RCAP jurisdictional assessments: self-reporting monitoring template for RCAP follow-up actions

Jurisdiction: Indonesia

Status as of: 31 December 2017

With reference to RCAP report(s): Assessment of Basel III regulations and LCR regulations – Indonesia (December 2016)

Part A

<table>
<thead>
<tr>
<th>(1) Issue and/or relevant Basel paragraph number(s)</th>
<th>(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)</th>
<th>(3) Detailed reference to the domestic legislation/regulation that addresses the finding</th>
<th>(4) Summary description of amendment or rectification made</th>
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Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to the LCR standard (RCAP-LCR) Table B

<table>
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1 To be completed only for those findings where action has been initiated/taken. Any plans for addressing other findings may be indicated in Part B.
Part B

RCAP-Capital

The Report of Indonesia’s Capital RCAP assessed Indonesia as Largely Compliant as a result of two findings, namely: (i) loans to employees and pensioners; and (ii) treatment of foreign currency denominated bank exposures to the government. In the response of the authorities section of the Report, Indonesia elaborated its reasons of maintaining such policies, stating that they were considered important for matters for national interest.

The Report furthermore comments on the following issues:

Securitisation

According to the RCAP report, there are several deviations between the Indonesian rules for securitisation and those in the Basel framework. To this, Indonesia informs that it has issued a consultative paper on the securitisation framework in January 2016. The said paper is in line with the BCBS document on securitisation framework issued in December 2014. Nevertheless, the Indonesian consultative paper was yet to be finalised to accommodate the on-going discussions at the BCBS. With BCBS’s publication of the standardised approach for credit risk as part of the Basel III post reform package in December 2017, Indonesia is going to publish the securitisation framework regulation in first quarter of 2018.

Market risk

According to the RCAP report, there are several places where the Indonesian rules on market risk is less detailed than the Basel framework but deemed adequate given bank’s current trading activities. Nevertheless, Indonesia is advised to continue to monitor markets and transactions should they develop into more complexed ones. Although, based on our monitoring, there are yet to be signs of the financial market and current trading activities significantly changing from the present circumstances, Indonesia is currently in the process of issuing a consultative paper based on the revised market risk framework.

Counterparty credit risk

According to the RCAP report, there are several places where the Indonesian rules on counterparty credit risk is less detailed than the Basel framework but deemed adequate given bank’s current activities. Nevertheless, Indonesia is advised to continue to monitor markets and transactions should they develop into more complexed ones. Indonesia continues to monitor the financial market and the banks’ trading activities and will take necessary actions should circumstances change.

RCAP-LCR

The Report of Indonesia’s LCR RCAP assessed Indonesia as compliant for the implementation of LCR.