

REGULATION OF OTORITAS JASA KEUANGAN
OF REPUBLIC OF INDONESIA
NUMBER 19 OF 2024
CONCERNING
AMENDMENT TO OTORITAS JASA KEUANGAN REGULATION NUMBER
42/POJK.03/2015 CONCERNING LIQUIDITY COVERAGE RATIO REQUIREMENT
FOR COMMERCIAL BANKS

WITH THE BLESSINGS OF GOD ALMIGHTY,

BOARD OF COMMISSIONERS OF OTORITAS JASA KEUANGAN,

- Considering:
- a. that in order to create a sound banking system, capable of developing and competing at national and international levels, and in line with the development of international standards, banks need to have strong and adequate liquidity;
 - b. that in order to assess the adequacy of liquidity, an equivalent, reliable and comparable liquidity ratio is required in assessing the adequacy of the quantity of high-quality financial assets to anticipate net cash outflows;
 - c. that in order to accommodate the development of international standards and support the strengthening of Indonesian banking liquidity, it is necessary to make adjustments to the Otoritas Jasa Keuangan Regulation Number 42/POJK.03/2015 concerning Liquidity Coverage Ratio Requirement for Commercial Banks;
 - d. that based on the considerations as referred to in letters a, b and c, it is necessary to stipulate the Otoritas Jasa Keuangan Regulation concerning Amendment to the Otoritas Jasa Keuangan Regulation Number 42/POJK.03/2015 concerning Liquidity Coverage Ratio Requirement for Commercial Banks;
- Observing:
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State

Gazette of the Republic of Indonesia Number 3472) as has been amended several times, most recently by Act Number 4 of 2023 concerning Development and Strengthening of the Financial Sector (State Gazette of the Republic of Indonesia Number 4 of 2023, Supplement to the State Gazette of the Republic of Indonesia Number 6845);

2. Act Number 21 of 2011 concerning Otoritas Jasa Keuangan (Financial Services Authority) (State Gazette of the Republic of Indonesia Number 111 of 2011, Supplement to the State Gazette of the Republic of Indonesia Number 5253) as amended by Act Number 4 of 2023 concerning Development and Strengthening of the Financial Sector (State Gazette of the Republic of Indonesia Number 4 of 2023, Supplement to the State Gazette of the Republic of Indonesia Number 6845);
3. Otoritas Jasa Keuangan Regulation Number 42/POJK.03/2015 concerning Liquidity Coverage Ratio Requirement for Banks (State Gazette of the Republic of Indonesia Number 369 of 2015, Supplement to the State Gazette of the Republic of Indonesia Number 5809);

HAS DECIDED:

To issue: OTORITAS JASA KEUANGAN REGULATION CONCERNING AMENDMENT TO OTORITAS JASA KEUANGAN REGULATION NUMBER 42/POJK.03/2015 CONCERNING LIQUIDITY COVERAGE RATIO REQUIREMENT FOR COMMERCIAL BANKS

Article I

Several provisions in the Otoritas Jasa Keuangan Regulation Number 42/POJK.03/2015 concerning Liquidity Coverage Ratio Requirement for Commercial Banks (State Gazette of the Republic of Indonesia Number 369 of 2015, Supplement to the State Gazette of the Republic of Indonesia Number 5809) are amended as follows:

1. The provisions of Article 1 are amended so that it reads as follows:

Article 1

In this Otoritas Jasa Keuangan Regulation, the following terms are defined:

1. Bank is the Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended several times, most recently by Act Number 4 of 2023 concerning Development and Strengthening of the Financial Sector, including any branch office of any Bank's domiciled overseas that conducts business activities in the conventional manner.
 2. High Quality Liquid Asset, hereinafter abbreviated as HQLA, comprises cash and/or financial assets that can easily be converted into cash with little or no reduction in value for meeting the Bank's liquidity requirement during the next 30 (thirty) days under a stress scenario.
 3. Total Net Cash Outflows, hereinafter referred to as Net Cash Outflows, is total estimated cash outflows minus total estimated cash inflows that are projected to occur during the next 30 (thirty) days under a stress scenario.
 4. Liquidity Coverage Ratio, hereinafter abbreviated as LCR, is the comparison between HQLA and Net Cash Outflows during the next 30 (thirty) days under a stress scenario.
 5. Deposits are Deposits as referred to in Act Number 7 of 1992 concerning Banking as amended several times, most recently by Act Number 4 of 2023 concerning Development and Strengthening of the Financial Sector.
 6. Funding is receipt of funds from third parties that create obligations on the part of the Bank in the form of Deposits, debt securities, securities issued, loans received and other forms of similar obligations.
 7. Internal Liquidity Adequacy Assessment Process, hereinafter abbreviated as ILAAP, is a process carried out by the Bank to calculate the adequacy of liquidity in various market condition scenarios and periods of stress that the Bank may encounter.
2. The provisions of Article 5 are deleted.
 3. The provisions of Article 10 are amended that it read as follows:

Article 10

- (1) HQLA Level 1 as referred to in Article 7 paragraph (1) letter a includes:
 - a. cash and cash equivalents;
 - b. placements at Bank Indonesia;

- c. securities or guaranteed by the governments of other countries, the central banks of other countries, public sector entities, multilateral development banks, and/or international institutions as referred to in the regulation concerning calculation of risk-based weighted assets for credit risk by using the standardize approach for commercial banks, which meet the requirements of:
 - 1. being subjected to risk weight of 0% (zero percent) in the calculation of risk-based weighted assets for credit risk using standardize approach;
 - 2. being traded on an active market;
 - 3. having been proven to be a reliable source of liquidity in the markets both under normal as well as stressed conditions; and
 - 4. not constituting an obligation of a financial service institution and/or any of its affiliated entities;
 - d. securities issued by the Central Government and Bank Indonesia in Rupiah;
 - e. securities issued by the Central Government and Bank Indonesia in foreign currency, of an amount no higher than Net Cash Outflows of the said foreign currency; and
 - f. securities issued by the government and a central bank of another country with risk weight of more than 0% (zero percent) in foreign currency as long as:
 - 1. The Bank has a subsidiary company or branch in the said country; and
 - 2. of an amount no higher than the requirement of Net Cash Outflows in the currency of the country that issues the said foreign currency securities;
- (2) For the purpose of meeting LCR, Level 1 HQLA as referred to in paragraph (1) shall not be subjected to value reductions (haircuts).
4. The provisions of Article 12 are amended, and the explanation of Article 12 is amended as stated in the explanation of each article, so that it reads as follows:

Article 12

- (1) Level 2B HQLA as referred to in Article 7 paragraph (1) letter b number 2 comprises of:
- a. residential mortgage-backed securities that meet the criteria of:
 - 1. not issued by the reporting Bank or any of its affiliated entities;
 - 2. underlying assets is not originated by the reporting Bank or any of its affiliated entities;

3. having a long-term rating of at the lowest AA or an equivalent short-term rating in quality from a recognized rating agency is not available
 4. being traded on an active market; and
 5. having been proven as a reliable source of liquidity in the markets both under normal as well as stressed conditions, with the criteria of:
 - a) price decline not exceeding 20% (twenty percent); or
 - b) increase in value reduction (haircut) not exceeding 20% (twenty percent), during a 30 (thirty) day stress period;
 6. underlying assets only comprise of residential mortgage-backed credits;
 7. credit collateral used comprise of loans that are categorized as full recourse with an average ratio of credit value in the portfolio over collateral value of no higher than 80% (eighty percent) at the time of issuance of residential mortgage-backed securities; and
 8. securitization should be of risk retention nature.
- b. securities issued or guaranteed by the government of another country, the central bank of another country, and/or public sector entities that meet the following requirements:
1. being subjected to a risk weight of 50% (fifty percent) in the calculation of risk-weighted assets for credit risk using the standardized approach;
 2. being traded on an active market;
 3. having been proven as a reliable source of liquidity in the markets both under normal as well as stressed conditions, with the criteria of:
 - a) price decline no higher than 20% (twenty percent); or
 - b) increase in value reduction (haircut) no higher than 20% (twenty percent), during a 30 (thirty) day stress period;
 4. is not an obligation of a financial services institution and/or any entity affiliated with a financial services institution;
- c. securities in the form of debt securities issued by corporations, including commercial papers, which meet the requirements of:
1. not issued by a financial service institution or any of its affiliated entities;
 2. having a long-term credit rating of no lower than BBB- or an equivalent short-term rating when a long-term rating from a recognized rating agency is not

available or having a probability of default corresponding to a credit rating of no lower than BBB-;

3. being traded on an active market; and
 4. having been proven as a reliable source of liquidity in the markets both under normal as well as stressed conditions, with the criteria of:
 - a) price decline no higher than 20% (twenty percent); or
 - b) increase in value reduction (haircut) no higher than 20% (twenty percent), during a 30 (thirty) day stress period;
 - d. common shares owned by non-Bank subsidiary company that meet the criteria of:
 1. not issued by a financial service institution or any of its affiliated entities;
 2. being listed at recognized;
 3. denominated in Rupiah;
 4. being traded on an active market; and
 5. having been proven as a reliable source of liquidity in the markets both under normal as well as stressed conditions, with the criteria of:
 - a) price decline no higher than 40% (forty percent); or
 - b) increase in value reduction (haircut) no higher than 40% (forty percent), during a 30 (thirty) day stress period;
- (2) For the purpose of meeting LCR, Level 2B HQLA as referred to in paragraph (1) shall be subjected to value reductions (haircuts) of:
- a. 25% (twenty five percent) of market price for residential mortgage-backed securities as referred to in paragraph (1) letter a; or
 - b. 50% (fifty percent) of market price for:
 1. securities issued or guaranteed by the government of another country, the central bank of another country, and/or public sector entities as referred to in paragraph (1) letter b;
 2. securities in the form of debt securities issued by corporations as referred to in paragraph (1) letter c; and
 3. common shares owned by non-Bank subsidiary company as referred to in paragraph (1) letter d.

5. The provisions of Article 14 are amended and the explanation of Article 14 is amended as stated in the explanation of each article, so that it reads as follows:

Article 14

Individual customers deposits (retail deposit) as referred to in Article 13 paragraph (1) letter a and Funding originating from Micro and Small Business Enterprise customers as referred to in Article 13 paragraph (1) letter b, that are taken into account in the LCR, namely:

- a. Deposits that are not being pledged and have a term of up to 30 (thirty) days;
 - b. Deposits that are not being pledged and have a term of more than 30 (thirty) days but can be withdrawn at any time by the customers without any significant penalties; and
 - c. Deposits that are being pledged to the Bank in relation to credit or loan facilities, unless the credit or loan facility provided:
 1. has a term of more than 30 (thirty) days; and
 2. there is a clear and binding agreement that the Deposits cannot be withdrawn before the term of the credit or loan facilities expire.
6. The provisions of Article 51 are amended and the explanation of Article 51 is amended as stated in the explanation of each article, so that it reads as follows:

Article 51

- (1) In addition to the obligation to calculate the LCR as referred to in Article 2, the Bank is obliged to monitor the condition and adequacy of liquidity using certain indicators.
 - (2) In addition to monitoring liquidity as referred to in paragraph (1), the Bank is obliged to conduct an ILAAP that is adjusted to the size, characteristics, and complexity of the Bank's business.
 - (3) The method of preparing and submitting the ILAAP as referred to in paragraph (2) is determined by Otoritas Jasa Keuangan.
7. The provisions of Article 52 are amended and the explanation of Article 52 is amended as stated in the explanation of each article, so that it reads as follows:

Article 52

The Bank is obliged to carry out a:

- a. daily LCR calculation;
 - b. monthly LCR calculation and reporting; and
 - c. quarterly LCR calculation and reporting,
- both in a standalone and consolidated basis.

8. The provisions of Article 53 are amended and the explanation of Article 53 is amended as stated in the explanation of each article, so that it reads as follows:

Article 53

- (1) The obligation to calculate daily LCR for the Bank that is included in the bank group based on Tier 1 capital 1 other than any foreign bank as referred to in Article 52 letter a, is initially carried out for the position of December 1, 2024.
 - (2) The results of the daily LCR calculation shall be the basis for calculating LCR in monthly and quarterly reporting.
 - (3) Otoritas Jasa Keuangan may request the Bank to submit daily LCR calculation reports, if necessary.
9. Between Article 59 and Article 60, 1 (one) article is inserted, namely Article 59A, so that it reads as follows:

Article 59A

- (1) The LCR reporting obligation for the Bank that is included in the bank group based on Tier 1 capital 1 other than any foreign bank, is initially carried out for the position at the end of December 2024 for:
 - a. the submission of monthly LCR report as intended in Article 52 letter b; and
 - b. the publication of quarterly LCR values and calculations via the Bank's website as referred to in Article 57 paragraph (4) letter a.
 - (2) The procedure, format and time frame for submitting monthly LCR report shall be carried out in accordance with the Otoritas Jasa Keuangan Regulation concerning bank's reporting through the Otoritas Jasa Keuangan reporting system.
 - (3) The procedure, format and time frame for publication of LCR values and calculations shall be carried out in accordance with the Otoritas Jasa Keuangan Regulation concerning transparency and publication of bank reports.
10. The provisions of Article 60 are amended and the explanation of Article 60 is amended as stated in the explanation of each article, so that it reads as follows:

Article 60

In the event that the Bank that is included in the bank group based on Tier 1 capital 2, the bank group based on core capital 3, the bank group based on Tier 1 capital 4, or foreign banks then becomes the Bank that is included in the bank group based on Tier 1 capital 1 other than a foreign bank before the position of December 2024, the Bank is still obliged to comply with the provisions for calculating and reporting LCR as stipulated in this Otoritas Jasa Keuangan Regulation.

11. The provisions of Article 63 are amended to read as follows:

Article 63

The Bank that does not comply with this Otoritas Jasa Keuangan Regulation and violates the provisions as referred to in Article 2 paragraph (1), Article 3 paragraph (1), paragraph (2), Article 6 paragraph (1), paragraph (2), Article 13 paragraph (1), Article 15 paragraph (1), Article 16, Article 19, Article 23, Article 26 paragraph (1), Article 27, Article 28 paragraph (1), Article 29, Article 36 paragraph (1), paragraph (4) , Chapter 41 paragraph (1), paragraph (2), Article 43 paragraph (1), paragraph (2), Article 47, Article 51 paragraph (1), paragraph (2), Article 52, Article 54 paragraph (1), Article 55 paragraph (1), paragraph (2), paragraph (3), Article 57 paragraph (1), paragraph (3), paragraph (4), paragraph (7), Article 60, Article 61 paragraph (3) and/or Article 62, is subject to administrative sanctions in the form of:

- a. written warning;
- b. prohibition on profit transfers from prohibition to transfer profit for branch office of bank domiciling overseas;
- c. postponement of dividend distribution on all share ownership of shareholders that make capital deposits;
- d. freezing of business activities;
- e. prohibition on opening office networks;
- f. downgrading the Bank's soundness level; and/or
- g. prohibition from becoming the Bank's main party in accordance with the Otoritas Jasa Keuangan Regulation concerning the re-assessment of the main party of financial services institution.

Article II

This Otoritas Jasa Keuangan Regulation shall come into force on the date of promulgation.

For public information, orders this Otoritas Jasa Keuangan Regulation be published in the State Gazette of the Republic of Indonesia.

Issued in Jakarta on

1 November 2024

CHAIRMAN OF BOARD OF COMMISSIONERS
OF OTORITAS JASA KEUANGAN
OF REPUBLIC OF INDONESIA,

signed

MAHENDRA SIREGAR

Promulgated in Jakarta

8 November 2024

MINISTER OF LAW AND HUMAN RIGHTS
REPUBLIC OF INDONESIA

signed

SUPRATMAN ANDI AGTAS

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2024 NUMBER 18/OJK

This copy is in accordance with the original

Director of Legal Development

Legal Department

signed

Aat Windradi

ELUCIDATION
ON
REGULATION OF OTORITAS JASA KEUANGAN
OF REPUBLIC OF INDONESIA
NUMBER 19 OF 2024
CONCERNING
AMENDMENT TO OTORITAS JASA KEUANGAN REGULATION NUMBER
42/POJK.03/2015 CONCERNING LIQUIDITY COVERAGE RATIO REQUIREMENT
FOR COMMERCIAL BANKS

I. GENERAL

As with capital, a liquidity ratio calculation standard is needed to measure the minimum liquidity that must be maintained by the Bank in accordance with applicable international standard, namely Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools issued by the Basel Committee on Banking Supervision (BCBS). The assessment of liquidity adequacy as regulated in the said international standard is carried out through the fulfillment of a high-quality asset ratio to anticipate net cash outflows.

The said ratio has been applied in Indonesia since 2015 for Banks that meet certain criteria. Given that the maintenance of the ratio is intended to support the strengthening of banking liquidity, in its development, equivalent, reliable, and comparable data is needed that applies to all Banks.

Furthermore, there is an update to the BCBS standard, including regarding liquidity risk monitoring tools and additional explanations of the Liquidity Coverage Ratio (LCR) components. Therefore, adjustments are needed to the current LCR provisions so that their implementation can be carried out consistently.

In relation to this, adjustments are required to the Otoritas Jasa Keuangan Regulation regarding the obligation to meet the liquidity coverage ratio for commercial banks, including expansion of the Bank's coverage and alignment of the components of the liquidity coverage ratio.

II. ARTICLE BY ARTICLE

Article I

Number 1

Article 1 Self-explanatory

Number 2

Article 5 Is deleted

Number 3

Article 10 Self-explanatory

Number 4

Article 12

Paragraph (1)

Letter a

Number 1 Self-explanatory

Number 2 Self-explanatory

Number 3

The use of ratings refers to the provisions concerning rating agencies and ratings recognized by Otoritas Jasa Keuangan.

Number 4

Definition of market includes money market and repo market.

Number 5

Example:

If the value reduction (haircut) is 17% (seventeen percent) then the highest increase in the value reduction (haircut) is:

$$17\% + 20\% = 37\%.$$

Number 6

The definition of residential mortgage-backed credit refers to the provisions concerning the calculation of risk-weighted assets for credit risk using the standardized approach for banks.

Number 7

An example of a loan that is classified as full recourse is in the event of an asset seizure by a Bank because the debtor has defaulted causing the asset to be sold, and the debtor remains responsible for any shortfall in the sale proceeds from the asset against the debtor's debt. The average ratio of credit value in the portfolio to the collateral value refers to the weighted average based on the credit portfolio balance (not based on each facility).

Number 8

Risk retention is carried out, among other things, by the issuer of asset-backed securities retaining ownership of the securitized assets.

Letter b

Number 1

The calculation of risk-weighted assets for credit risk using the standardized approach refers to the provisions governing the calculation of risk-weighted assets for credit risk using the standardized approach for banks.

Number 2 See the explanation of letter a number 4.

Number 3 See the explanation of letter a number 5.

Number 4 Self-explanatory

Letter c

Number 1 Self-explanatory

Number 2 See the explanation of letter a number 3.

Number 3 See the explanation of letter a number 4.

Number 4 See the explanation of letter a number 5.

Letter d Self-explanatory

Paragraph (2) Self-explanatory

Number 5

Article 14

Letter a Self-explanatory

Letter b

The penalty is said to be significant if the penalty is greater than the interest on the Deposits, thereby reducing the principal of the Deposits.

Letter c

The amount of Deposits that can be excluded from the calculation of cash outflows is a maximum of the outstanding amount of the credit or loan facility.

Number 6

Article 51

Paragraph (1)

The monitoring of the condition and adequacy of liquidity using certain indicators, includes:

1. contractual maturity mismatch, namely monitoring using contractual maturity mismatch indicators aims to identify the gap between contractual

inflows and outflows within a certain period of time. The gap that is based on maturity indicates the potential liquidity needs of the Bank within a certain period of time if outflows occur;

2. Funding concentration, namely monitoring to identify significant corporate funding sources, which in the event of withdrawals of funds, will cause liquidity problems. Funding concentration indicators are detected through monitoring of:

- a. percentage of Funding sources originating from significant counterparties to the Bank's total liabilities;

Funding sources originating from each significant counterparty are calculated based on the aggregation of the total of all types of liabilities to a particular counterparty or business group or its affiliates and all direct loans, both secured and unsecured. A significant counterparty is a counterparty or business group or its affiliates that are recorded in aggregate as having Deposits of more than 1% (one percent) of the Bank's balance sheet;

- b. percentage of Funding sources originating from each product or instrument that is considered significant to total liabilities;

Funding sources originating from products or instruments is calculated for each Funding product or instrument that is considered significant and as a group for similar types of products or instruments.

A significant product or instrument is defined as a product or instrument or group of similar products or instruments that in aggregate amount to more than 1% (one percent) of the Bank's balance sheet;

- c. list of total assets and liabilities based on significant currencies;

In order to determine the amount of significant currency mismatch in the Bank's assets and liabilities, the Bank must have a list of total assets and liabilities for each significant currency. A currency is considered significant if the aggregate denomination in the currency amounts to 5% (five percent) or more of the Bank's total liabilities;

3. available unencumbered assets, namely monitoring through available unencumbered asset indicators.

Available unencumbered asset indicators are carried out through monitoring of:

- a. unencumbered assets that are available and can be used as collateral in the secondary market; and
- b. unencumbered assets that are available and meet the requirements to obtain funding facilities from the central bank (central bank eligible).

These assets have the potential to be used as collateral so they can be counted as HQLA or to obtain funding from the secondary market or central bank;

4. LCR based on significant currency types, namely monitoring through LCR indicators based on significant currency types to obtain an overview of potential mismatches originating from certain currencies.

The definition and calculation of LCR for certain currencies uses LCR calculations but there are no international minimum requirements.

A currency is considered significant if the aggregate amount of liabilities in that currency reaches 5% (five percent) or more of the Bank's total liabilities;

5. monitoring tools related to the market are carried out through monitoring:
 - a. market information
 - b. financial sector information; and
 - c. specific information regarding the Bank

Paragraph (2) Self-explanatory

Paragraph (3) Self-explanatory

Number 7

Article 52

Letter a

The bank documents LCR calculations on a daily basis.

Letter b Self-explanatory

Letter c Self-explanatory

Number 8

Article 53

Paragraph (1)

Banks included in the bank group based on Tier 1 capital 1 in accordance with the Otoritas Jasa Keuangan Regulation regarding commercial banks.

Foreign banks are banks that meet the following criteria:

1. a branch office of the Bank's domiciled abroad;
2. a bank in the form of an Indonesian legal entity of which more than 50% (fifty percent) of its shares are owned by foreign citizens and/or foreign legal entities either individually or jointly; and/or
3. banks owned either individually or jointly by foreign citizens and/or foreign legal entities up to 50% (fifty percent) but with control by the foreign citizens and/or foreign legal entities.

Paragraph (2) Self-explanatory

Paragraph (3) Self-explanatory

Number 9

Article 59A Self-explanatory

Number 10

Article 60

Banks included in the bank group based on Tier 1 capital 2, bank group based on core capital 3, bank group based on Tier 1 capital 4 in accordance with the Otoritas Jasa Keuangan Regulation on commercial banks.

Number 11

Article 63 Self-explanatory

Article II Self-explanatory

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 97/OJK