100,00%**	**384.950.257**	**100,00%**	**515,468**	**100,00%**	6.379.345	1,69%	6,028	1,18%

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)												
Ownership of Deposits	October 2021				November 2021				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
Third Party-Fund (DPLK)	378.544.190	99,99%	504,156	98,96%	384.923.521	99,99%	510,171	98,72%	6.379.331	1,69%	6,016	1,19%
Funds From Other Bank	26.722	0,01%	5,284	1,04%	26.736	0,01%	6,619	1,28%	14	0,05%	1,335	25,26%
Total	**378.570.912**	**100,00%**	**509,440**	**100,00%**	**384.950.257**	**100,00%**	**516,790**	**100,00%**	**6.379.345**	**1,69%**	**7,351**	**1,44%**

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

Table 5: Distribution of Deposits Based on Type of Bank

Total Deposits and Number of Accounts by Type of Business Banks (Nominal in Million USD)												
Type of Business Banks	October 2021				November 2021				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
Conventional	344.063.001	90,88%	485,206	95,24%	350.059.775	90,94%	490,705	95,20%	5.996.774	1,74%	5,499	1,13%
Islamic	34.507.911	9,12%	24,234	4,76%	34.890.482	9,06%	24,762	4,80%	382.571	1,11%	0,529	2,18%
Total	**378.570.912**	**100,00%**	**509,440**	**100,00%**	**384.950.257**	**100,00%**	**515,468**	**100,00%**	**6.379.345**	**1,69%**	**6,028**	**1,18%**

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

Most of deposits accounts (98.39%) were individually less than IDR100 million (USD6,990*), which account for 12.96% of total deposits. In contrast, deposits accounts that were individually more than IDR5 billion (USD355,871) represented only 0.03% of the total number of accounts, but contributed to 51.19% of total deposits.

Note: (*)Exchange rate end of period= IDR14.332/USD

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

Total Deposits by Tiering of Nominal (Nominal in Million USD)												
Deposit Tiering (IDR)	October 2021				November 2021				Δ MoM			
	Account	%	Nominal	%	Account	%	Nominal	%	Δ Account	%	Δ Nominal	%
N ≤ 100 Mio	372.418.476	98,37%	66,077	12,97%	378.758.359	98,39%	66,800	12,96%	6.339.883	1,70%	0,723	1,09%
100 Mio < N ≤ 200 Mio	2.797.643	0,74%	27,323	5,36%	2.816.101	0,73%	27,506	5,34%	18.458	0,66%	0,183	0,67%
200 Mio < N ≤ 500 Mio	1.957.518	0,52%	43,482	8,54%	1.970.672	0,51%	43,759	8,49%	13.154	0,67%	0,277	0,64%
500 Mio < N ≤ 1 Bio	748.022	0,20%	37,460	7,35%	752.641	0,20%	37,672	7,31%	4.619	0,62%	0,211	0,56%
1 Bio < N ≤ 2 Bio	336.908	0,09%	33,108	6,50%	337.159	0,09%	33,138	6,43%	251	0,07%	0,030	0,09%
2 Bio < N ≤ 5 Bio	195.147	0,05%	42,525	8,35%	196.106	0,05%	42,748	8,29%	959	0,49%	0,223	0,52%
N > 5 Bio	117.198	0,03%	259,464	50,93%	119.219	0,03%	263,845	51,19%	2.021	1,72%	4,380	1,69%
Total	**378.570.912**	**100,00%**	**509,440**	**100,00%**	**384.950.257**	**100,00%**	**515,468**	**100,00%**	**6.379.345**	**1,69%**	**6,028**	**1,18%**

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 (USD142,348), the IDIC's insurance program covered 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 40.52% of total deposits were fully insured, while 8.54% were partially insured up to IDR2 billion (Table 8).

Table 7: Distribution of Insured Deposit Based on Accounts

Distribution of Account by Insured Accounts November 2021			
Item	**Deposit Tiering (IDR)**	**Number of Accounts**	**%**
Account for Fully Insured Deposits	≤ 2 Billion	384.634.932	99,92%
Account for Partially Insured Deposits	> 2 Billion	315.325	0,08%
Total Account		**384.950.257**	**100,00%**

Table 8: Distribution of Deposit Based on Nominal

Distribution of Deposits by Insured Deposits Billion IDR November 2021			
Item	**Deposit Tiering (IDR)**	**Nominal Amount**	**%**
Fully Insured Deposits	≤ 2 Billion	2.993.598	40,52%
Partially Insured Deposits	> 2 Billion	630.650	8,54%
Subtotal - Insured Deposits		**3.624.248**	**49,06%**
Uninsured Deposit	> 2 Billion	3.763.436	50,94%
Subtotal - Uninsured Deposit		**3.763.436**	**100,00%**
Total Account		**7.387.684**	

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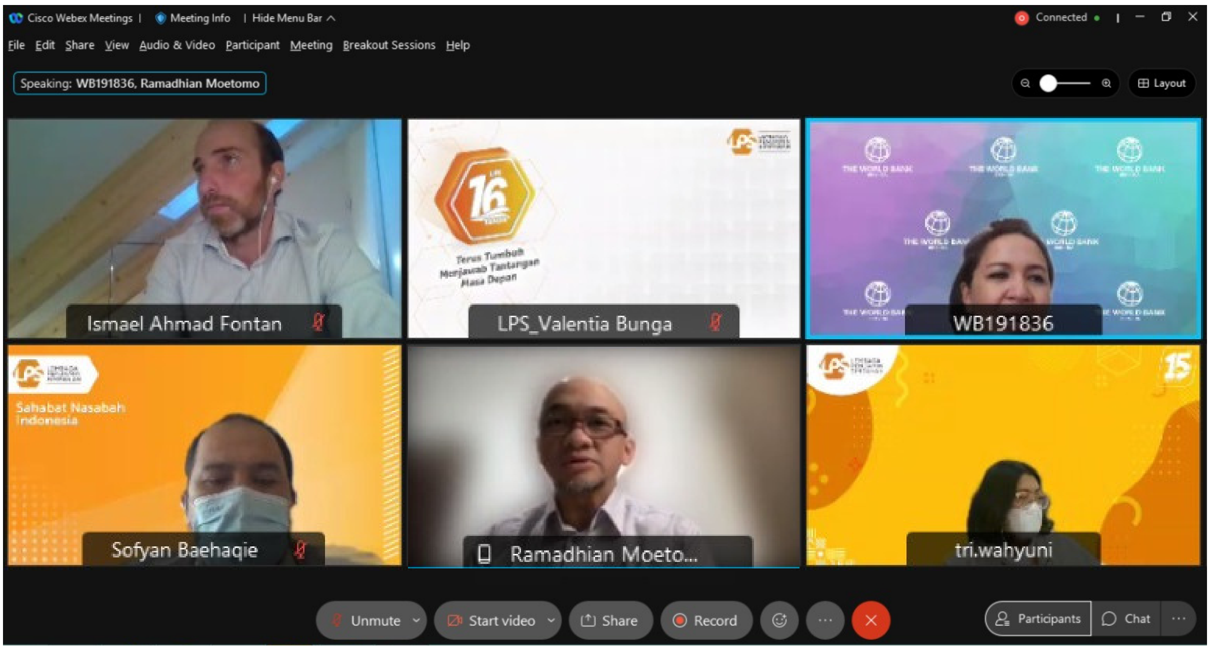
A. World Bank Technical Assistance on Resolution Plan, Bank Restructuring Program (BRP), and Single Customer View (SCV) – 4-8 October 2021

In the fourth quarter of 2021, IDIC has received another Technical Assistance (TA) from the World Bank Group virtually. On 4-8 October 2021, IDIC received the TA from the World Bank Group to strengthen various aspects, particularly those related to the Resolution Plan and Resolvability Assessment, Bank Resolution Plan, SCV, and IDIC Operational Structure. During the mission, the World Bank team and the IDIC technical team discussed and obtained inputs and recommendations from the World Bank regarding the assessment and resolvability test template and the pilot project that have been implemented, the regulation and operation of IDIC's banking restructuring program, the operation of IDIC's banking restructuring program, the progress of SCV development, as well as IDIC's overall operational structure. The wrap-up session was held online on Wednesday, November 10, 2021, and was attended by the World Bank and LPS mission teams, as well as the Executive Director and other related officials.



B. Multilateral Meeting on Human Capital and Talent Management – 14 October 2021

As human resources (HR) comes across as one of the important elements for any institution, IDIC initiated an exchange of information and knowledge regarding effective management of HR for each organization as well as ways to develop strategies for developing structures and optimizing performance in the form of a Multilateral Meeting on Human Capital and Talent Management that was held on October 14, 2021.

The event was opened with remarks from the Chairman of the IDIC Board of Commissioners, Mr. Purbaya Yudhi Sadewa, which was then followed by a series of presentations from LPS by Mr. Didi Prakoso, Executive Director of Human Resources and Administration, and Mrs. Reny Wiriandhani, Middle Advisor to HR Strategic, from the Deposit Protection Agency (DPA) Thai by Mr. Songpol Chevapanyaroj, President of DPA, and from the Deposit Insurance Corporation of Japan (DICJ), Mr. Hidenori Mitsui, Governor of DICJ. Moderating the multilateral meeting was Mr. Ramadhian Moetomo, Director of LPS International Affairs Group.

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On this occasion, IDIC expressed its prospects to improve and focus on building individual or employee capabilities by strengthening succession planning and continue to develop individuals in general. In addition, DPA emphasized the implementation of a Dual Matrix organization as a solution to address the challenges of adopting an agile organization and achieving the Assignment Based Organization target by 2023. Meanwhile, DICJ has a policy on HR management aiming to secure skilled or skilled employees, make changes fair and effective personnel, as well as their effort to continuously developing human resources in DICJ.

C. Series of Travel Visits to the United States and Bilateral Meeting with Federal Deposit Insurance Corporation (16-22 October 2021)

The Chairman of the IDIC Board of Commissioners, Mr. Purbaya Yudhi Sadewa, Director of the International Affairs Group, Mr. Ramadhian Moetomo and Research Director, Mr. Herman Saheruddin made a Business Trip to the United States on October 16-22 2021 alongside the Office of the Coordinating Ministry for Maritime and Investment Affairs to attend several meetings and attend invitations from the U.S. Special Presidential Envoy for Climate. IDIC as well as other national entities participated in these meetings with the interest of following up discussions on cooperation on climate change and several other meetings with international institutions,vaccine companies and entrepreneurs in the United States to explore investment cooperation in Indonesia.

Specifically, in this occasion, IDIC provided an update on Indonesia's post-pandemic economic recovery, particularly related to the financial sector. IDIC also conducted side meetings/events with several parties including the IMF (Managing Director Ms Kristalina Georgieva, Director of IMF Asia and Pacific Department Mr Changyong Rhee and others), World Bank (President of World Bank Mr David Malpass), FDIC (Chairman Ms Jelena McWilliams, Deputy Chairman Mr Art Murton, and Research Director Ms Diane Ellis, Research

Director), Catholic University of America, Johnson & Johnson, Merck & Co., Pfizer and others. On a bilateral courtesy meeting with FDIC in October 19, 2021, the Mr. Purbaya Yudhi Sadewa expressed his gratitude for the close cooperation with the FDIC thus far, the proposal to send IDIC employees to PDIC after the pandemic, the FDIC study on the preparation of regulations in the United States, and discussions regarding the correlation of climate change with deposit insurance and bank resolution.

D. Courtesy Call with Korea Deposit Insurance Corporation (KDIC) – 26 October 2021

In conjunction with the inauguration of the new Chairman and President of Korea Deposit Insurance Corporation (KDIC), Mr. Taehyun Kim, and KDIC-IDIC Knowledge Sharing Workshop on Asset Management, KDIC held a brief meeting with the Chairman of the IDIC Board of Commissioners, Mr. Purbaya Yudhi Sadewa, Subsequently, Mr. Purbaya conveyed IDIC's continuous commitment to enhance partnership with KDIC and conducted a brief gift exchange ceremony with the Chairman and President of KDIC.

Taehyun Kim

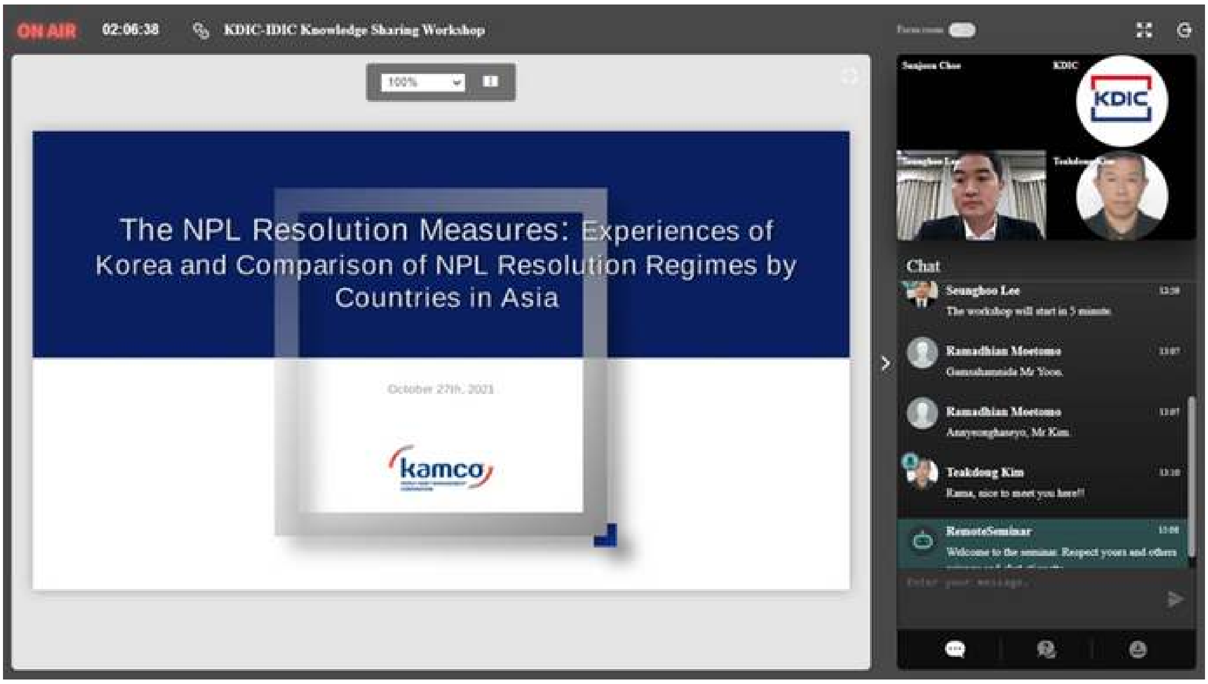
Purbaya Yudhi Sadewa

E. KDIC-IDIC Knowledge Sharing Workshop on Asset Management – 27 October 2021

On October 27, 2021, IDIC together with Korea Deposit Insurance Corporation (KDIC) held a joint Knowledge Sharing Workshop on Asset Management in Korea. In this regard, KDIC has also invited several other speakers from the Korea-ASEAN Financial Cooperation Center and the Korea Asset Management Corporation (KAMCO) to contribute in this information exchange regarding the management of failed bank assets in Korea in general.

In this occasion, participants of the workshop have obtained valuable information related to an overview of the handling of failed financial institutions, recovery framework & main recovery cases of Korea Resolution & Collection (KR&C), overview of KR&C, and resolution steps for Non-Performing Loans (NPL) based on the experiences in Korea.

The workshop was moderated by Seunghoo Yoo of the International Cooperation, KDIC. This workshop was comprised of participants from IDIC, KDIC, KAMCO and Korea-ASEAN Financial Cooperation Center employees.



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F. International Webinar on “The Rise of Digital Banking and The Future of Deposit Insurance System” (10 November 2021)

IDIC held its annual International Seminar as a webinar on November 10, 2021 which was attended by more than 300 Webex participants and had 341 viewers on YouTube live streaming. The webinar, themed “The Rise of Digital Banking and The Future of Deposit Insurance System”, has resulted in in-depth discussions on the perspectives of various jurisdictions in responding to dynamic global economic changes as a result of the rise of digital banking, especially during this pandemic. Webinars are featured and have been uploaded on various social media and news platforms.

In his remarks, the Head of LPS, Mr. Purbaya Yudhi Sadewa, conveyed that global digital banking opportunities in the future will be wider and more dynamic by looking at the trends occurred during the pandemic and the New Normal era. In addition, it is important for regulators, including IDIC to improve and hone digital skills and literacy to keep up with digital transformation in the banking industry today.

The next session was a presentation from a series of panelists and moderated by Mr. Herman Saheruddin, Director of the Research Group. The panelists are Mr. Jon Frost as Senior Economist, Innovation and The Digital Economy Unit of the Bank for International Settlements; Mr. Imansyah as Deputy Commissioner of OJK Institute and Digital Finance, Financial Services Authority (OJK); Mr. Indra Utoyo, Director of Digital and Information Technology, PT Bank Rakyat Indonesia Tbk and Mr. Carlos Colao, Senior Expert, Spain Deposit Insurance Agency (DIA).

Briefly, the speakers discussed major changes in the global fintech landscape, including the era of open banking which could become the banking model of the future. This creates an urgency for policy coordination between financial regulators and other regulators around the world, along with the need to increase financial and digital literacy and raise public awareness about emerging digital technologies and the transformation of the digital banking industry.

G. Introductory Session of Technical Assistance to Albania Deposit Insurance Corporation (ADIA) - 11 November 2021

At the request of ADIA through IADI, IDIC plans to provide a technical assistance (TA) regarding the preparation of a business continuity plan which initially began as from an introductory session on November 11, 2021. This TA will officially take place in the period of 2022. On this introductory session, IDIC and ADIA held exchanged greetings and agreed on the media to conduct the TA, namely through WebEx, and the next follow-up is for IDIC to submit the TA proposal to ADIA.

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H. IDIC Virtual Sharing Session to the Ministry of Foreign Affairs - 29 November 2021

On November 29, 2021, Mr. Ramadhian Moetomo, Director of IDIC International Affairs Group, participated as a speaker in a virtual sharing session for the Ministry of Foreign Affairs delegations prior to their overseas assignments. Among others, Mr. Moetomo conveyed the overview of IDIC, the duties, authorities and roles of IDIC in maintaining financial system stability in Indonesia, as well as its membership and cooperation in the international sphere.

I. IDIC Gives Laptops to Schools in Jakarta, West Java and Banten – 16 December 2021

Indonesia Deposit Insurance Corporation continues to be committed in helping the community through the IDIC National Care Service program. Most recently, IDIC aided laptop devices for schools in need in the DKI Jakarta, West Java and Banten areas.

There were 30 schools being targeted for assistance and each school received 10 laptop units. In total there were 300 laptop units with complete specifications that are ready to support online teaching and learning activities.

"In this day and age, where the Government must also divide its attention between the implementation of equitable education, and handling the Covid-19 problem, of course this requires active participation from all elements of society," said IDIC Chief Executive Officer, Lana Soelistianingsih in an official statement, Thursday (16/12/2021).

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According to her, IDIC as one of the State Institutions is committed to actively contribute efforts to support and assist the government. Not only carrying out the main task of the IDIC as a deposit insurer, but also contribute big effort to deal with COVID-19 and vital sectors such as the education sector.

In addition to education, IDIC also actively supports the government in health sector by providing vaccine centres for people in numerous parts of Indonesia, This project has currently reached 129,000 people.

J. Accelerating the Implementation of Reimbursement Process to Depositors, IDIC Officially Introduces SCV Application – 21 December 2021

On the 21st December 2021, IDIC has introduced the Single Customer View (SCV) Application to banks at the SCV Application Soft Launching event virtually held in Jakarta. This Soft Launching marked a historical moment for the development of the deposit insurance program in Indonesia. Moving forward, IDIC hopes that the SCV Application is able to simplify and assist every commercial bank to submit the completed SCV data reports to IDIC on time.

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The purpose of the SCV application implementation is to accelerate the collection of customer-based deposit insurance data during bank resolution. By means of the SCV application, the data collection process for reimbursement to depositors is expected to be faster from the average of 40 to 7 working days after the failed bank is handed over to IDIC. This entire innovation is also one of the steps in optimizing the IDIC business process according to international best practices.

With the intention to assist commercial banks in maintaining and submitting SCV data in accordance with IDIC regulations through this SCV application, IDIC developed a special application related to SCV reporting, namely SCV Client, which is arranged to be used officially starting January 2022. Subsequently, the information generated by the reporting bank is sent through the SCV Client application that has been installed on the reporting bank's computer. Security and confidentiality of customer data becomes the full concern of IDIC. This risk is mitigated by implementing the latest security system, in order that the data will be inaccessible by unauthorized parties.

K. IDIC Distributes Aid for the Semeru Eruption Disaster - 29 December 2021

Apart from the IDIC's routine activities to maintain the stability of the banking system, IDIC also has CSR activities, namely "IDIC National Care Service" in the form of providing assistance or aid including disaster response assistance, health social assistance, assistance education for underprivileged communities, economic empowerment assistance, and environmental conservation assistance. On the on 29th December 2021, Indonesia Deposit Insurance Corporation, through the IDIC

National Care Service Program, provided aid to communities affected by the Mount Semeru eruption.

Mr. Muhamad Yusron, the Acting Secretary of IDIC, handed over of aid amounting to Rp1,550 billion (which was held online) to the Lumajang Regency Government, East Java Province.

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IADI Fintech Brief No. 6 – "E-money and Deposit Insurance in Kenya"

9 December 2021

This Fintech Brief offered a case study on the widespread usage of e-money in Kenya, especially through MPESA, a form of e-money stored on mobile phones and issued by Safaricom, a mobile network operator (MNO). The critical importance of MPESA raises questions as to how to deal with a potential default of the MNO and the role of deposit insurance in such a scenario.

The IADI Fintech Brief is now publicly available via the dedicated Fintech section of IADI's website or directly via this link.

Sources: IADI website
https://www.iadi.org/en/news/iadi-fintech-brief-no-6-e-money-and-deposit-insurance-in-kenya/

IADI Fintech Brief No. 5 – "Central Bank Digital Currencies – The Motivation"

30 November 2021

This Fintech Brief focusses on central banks' motivations for considering the issuance of Central Bank Digital Currencies (CBDCs) and offers a number of relevant case studies. In part, this is grounded in recent research conducted by IADI suggesting that fintech initiatives and cross-borders issues, both highly relevant to CBDC policy discussions, should be regarded as priority areas for the international deposit insurance community. Upon their introduction and depending on their exact design, CBDCs may have considerable consequences for deposit insurers. This is the first in a set of upcoming IADI Briefs exploring CBDCs and relevant policy considerations.

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The IADI Fintech Brief is now publicly available via the dedicated Fintech section of IADI's website or directly via this link.

Sources: IADI website
https://www.iadi.org/en/news/iadi-fintech-brief-no-5-central-bank-digital-currencies-the-motivation/

IADI publishes results of annual survey on deposit insurance and financial safety net frameworks

24 November 2021

IADI has published the results of its 2021 global survey on deposit insurance and financial safety net frameworks. The results are based on responses collected from 110 deposit insurance systems (DIS) across the world, representing approximately 85% of jurisdictions globally. Through this survey, IADI shares its knowledge on deposit insurers' key characteristics such as mandates and governance, membership and coverage, funding and their role in financial system crisis management and bank resolution.

Survey results show that many jurisdictions continue to strengthen their deposit insurance systems and are moving towards closer alignment with the IADI Core Principles for Effective Deposit Insurance Systems in a number of areas.

A chart pack and an excerpt of the survey responses have been published on IADI's website and Members and Associates of the Association are granted access to the full set of information.

Sources: IADI website
https://www.iadi.org/en/news/iadi-publishes-results-of-annual-survey-on-deposit-insurance-and-financial-safety-net-frameworks2/

IIADI Policy Brief No. 5 – "Climate Change Fever: Can Deposit Insurers Stay Cool?"

5 October 2021

This Policy Brief was prepared by the IADI Secretariat Research Unit and represents the first attempt to identify five core challenges that climate change may pose to the activity of deposit insurers and their ability to deliver on key objectives. The paper also classifies the challenges as to their risk-nature. Links between these challenges and the IADI Core Principles underscores the strategic urgency of this contemporary policy issue.

The Policy Brief is available on the Policy Briefs section of the IADI public website or directly via this link

Sources: IADI website
https://www.iadi.org/en/news/iadi-policy-brief-no-5-climate-change-fever-can-deposit-insurers-stay-cool/

Fourth Quarter 2021

BCBS issued various publications in Fourth Quarter 2021. List of publications during this period are as follows:

Table 1: BCBS Publication

Dates	Type of Publication	Titles
16 Nov 2021	Consultative	Principles for the effective management and supervision of climate-related financial risks
11 Nov 2021	Standards	Revisions to market risk disclosure requirements
9 Nov 2021	Standards	G-SIB assessment methodology review process - technical amendment finalisation
14 Oct 2021	Implementation reports	Progress report on adoption of the Basel regulatory framework

Newsletter on cyber security

16 November 2021

The Basel Committee on Banking Supervision has published a public consultation on principles for the effective management and supervision of climate-related financial risks. The document forms part of the Committee's holistic approach to address climate-related financial risks to the global banking system and aims to promote a principles-based approach to improving both banks' risk management and supervisors' practices in this area.

Sources: BIS website
https://www.bis.org/bcbs/publ/d530.htm

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Revisions to market risk disclosure requirements

11 November 2021

The market risk disclosure requirements include a number of adjustments to reflect the revised market risk framework introduced in Minimum capital requirements for market risk in January 2019.

The revised standard introduced a "traffic light" approach for capital requirements as a consequence of the outcome of the profit and loss attribution test for banks using the internal models approach. Another significant change is the introduction of the simplified standardised approach as an alternative way of calculating capital requirements for market risk. The revised disclosure standards have been updated to reflect these and other changes in the standards. The revised market risk disclosure requirements come into effect on 1 January 2023.

Sources: BIS website
https://www.bis.org/bcbs/publ/d529.htm

G-SIB assessment methodology review process - technical amendment finalisation

9 November 2021

The Basel Committee on Banking Supervision has finalised a technical amendment to the Basel Framework which relates to the process used by the Committee to review the G-SIB assessment methodology.

The Committee has replaced the prior three year review cycle with a process of ongoing monitoring and review. This will include monitoring: (i) recent developments in techniques or new indicators that can be used for the assessment of systemic risk; (ii) emerging evidence on the effectiveness of the G-SIB regime; and (iii) structural changes that could impact the effectiveness of the regime.

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Only if this monitoring work reveals evidence of material unintended consequences or material deficiencies with respect to the framework's objectives will the Committee consider changes to the regime.

Sources: BIS website
https://www.bis.org/bcbs/publ/d527.htm

Progress report on adoption of the Basel regulatory framework

14 October 2021

This updated progress report sets out the jurisdictional adoption status of Basel III standards as of end-September 2021 based on information provided by all Committee member jurisdictions. It focuses on the status of adoption of all Basel III standards in relation to the internationally agreed time frame, including the Basel III post-crisis reforms published by the Committee in December 2017 and the finalised minimum capital requirements for market risk in January 2019, which according to the announcement made by Governors and Heads of Supervision in March 2020, will take effect from 1 January 2023.

The report shows that over the past year member jurisdictions have made further progress in adopting the Basel III standards despite the disruptions resulting from Covid-19 and the required shift in regulatory and supervisory priorities. It is complemented by a newly developed dashboard to reflect the full history of Basel III implementation and provide an overview of the progress up to date. The dashboard will be updated regularly and is intended to replace the existing report publications.

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In addition to periodically reporting on the status of adoption, all Committee member jurisdictions undergo an assessment of the consistency of their domestic rules with the Basel standards and that work is expected to resume soon after it was suspended in 2020 in response to Covid-19.

Sources: BIS website
https://www.bis.org/bcbs/publ/d525.htm

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Global Monitoring Report on Non-Bank Financial Intermediation 2021

16 December 2021

In contrast to the trend over the past decade, the NBFI sector grew less than the banking sector in 2020.

This report presents the results of the 11th annual FSB monitoring exercise to assess trends and vulnerabilities in NBFI, covering 29 jurisdictions that account for approximately 80% of global GDP.

The report covers NBFI developments for the year ending 31 December 2020, a period that includes both the COVID-19 shock and the extraordinary steps taken by official sector authorities to stabilise financial markets and support financing to the real economy.

Size of monitoring aggregates and composition of the narrow measure: 2010-2020

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Total global financial assets exhibited strong growth in 2020, increasing by 10.9% to $468.7 trillion. This was faster than the global NBFI sector, comprising mainly pension funds, insurance corporations and other financial intermediaries (OFIs)1, which experienced asset growth of 7.9%, reaching $226.6 trillion. The faster growth in bank, central bank, and public financial institution assets than NBFI sector assets is partly attributable to the COVID-19 pandemic, when accommodative official sector responses supported the real economy, including through the banking system.

The NBFI sector's relative share of total global financial assets therefore decreased from 49.7% to 48.3% in 2020. This was the largest percentage point decrease since the 2008 financial crisis. In particular, asset growth in the NBFI sector was lower than that of central banks (32.3%), and banks (11.1%).

- Similar to 2019, NBFI sector growth in 2020 was mainly driven by investment funds, insurance corporations, and pension funds. Growth in investment fund assets was supported by a combination of flows and valuation effects.
- Credit intermediation by the NBFI sector increased more slowly than credit intermediation by the banking sector. In 2020, banks' credit assets grew by 10.5%, a faster pace than credit assets held by insurance corporations (6.4%), pension funds (7.9%) and OFIs (4.6%).

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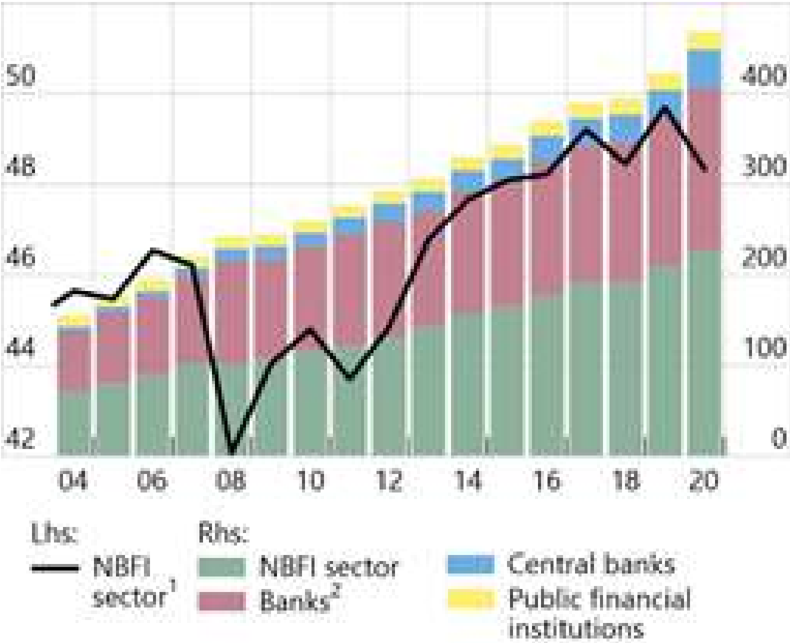

NBFI assets increased in absolute terms, but decreased as a share of total global financial assets

Interconnectedness between banks and the NBFI sector decreased slightly in 2020. Financial interconnectedness is a feature of an open and integrated global financial system. It may help share risk across financial sectors but may also serve as a channel for risk transmission, particularly when entities along intermediation chains employ a high degree of leverage or engage in maturity/liquidity transformation. Therefore, measures of interconnectedness among banks, OFIs, and other non-bank financial entities can serve as important indicators of potential contagion, within and across borders.

The narrow measure of NBFI grew by 7.4% to $63.2 trillion in 2020, at a pace similar to the 2014-19 annual growth rate of 7.3%. At end-2020 it therefore represents 27.9% of total NBFI assets, and 13.7% of total global financial assets. **Since the 2008 financial crisis, growth of the narrow measure has been driven primarily by investment funds.**

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

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Collective investment vehicles with features that make them susceptible to runs (EF1) grew by 9.0% in 2020, remaining by far the largest component of the narrow measure with a share of 75.1%. Although investment funds experienced significant outflows in Q1 2020, the prompt recovery in the subsequent two quarters meant they remained the largest contributor to narrow measure growth.

Loan provision that is typically dependent on short-term funding (EF2) grew by 4.2% in 2020, representing 6.7% of the narrow measure. Measures of leverage for finance companies, the entity type most prevalent in EF2, remained stable.

Intermediation of market activities dependent on short-term funding (EF3) grew by 3.7% in 2020, representing 7.8% of the narrow measure. Growth in 2020 was driven, in broadly equal measure, by broker-dealers and custodial accounts, the two main entities classified into EF3.

After strong growth in 2019 (4.5%), insurance or guarantees of financial products (EF4) only grew by 0.4% in 2020. Financial assets associated with these activities still constitute less than 1% of the narrow measure.

Securitisation-based credit intermediation (EF5) shrank by 4.0% in 2020, as assets of Chinese trust companies continued to decrease. EF5 now accounts for 7.5% of the narrow measure.

Assets that are unallocated between the five EFs represent 2.6% of the narrow measure.

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

Sources: FSB website
https://www.fsb.org/2021/12/global-monitoring-report-on-non-bank-financial-intermediation-2021/

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Bail-in Execution Practices Paper

13 December 2021

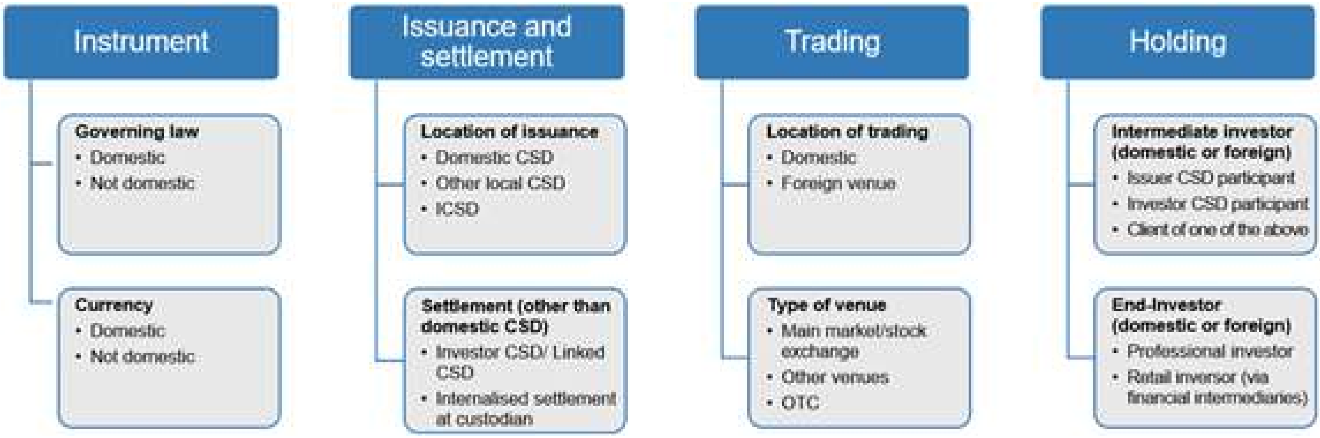
Operationalising bail-in is a critical part of resolution planning for G-SIBs and other firms where bail-in is part of the resolution strategy.

Bail-in is at the core of resolution strategies for global systemically important banks (G-SIBs). The write-down and conversion of Minimum Total Loss-absorbing Capacity (TLAC) instruments, such as bail-in bonds, and other debt into equity helps to facilitate a creditor-financed recapitalisation. It is an important resolution tool set out in the Key Attributes to achieve an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions, without exposing taxpayers to loss.

This paper describes some of the main operational processes and arrangements that resolution authorities of G-SIBs follow when operationalising bail-in in accordance with their jurisdictions' legal frameworks, securities law and requirements of trading venues (TVs).

Drawing on examples and practices across different jurisdictions, this paper provides an overview of bail-in resolution approaches, including the suspension of trading and delisting from TVs of securities of bailed-in firms; the (re-)listing and (re-)admission to trading of new and existing securities as part of the bail-in process.

The paper reviews the role of central securities depositories (CSDs), which play an important role in the execution of bail-in, reflecting bail-in transactions in their books, e.g. the cancellation of shares, write-down and/or conversion of eligible instruments and issuance of new shares and interim instruments.



Overview of main Central Security Depository and Trading Venue considerations for bail-in execution

The paper also highlights cross-border challenges to the execution of bail-in, when securities are listed on more than one TV (dual listing or secondary listing) across different jurisdictions, or where securities are issued in a market other than the domestic market. These include the suspension of trading and settlement across all relevant TVs and CSDs; the distribution of the new securities in foreign markets/ to foreign investors; and operational challenges arising for example from the involvement of multiple CSDs. These issues introduce additional complexities to the execution of bail-in, which may need to be specifically addressed as part of resolution planning.

The FSB will continue to facilitate the sharing of practices amongst authorities and efforts to address these issues, including by continuing its engagement with stakeholders as part of the work of its Resolution Steering Group and Bank Cross-Border Crisis Management Working Group.

Sources: FSB website
https://www.fsb.org/2021/12/bail-in-execution-practices-paper/

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Resolution Report marks 10 years since the adoption of the FSB's Key Attributes of Effective Resolution Regimes

7 December 2021

The Financial Stability Board (FSB) today published its 2021 Resolution Report. This year's report commemorates the tenth anniversary of the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions ("Key Attributes") and takes stock of progress made in implementing FSB resolution policies and enhancing resolvability across the banking, financial market infrastructure, and insurance sectors. It also sets out the FSB's priorities in the resolution area going forward.

Since their adoption ten years ago, the Key Attributes have set the standard for the reform of resolution regimes and resolution planning across all sectors. Progress towards resolvability has been significant, but the FSB´s recent evaluation of the "too big to fail" reforms found that a number of gaps need to be addressed to fully realise the benefits of the resolution reforms. In addition, digital innovation is giving rise to new challenges for resolution planning, including in relation to the reliance on third-party service providers and cloud services, and the need to assess resolvability of non-traditional market participants.

- Banks – Work is under way to build up external TLAC for four emerging market economy G-SIBs due to comply with the TLAC standard by January 2025. All other G-SIBs report that they already meet or exceed the final TLAC requirement. Not all G-SIBs consistently disclose information on internal TLAC. Cross-border issues remain to be addressed, for instance in relation to funding in resolution and bail-in execution. The FSB will shortly publish a practices paper that summarises the issues on the latter.
- Central Counterparties (CCPs) – Uncertainty remains around the resolvability of CCPs given their systemic role in the

financial system. A preliminary report will be published in early 2022 and will inform options for new or revised international policy on the use, composition or amount of financial resources for CCP recovery or resolution.

- Insurers – As in prior years, some jurisdictions have identified systemically important insurers and/or internationally active insurance groups. Work on resolution planning and resolvability assessments for these institutions has started or is under way. The FSB will soon publish two papers that present practices regarding financial and operational interconnectedness in resolution planning and funding in resolution.

Sources: FSB website
https://www.fsb.org/2021/12/resolution-report-marks-10-years-since-the-adoption-of-the-fsbs-key-attributes-of-effective-resolution-regimes/

Good Practices for Crisis Management Groups (CMGs)

30 November 2021

Crisis Management Groups (CMGs) of Global Systemically Important Banks (G-SIBs) have been in place for over 10 years as a core part of the post global financial crisis coordination infrastructure.

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This report sets out good practices that have helped CMGs to enhance their preparedness for the management and resolution of a cross-border financial crisis affecting a Global Systemically Important Bank (G-SIB) as per the FSB Key Attributes. It draws on a stocktake carried out by the FSB in 2020 and CMG members' experience during the COVID-19 pandemic.

The focus is on CMG activities that seek to enhance crisis preparedness rather than on cooperation during a actual itself. The good practices identified in this report are organised along 16 desired outcomes that CMGs seek to achieve and relate to:

1. the structure and operation of CMGs;
2. resolution policy, strategy and resolvability assessments;
3. coordination on enhancing firm's resolvability; and
4. enhancing home-host coordination arrangements for crisis preparedness.

A shared understanding of these practices can help lean against fragmented approaches and help to enhance the effectiveness of CMGs.. While many of these practices have been well established, others are emerging or developing.

As CMGs continue to evolve, the FSB will continue to monitor the development of their practices and consider any future work to promote consistency and effective operation of CMGs.

Sources: FSB website
https://www.fsb.org/2021/11/good-practices-for-crisis-management-groups-cmgs-2/

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FSB publishes 2021 G-SIB list

23 November 2021

The Financial Stability Board (FSB) today published the 2021 list of global systemically important banks (G-SIBs) using end-2020 data and an assessment methodology designed by the Basel Committee on Banking Supervision (BCBS).

The 30 banks on the list remain the same as the 2020 list.

FSB member authorities apply the following requirements to G-SIBs:

- *Higher capital buffer*: The G-SIBs are allocated to buckets corresponding to higher capital buffers that they are required to hold by national authorities in accordance with international standards. Compared with the 2020 list, three banks have moved to a higher bucket: JP Morgan Chase has moved from bucket 3 to bucket 4, BNP Paribas has moved from bucket 2 to bucket 3 and Goldman Sachs has moved from bucket 1 to bucket 2.
- *Total Loss-Absorbing Capacity* (TLAC): G-SIBs are required to meet the TLAC standard, alongside the regulatory capital requirements set out in the Basel III framework. The TLAC standard began being phased in from 1 January 2019 for G-SIBs identified in the 2015 list that continued to be designated as G-SIBs.
- *Resolvability*: These include group-wide resolution planning and regular resolvability assessments. The resolvability of each G-SIB is also reviewed in a high-level FSB Resolvability Assessment Process (RAP) by senior regulators within the firms' Crisis Management Groups.
- *Higher supervisory expectations*: These include supervisory expectations for risk management functions, risk data aggregation capabilities, risk governance and internal controls.

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The BCBS today published updated denominators used to calculate banks' scores; the thresholds used to allocate the banks to buckets; and the values of the twelve high-level indicators of all banks in the main sample used in the G-SIB scoring exercise. The BCBS also provides the links to the public disclosures of all banks in the full sample of banks assessed.

Earlier this month, the BCBS approved a technical amendment to the G-SIB assessment methodology review process, which replaces the previous three-year review cycle with a process of ongoing monitoring and review.

In the near term, the BCBS will review the implications of developments related to the European Banking Union for the G-SIB methodology. In particular, this will include a targeted review of the treatment of cross-border exposures within the Banking Union on the G-SIB methodology.

A new list of G-SIBs will next be published in November 2022.

Sources: FSB website
https://www.fsb.org/2021/11/fsb-publishes-2021-g-sib-list/

FSB Statement to Support Preparations for LIBOR Cessation

22 November 2021

Completion of the steps laid out in the FSB's Global Transition Roadmap is now critical and market participants need to act urgently to ensure they are fully prepared for LIBOR cessation by the end of this year.

Most LIBOR panels will cease at the end of this year, with certain key USD settings continuing until end-June 2023 to support the rundown of legacy contracts, executed before January 1 2022, only.

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Continued reliance of global financial markets on LIBOR poses risks to global financial stability. With only a few weeks remaining to the end of 2021, it is now critical that market participants act urgently to complete any remaining steps set out in the FSB's Global Transition Roadmap, with global and national financial regulators closely monitoring progress. The FSB emphasises that the continuation of some key USD LIBOR tenors through to 30 June 2023 is intended only to allow legacy contracts to mature, as opposed to supporting new USD LIBOR activity.

The key points covered in the statement are as follows:

- Significant progress has been made in transitioning to Risk-Free Rates (RFRs), but market participants still need to finalise preparations to cease new use of LIBOR by end-2021.
- Transition should be primarily to overnight RFRs, the most robust benchmarks available, to avoid reintroducing the weaknesses of LIBOR.
- Active transition of legacy contracts remains the best way for market participants to have control and certainty over their existing arrangements.

The report notes that the FSB will continue to monitor the final steps in completing LIBOR transition over the coming months. Post end-2021, the FSB will monitor the effort to continue reducing the stock of legacy contracts which are using synthetic LIBOR rates, any continuing new issuance of USD LIBOR contracts post end-2021, and the size and resolution of legacy contracts referencing USD LIBOR that are due to mature after end-June 2023. The FSB will review these issues in mid-2022 and assess the implications for any further supervisory and regulatory cooperation that may be required.

Sources: FSB website
https://www.fsb.org/2021/11/fsb-statement-to-support-preparations-for-libor-cessation/

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FSB Chair's letter to G20 Leaders: October 2021

28 October 2021

Amid signs of global economic recovery, the global financial system confronts structural challenges.

This letter from the FSB Chair, Randal K. Quarles, was sent to G20 Leaders ahead of their October Summit.

The letter notes that the Rome Summit is taking place amid signs of the global economy recovering from the impact of COVID 19 and related containment measures (the COVID Event). At the same time, the global financial system confronts significant structural challenges. These include rapid technological innovations within the traditional financial sector as well as outside, such as in the form of various crypto-assets. They also include a growing focus on potential risks to financial stability from climate change, whether from severe weather events or from uncertainties related to policy actions by governments.

The letter notes that, during the Italian G20 Presidency, the FSB has continued to support policymakers in preserving financial stability during the COVID Event and laying the foundation for a more efficient and resilient financial system in the future. The FSB has done this in two key ways. First, by setting out lessons for financial stability made apparent by the COVID Event, which define a path forward for the G20 on financial stability policy. Second, the FSB has been coordinating international work on key structural issues, not least through the FSB roadmap to address climate-related financial risks and by taking forward the roadmap to enhance cross-border payments.

The letter outlines some key lessons learnt from the COVID Event, including that international cooperation through the G20 has made an important contribution to global financial stability. The letter stresses the need to assess the financial stability implications of financial, and particularly, technological innovation, and to ensure that supervisory and regulatory frameworks and approaches provide a solid foundation for harnessing the benefits of such innovation while containing their risks.

The FSB has been charting a path forward for its work by developing, as a top priority, a more systematic way of assessing vulnerabilities across the global financial system, through a new Financial Stability Surveillance Framework. The FSB has sought to increase input from a broad range of stakeholders, enhancing its transparency and expanding its outreach. Building on these strengths, the FSB is developing its workplan for 2022 in concert with the incoming G20 Indonesian Presidency to build a cohesive path forward.

Sources: FSB website
https://www.fsb.org/2021/11/fsb-statement-to-support-preparations-for-libor-cessation/

Lessons learnt from the COVID-19 pandemic from a financial stability perspective: Final report

28 October 2021

The Italian G20 Presidency asked the FSB to identify preliminary lessons for financial stability from the COVID-19 pandemic.

This final report updates the July interim report on the preliminary lessons learnt for financial stability from the COVID-19 pandemic, and outlines actions by the FSB and other standard-setting bodies (SSBs) in response to those lessons. The update reflects feedback from external stakeholders and the FSB's Regional Consultative Groups, recent studies in this area, and progress made in relevant international initiatives.

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Key lessons and actions include:

- **Market and institutional resilience.** The functioning of bank capital and liquidity buffers may warrant further attention; the Basel Committee on Banking Supervision will update its overall analysis on the lessons from the pandemic. The March 2020 market turmoil underscored the need to strengthen resilience in the non-bank financial intermediation sector; the FSB is taking forward a comprehensive work programme. Some concerns about possible excessive procyclicality in the financial system remain; standard-setters will take forward work in procyclicality in margining practices and the Basel Committee will further monitor expected credit loss provisioning.
- **Operational resilience.** COVID-19 has highlighted the importance of effective operational risk management being in place before a shock hits. The FSB will develop best practices for the types of information authorities may require related to cyber incidents to promote financial stability. The FSB is also launching further work related to third-party risk management and outsourcing, and will develop expectations for financial authorities' use in oversight of financial institutions' reliance on critical service providers.
- **Crisis preparedness.** The pandemic highlighted the importance of effective cross-border cooperation, coordination and risk-sharing. The FSB will identify a set of good practices and emerging practices of crisis management groups to enhance preparedness for, and facilitate the management and resolution of, a cross-border financial crisis affecting a global systemically important bank (G-SIB).

The report also highlights broader policy issues that warrant further attention. These include: monitoring COVID-19 policy responses as they are wound down, in order to identify systemic vulnerabilities early on; addressing debt overhang in the non-financial corporate sector; promoting resilience amidst rapid technological change; completing the remaining elements of the post-2008 crisis reform agenda; and examining in due course how macroprudential policy has functioned during the pandemic and its aftermath.

Sources: FSB website https://www.fsb.org/2021/10/lessons-learnt-from-the-covid-19-pandemic-from-a-financial-stability-perspective-final-report/

G20 Roadmap for enhancing cross-border payments: First consolidated progress report

13 October 2021

The G20 has made enhancing cross-border payments a priority.

This report summarises progress during the first year of the Roadmap, bringing together in one place the work under the wide-ranging, but interconnected, set of initiatives. The report also confirms the next steps in the Roadmap for 2022 and beyond.

Work in 2020-2021 has primarily focused on laying the foundational elements for future Roadmap actions. A key part of that foundation has been the publication of specific quantitative targets at the global level that address the challenges of cost, speed, transparency and access faced by cross-border payments. These targets play an important role in defining the ambition of the work, creating accountability. The targets will be made fully operational in 2022 through the development of the implementation approach to monitoring progress toward them.

The foundational work during the first year of the G20 Roadmap has also included stocktakes and analysis of both existing and emerging systems and arrangements. These stocktakes have covered diverse topics such as existing international standards and guidance, and national and regional data frameworks; operating hours of and access to payment systems; common elements of service level agreements/schemes; the use of payment-versus-payment mechanisms; the interlinking of payment systems; and CBDC design. This work will provide a strong basis and guide for the operational improvements to come.

The report highlights that most of the milestones set by the Roadmap for 2021 have been successfully completed or are close to finalisation. The breadth of the work underway and the recognition of the importance of conducting sufficient external outreach has led some of the timelines to be extended. But the end-goals of the overall Roadmap remain firmly on track.

The next stage of work in 2022 includes the development of specific proposals for material improvements of underlying systems and arrangements, as well as the development of new systems. Making these practical improvements and taking advantage of new developments will require global coordination, sustained political support and investment in systems, processes and technologies. The success of this work will depend heavily on the commitment of public authorities and the private sector, working together.

Sources: FSB website
https://www.fsb.org/2021/10/g20-roadmap-for-enhancing-cross-border-payments-first-consolidated-progress-report/

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Regulation, Supervision and Oversight of "Global Stablecoin" Arrangements: Progress Report on the implementation of the FSB High-Level Recommendations

7 October 2021

Fostering the soundness of "global stablecoins" is Building Block 18 of the FSB roadmap to enhance cross-border payments.

This report:

- discusses key market and regulatory developments since the publication of the FSB high-level recommendations in October 2020;
- takes stock of the implementation of the FSB high-level recommendations across jurisdictions;
- describes the status of the review of the existing standard-setting body (SSB) frameworks, standards, guidelines and principles in light of the FSB high-level recommendations; and
- identifies areas for consideration for potential further international work.

The report notes that, overall, the implementation of the FSB high-level recommendations across jurisdictions is still at an early stage. Jurisdictions have taken, or are considering, different approaches towards implementing the high-level recommendations, which could give rise to the risk of regulatory arbitrage and harmful market fragmentation.

The report also notes that standard-setting bodies, including BCBS, CPMI, and IOSCO are assessing whether and how existing international standards and principles may apply to stablecoin arrangements and, where appropriate, adjusting them in light of the FSB high-level recommendations.

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The report stresses that a number of issues may not be fully covered by existing standards and principles and that gaps should be addressed in a holistic manner that is coordinated across sectors.

Authorities have identified several issues relating to the implementation of the recommendations that may warrant further consideration and where further work at international level could be useful. These include: conditions for qualifying a stablecoin as a "global stablecoin"; prudential, investor protection, and other requirements for issuers, custodians, and providers of other global stablecoin functions (e.g. wallet providers); redemption rights; cross-border and cross-sectoral cooperation and coordination; and mutual recognition and deference.

The FSB will continue to support the effective implementation of the FSB high-level recommendations and facilitate coordination among SSBs. The FSB will undertake a review of its recommendations in consultation with other relevant SSBs and international organisations. The review, which will be completed in July 2023, will identify how any gaps could be addressed by existing frameworks and will lead to the update of the FSB's recommendations if needed.

Sources: FSB website
https://www.fsb.org/2021/10/regulation-supervision-and-oversight-of-global-stablecoin-arrangements-progress-report-on-the-implementation-of-the-fsb-high-level-recommendations/

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The IFSB issues Exposure Draft of Revised Standard on Solvency Requirements for Takaful/ Retakaful Undertakings

20 December 2021

The Islamic Financial Services Board (IFSB) has today issued an Exposure Draft of a Revised Standard on Solvency Requirements for Takaful/Retakaful Undertakings (ED - 28) for the Public Consultation period starting from 20 December 2021 until 6 February 2022 and invites comments from regulatory and supervisory authorities, international organisations, institutions offering Islamic financial services (including but not restricted to Takaful), academics and other interested parties.

The Exposure Draft is for the revision of the IFSB's existing Standard on Solvency Requirements for Takaful Undertakings (IFSB-11) issued in December 2010, taking into consideration subsequent developments in the global regulatory standards needed for solvency supervision in the takaful and conventional insurance sector regarding in particular, the determination of capital resources (including valuation and classification) and setting of capital requirements.

ED-28 is closely aligned to the text of the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS) Insurance Core Principles (ICPs) and follows a structure similar to that of the relevant ICPs. However, it is expressed in terms of a typical Takāful (Islamic Insurance) Undertakings' (TUs) hybrid corporate model to address the specificities of a TU. This approach is intended to ensure consistency in the outcome of solvency framework for TUs with those established for conventional insurance, in line with the following objectives:

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- to protect the interests of takaful participants by setting a high probability that a TU would be able to meet all its contractual obligations and commitments;
- to encourage early warning systems permitting proportionate supervisory intervention and corrective action, and avoiding procyclical effects; and
- to foster confidence among the general public – in particular, takāful participants – in the financial stability of the takāful sector.

Furthermore, the approach is expected to provide a practical advantage to those supervisors that are required to supervise both conventional insurance and takaful sector. It is also consistent with the expected approach in a separate IFSB exercise to develop Core Principles for this sector, currently underway and referred to in the proposed standard. However, the proposed standard does not address in detail matters such as Shari'ah governance, corporate governance, risk management and regulatory or public reporting, which although connected to solvency are the topic of other IFSB standards.

The standard applies to both TUs and retakaful undertakings, whether operating under general, family or composite licences. It is applicable also, mutatis mutandis, to takāful "window" operations where such operations exist. Regulatory and supervisory authorities may wish to apply the provisions of this standard in a modified manner to TUs providing microtakāful cover (to facilitate the provision of Shari'ah-compliant cover to facilitate financial inclusion and other related objectives), and other types of business including branches, captives subject always to the aim of protecting financial stability and managing risk to takāful participants.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=595&submit=more

The Council of the Islamic Financial Services Board (IFSB) has adopted two new standards

10 December 2021

The Council of the Islamic Financial Services Board (IFSB) has adopted two new standards during its 39th Meeting held on 9 December in Abu Dhabi, United Arab Emirates.

The two new standards are:

- IFSB-23: Revised Capital Adequacy Standard for Institutions offering Islamic Financial Services (IIFS) [Banking Segment]; and
- IFSB-26: Core Principles for Islamic Finance Regulation (Financial Market Infrastructures).

IFSB-23: Revised Capital Adequacy Standard (RCAS)

IFSB-23 was developed to align the IFSB's guidance on capital adequacy for the banking sector with the latest updates to global capital standards, particularly those issued by the Basel Committee on Banking Supervision. The new Standard builds on IFSB-15: Revised Capital Adequacy Standard for Institutions Offering Islamic Financial Services Excluding Islamic Insurance (Takāful) Institutions and Islamic Collective Investment Schemes] (December 2013) and contains enhancements that incorporate global best practices to ensure the provision of a level playing field to IIFS vis-à-vis conventional financial institutions subject to a capital regulatory framework.

The main objectives of the Standard are:

a. To assist the IIFS and their supervisory authorities in the implementation of a capital adequacy framework that will ensure effective coverage of risk exposures of the IIFS and allocation of appropriate capital to cover these risks, thus enhancing the resilience of the Islamic financial services industry (IFSI);
b. To provide an updated framework for regulatory capital components for IIFS, that comply with Sharī`ah rules and

principles;

c. To review and enhance the capital adequacy requirements concerning various risk exposures related to Shar'iah complaint products and services offered by IIFS;
d. To enhance the capital adequacy treatment for IIFS exposures relating to investments in sukūk and securitisation, in line with the current global regulatory standards and the development in the IFSI;
e. To delineate guidance on the application of leverage ratio and other macroprudential measures for IIFS; and
f. To adapt international best practices, as well as current and emerging standards, relating to capital adequacy for IIFS.

The Standard is primarily intended to serve banking institutions offering Islamic financial services. These IIFS include, but are not limited to: fully-fledged Islamic commercial banks; Islamic investment banks/companies; Islamic banking subsidiaries of conventional banks; Islamic banking branches/divisions/units of conventional banks (hereinafter collectively referred to as "Islamic windows"); and such other financial institutions as may be determined by the respective supervisory authority. The application of the Standard by supervisory authorities should be commensurate with the nature, size, complexity and type of products of the IIFS in the jurisdiction.

IFSB-26: Core Principles for Islamic Finance Regulation (Financial Market Infrastructures)

The new IFSB Core Principles Standard ("CPIFRFMI") contains a comprehensive set of 25 core principles that apply to payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories (collectively referred to as financial market infrastructures or "FMIs") that undertake Sharīʿah-compliant activities and transactions. The Standard is designed and issued to ensure that the essential infrastructure supporting global Islamic financial markets are robust

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The Standard intends to achieve the following objectives:

- to develop a comprehensive standard for effective regulation, supervision, and oversight of FMIs addressing the specificities relating to Islamic finance;
- to equip RSAs with minimum international benchmarks to ensure safe, transparent, and robust FMIs to preserve financial stability and operational efficiency in Islamic finance jurisdictions; and
- to assist the RSAs in assessing the quality of their regulatory framework for their respective FMIs and identifying areas for improvement as an input to their reform agenda.

The IFSB envisages that the CPIFRFMI will be used by jurisdictions as a benchmark for assessing the quality of their regulatory and supervisory systems, and for identifying future work to achieve a baseline level of sound regulations and practices for Islamic FMIs.

The development of CPIFRFMI is intended to promote further integration of Islamic finance with the international architecture for financial stability and operational efficiency, especially in the area of securities clearing and settling, payment, and data recording in the FMIs. Furthermore, the CPIFRFMI may also assist IFSB member jurisdictions in: (a) the International Monetary Fund (IMF) and the World Bank financial sector assessment programme (FSAP); (b) self-assessment; (c) reviews conducted by private third parties; and (d) peer reviews conducted, for instance, within regional groupings of capital market RSAs.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=594&submit=more

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The IFSB Developed New Strategic Performance Plan 2022 – 2024

10 December 2021

The Council of the Islamic Financial Services Board (IFSB) approves the new Strategic Performance Plan (SPP) 2022 – 2024 that aims to expand and strengthen the IFSB's work plan in response to increasing aspirations and expectations of IFSB members, and to meet the demands in supporting the growth, resilience and stability of the Islamic financial services industry (IFSI) amidst the evolving global financial industry challenges. The SPP 2022-2024 was approved by the IFSB Council in its 39th meeting held on 9 December in Abu Dhabi, hosted and chaired by H.E. Khaled Mohamed Balama, Governor of the Central Bank of the United Arab Emirates and IFSB Council Chairman 2021.

The SPP 2022-2024 retains the strategic framework of the SPP 2019-2021 with enhanced focus on greater quality of outputs, greater industry impact, enhanced engagement with the IFSB members and industry as well as greater integrated sustainability of financial and human resources that are meant to deliver these aspirations and expectations of members with robust short-to-medium-term strategies. The new SPP also comes with several new outputs as an outcome from the benchmarking analysis, transformation plan and outstanding guidance from the Council, Executive Committee and Technical Committee members of the IFSB.

The SPP 2022-2024 continue to focus on four Strategic Key Result Areas (SKRAs) as follows:

SKRA 1: Formulation and Issuance of Prudential Standards, Research and Statistics;

SKRA 2: Facilitating the Implementation of Prudential Standards and Capacity Development;

SKRA 3: Increasing Value in the IFSB Membership, Global Visibility and Attractiveness;

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SKRA 4: Efficient Management of Resources with Good Corporate Governance Practices.

The SKRAs are KPI's based, and are reflected in 12 Outcomes and 27 Outputs in order to operationalise the organisation's strategic objectives as stated in the IFSB's Articles of Agreement. They also embodied the IFSB's Core Values of Accountability, Collaboration, Responsiveness and Integrity.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=593&submit=more

The IFSB Council Adopts IFSB-26, the Core Principles for Islamic Finance Regulation (Financial Market Infrastructures)

10 December 2021

The Council of the Islamic Financial Services Board (IFSB) at its 39th Meeting held on 9 December in Abu Dhabi, resolved to approve the adoption of IFSB-26, the Core Principles for Islamic Finance Regulation (Financial Market Infrastructures).

The new IFSB Core Principles Standard ("CPIFRFMI") contains a comprehensive set of 25 core principles that apply to payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories (collectively referred to as financial market infrastructures or "FMIs") that undertake Sharīʿah-compliant activities and transactions. The Standard is designed and issued to ensure that the essential infrastructure supporting global Islamic financial markets are robust and effectively address the specificities of Islamic finance and contribute to the stability of the industry.

The new Standard complements the CPSS-IOSCO Principles for Financial Market Infrastructure ("PFMI") (April 2012) and its associated Disclosure Framework and Assessment Methodology

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(December 2012), and addresses, in particular, those areas in which the existing CPSS-IOSCO Documents either do not deal, or deal inadequately with the specificities of Islamic finance. It also takes into account lessons learned from the COVID-19 pandemic, particularly in areas relating to the operational resilience of FMIs.

The Standard intends to achieve the following objectives:

- to develop a comprehensive standard for effective regulation, supervision, and oversight of FMIs addressing the specificities relating to Islamic finance;
- to equip RSAs with minimum international benchmarks to ensure safe, transparent, and robust FMIs for the purpose of preserving financial stability and operational efficiency in Islamic finance jurisdictions; and
- to assist the RSAs in assessing the quality of their regulatory framework for their respective FMIs and identifying areas for improvement as an input to their reform agenda.

The IFSB envisages that the CPIFRFMI will be used by jurisdictions as a benchmark for assessing the quality of their regulatory and supervisory systems, and for identifying future work to achieve a baseline level of sound regulations and practices for Islamic FMIs.

The development of CPIFRFMI is intended to promote further integration of Islamic finance with the international architecture for financial stability and operational efficiency, especially in the area of securities clearing and settling, payment, and data recording in the FMIs. Furthermore, the CPIFRFMI may also assist IFSB member jurisdictions in: (a) the International Monetary Fund (IMF) and the World Bank financial sector assessment programme (FSAP); (b) self-assessment; (c) reviews conducted by private third parties; and (d) peer reviews conducted, for instance, within regional groupings of capital market RSAs.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=592&submit=more

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The IFSB issues Exposure Draft of Technical Note on Recovery and Resolution (TNRR) for Institutions Offering Islamic Financial Services (IIFS)

15 November 2021

The Islamic Financial Services Board (IFSB) has today issued Exposure Draft of Technical Note-4 on Recovery and Resolution for Institutions Offering Islamic Financial Serviced (ED TN-4) for a 45-day Public Consultation period starting from 15 November 2021 until 29 December 2021, and invites comments from central banks, regulatory and supervisory authorities, international organisations, IIFS, academics and other interested parties.

The aim of ED TN-4 is to complement the existing Financial Stability Board's (FSB) Key Attributes (KAs) by providing complementary standards and information addressing the idiosyncrasies of Islamic finance and Sharī'ah compliance requirements applicable to each KA. In addition, the TNRR intends to provide guidance that addresses Sharī'ah specificities in relation to the high-level recovery and resolution (RR) framework and the recovery planning process for IIFS, which are not covered in the FSB's KAs.

The primary objective of the TNRR is to facilitate the relevant regulatory and supervisory authorities (RSAs) and other related authorities to establish an effective RR framework, and appropriate tools for its effective implementation, for IIFS in a manner that is fully compliant with Sharī'ah principles. The foregoing primary objective of the TNRR subsumes the following constituent objectives:

- to set out the essential measures to carry out effective recovery and resolution planning (RRP) for all IIFS;
- to support and enable effective resolvability assessments critical for the IIFS; and
- to ensure Sharī'ah governance in relation to the RR framework for IIFS.

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The TNRR is primarily intended to facilitate the establishment of effective RR frameworks for IIFS as part of the firm-level regulation of full-fledged (i.e. separately incorporated) banks, including both domestic systemically important banks (D-SIBs) and non-DSIBs. These IIFS include, but are not limited to, commercial banks, investment banks and other fund-mobilising institutions, as determined by the respective supervisory and related authorities, that offer services in accordance with Sharī`ah rules and principles.

The scope of the TNRR also includes Islamic banking "windows" (either a branch or a dedicated unit), which are part of a conventional financial institution while providing financial services in a fully Sharīʻah-compliant manner.

In line with the IFSB due process on the development of Standards and Guidance/Technical Notes, the IFSB will be organising public hearing event to invite and solicit feedback on the Exposure Draft and its contents. Details of these events will be announced in due course.

Sources: IFSB website
https://www.ifsb.org/preess_full.php?id=587&submit=more

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The IFSB Publishes Its Fourth Set of Frequently Asked Questions (FAQs) on IFSB-12, IFSB-13, IFSB-24 and IFSB-25

6 October 2021

The IFSB is releasing its fourth set of Frequently Asked Questions (FAQs) on four of its standards, namely, Liquidity risk management (IFSB-12), Stress testing (IFSB-13), Investor protection in Islamic Capital Markets (IFSB-24), and Promoting transparency and market discipline for takāful/retakāful undertakings (IFSB-25). The new set of FAQs is a continuation of three previous sets aims at enhancing the implementation of IFSB standards among the member jurisdictions through presenting clarifications and explanative directions on the issued standards for a better understanding, and thus, more effective implementation.

Today's issuances cover selected FAQs on four IFSB standards, namely:

1. Guiding Principles on Liquidity Risk Management for Institutions Offering Islamic Financial Services [Excluding Islamic Insurance (Takāful) Institutions and Islamic Collective Investment Schemes] (IFSB-12);
2. Guiding Principles on Stress Testing for Institutions Offering Islamic Financial Services (IFSB-13);
3. Guiding Principles for Investor Protection in Islamic Capital Markets (IFSB-24);
4. Disclosures to Promote Transparency and Market Discipline for Takāful/Retakāful Undertakings" (IFSB-25)

The Secretary-General of the IFSB, Dr. Bello Lawal Danbatta, mentioning the significance of the issuances of a new set of FAQs: "The IFSB puts its membership support as a priority, and we strongly believe that the continuity of this support is crucial. Therefore, the release of this new set of FAQs will enhance the understanding and awareness regarding IFSB standards, especially that we have received good feedback from our members regarding the role of FAQs in implementing these standards".

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The FAQs for IFSB-12 give explanations and guidelines about the main principles in the effective management of liquidity risk in institutions offering Islamic financial services (IIFS). These include identification and measuring liquidity risk, and the role of the institution's top management and supervisors. The questions also enquire about the key factors in controlling and mitigating liquidity risk, and how to report and disclose this risk. In addition, the FAQs provide clarifications related to liquidity risk management at the consolidated level along with home-host and cross-sector supervision for liquidity risk.

The second FAQs include responses to questions raised about IFSB-13, i.e. regarding the stress testing conducted by IIFS. Among those questions were, for example, the differences between scenario analysis and sensitivity tests, the role of Supervisory Sharīʻah Board (SSB) in stress testing framework, stress testing related to capital planning, model and parameter risks posed by using models for stress testing.

IFSB-24 covers issues related to investor protection in Islamic Capital Market (ICM) sector. Thus, the FAQs for this standard are mainly about classification of ICM investors, investment education, monitoring Sharīʻah compliance for ICM institutions.

Questions related to the fourth standard – IFSB-25 –, which is the latest issued IFSB standard so far, address enquires concerning transparency and market discipline within the takāful and retakāful segments. The provided answers clarify the best practices in prudential disclosures for takāful and retākaful operators, in addition to the information that should be provided to customers for a better understanding of the takāful and retakāful products. Moreover, this FAQs answer technical questions related to risks and technical provisions in takāful industry.

Sources: IFSB website
https://www.ifsb.org/press_full.php?id=577&submit=more

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