

Highlights in this Issue

- **IADI Welcomes Three new Members!**
- **Asia Regional Committee holds Sixth Annual Meeting and Conference in Bali**
- **Member Profile of the Indonesia Deposit Insurance Corporation**

Here we grow again!

At its February meeting, the Executive Council ratified the approval of the applications of **Banco de Guatemala, Como Administrador del Fondo para la Protección del Ahorro** and **Bank Guarantee Fund (Poland) as Members** and then approved the membership application of **Financial Services Compensation Scheme Limited (U.K.)**. That action brought the total number of IADI Members to 51, more than double the number of founding Members that gathered in Basel on 6 May 2002.

The Designated Representative of the "**Banco de Guatemala, como Administrador del Fondo para la Protección del Ahorro**" is **Manuel Augusto Alonzo Araujo**, General Manager who can be reached at: maa@banguat.gob.gt

The **Bank Guarantee Fund (Poland)** is represented by **Prof. Małgorzata Zaleska**, President of the Management Board. Prof Zaleska can be reached at: malgorzata.zaleska@bfg.pl

The **Financial Services Compensation Scheme Limited (UK)** is represented by **Loretta Minghella**, Chief Executive, loretta.minghella@fscs.org.uk

The IADI Asia Regional Committee holds its Sixth Annual ARC Meeting and Conference in Bali



The **Indonesia Deposit Insurance Corporation (IDIC)** is currently hosting the **Sixth Annual Meeting of the Asia Regional Committee (ARC)** along with an International Conference with the theme of "**Deposit Insurance as a Cornerstone for Financial Stability**". The Annual Meeting and International Conference is being held in Bali one of the world's most beautiful islands.

The Conference highlights areas on Deposit Insurance & Small Banks, Risk Assessment & Intervention, and Public Awareness. Furthermore, the Conference aims to reflect and

share the experiences working practices, and schemes from different countries around the world, with primary emphasis on Asia.

The range of topics provides practical insights required to meet today's challenges and these topics will be presented by deposit insurance industry practitioners and financial services experts from across the globe.

27 March 2008 (Thursday)		
09.00-09.15	Meeting Registration ■	
09.15-09.30	Welcome remarks: Chief Executive Officer, Indonesia Deposit Insurance Corporation ■	
09.30-09.45	Speech: Mutsuo Hatano , Deputy Governor, Deposit Insurance Corporation of Japan ■	
09.45-10.00	Coffee Break	
10.00-11.30	ARC Meeting ■	
11.30-11.45	Photo Session ■	
11.45-13.00	Lunch & Conference Registration ■	
13.00-13.15	Speech: Mr. Rudjito, Chairman of Indonesia Deposit Insurance Corporation ■	
13.15-13.45	Keynote Speech on Economic Development in Indonesia: Now & Then ■ Speaker: Sri Mulyani, Minister of Finance of the Republic Indonesia	
13.45-14.00	Coffee Break	
14.00-16.00	Session 1: Deposit Insurance and Small Banks ■ Speakers:	
14.00-14.20	1.H. N. Prasad , Chief Executive Officer, Deposit Insurance and Credit Guarantee Corporation, India	
14.20-14.40	2. Howard N. H. Wang , President, Central Deposit Insurance Corporation, Taiwan	
14.40-15.00	3. Christine E. Blair , Federal Deposit Insurance Corporation, USA	
15.00-16.00	Questions & Answers Moderator: Mutsuo Hatano, Deputy Governor, Deposit Insurance Corporation of Japan	
19.00	Welcome Dinner (Discovery Kartika Plaza Hotel) ■	
28 March 2008 (Friday) ■		
09.00-09.20	Presentation on the Law of IDIC Speaker: Firdaus Djaelani, - Director of Insurance & Risk Management, Indonesia Deposit Insurance Corporation - Chief of Task Force on the Establishment of IDIC	



09.20-09.35	Coffee Break		
09.35-11.35	Session 2: Risk Assessments & Intervention Speakers:		
09.35-09.55	1. Jerry Sociedade , Director of Risk Assessment , Canada Deposit Insurance Corporation		
09.55-10.15	2. Donald Inscoe , Federal Deposit Insurance Corporation, USA		
10.15-10.35	3. Halim Alamsyah , Director of Banking and Research Regulation, Bank Indonesia		
10.35-11.35	Questions & Answers Moderator: Salusra Satria , Indonesia Deposit Insurance Corporation		
11.35-13.30	Lunch		
13.30-16.00	Session 3: Public Awareness Speakers:		
13.30-13.50	1. J.P. Sabourin , Chief Executive Officer, Malaysia Deposit Insurance Corporation		
13.50-14.10	2. David Walker , Canada Deposit Insurance Corporation <i>Public Awareness – Surveying Deposit Insurers in Asia and in Canada</i>		
14.10-14.30	3. Jose C. Nograles , Vice Chairman and Acting President, Philippines Deposit Insurance Corporation		
14.30-14.50	4. International Organization		
14.50-15.30	Questions & Answers Moderator: James Hambric III , BearingPoint		
15.30-15.45	Coffee Break		
15.45-16.00	Photo Session		
19.00-19.30	Dinner Talk on Banking in Indonesia: Now & Then Speaker: Burhanudin Abdullah , Governor of Bank Indonesia		
19.30	Farewell Dinner (Jendela Bali Garuda Wisnu Kencana)		

29 March 2008 (Saturday) ■

06.30	Group Activity (Nirwana Bali Golf Resort)		
07.00-18.00	Cultural Tour (Barong Dance-Sukowati-Bedugul-Alas Kadaton-Tanah Lot)		

30 March 2008 (Sunday) ■

08.00-09.00	Breakfast Meeting		
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Member Profile –Indonesia Deposit Insurance Corporation



LEMBAGA
PENJAMIN
SIMPANAN

Indonesia
Deposit
Insurance
Corporation

A. Establishment

Indonesia Deposit Insurance Corporation (IDIC) began operating on 22 September 2005, one year after the President of Republic of Indonesia ordained the Law of Republic of Indonesia Number 24 Year 2004 which created the Corporation. Under the Law, IDIC is an independent institution responsible for insuring depositors' funds and to actively participate in maintaining the stability of the banking system in co-operation with the authorities.

B. Vision, Mission, Values and Strategies

VISION

To become a trustable deposit insurer in maintaining the banking system stability.

MISSION

1. To have an effective deposit insurance scheme;
2. To actively participate in maintaining the banking system stability.

VALUES

1. Integrity
2. Professionalism
3. Independency
4. Transparency/Good Governance
5. Accountable

STRATEGIES

1. Formulating, determining, and administering deposit insurance policies;
2. Formulating, determining, and administering non-systemic bank resolution;
3. Advising the Coordinating Committee to determine policies related to systemic bank resolution issues;
4. Strengthening the institution by implementing good corporate governance with the support of Human Resources and Information Technology;
5. Coordinating and cooperating with related institutions; and
6. Communicating deposit insurance and bank resolution policies effectively.

C. Function and Duties

Function

In accordance with Article 4 of the Law, IDIC has two functions:

1. to insure deposits; and
2. to participate actively in maintaining the stability of the banking system according with its authorities.

IDIC carries out some of its functions under regulation Number 39 Year 2005 concerning Syaria-based Deposit Insurance. This regulation affirms that IDIC insures syaria-based deposits as in accordance to the Law concerning Deposit Insurance Corporation.

IDIC along with Ministry of Finance, Bank of Indonesia and Banking Supervisory Institution are active participated in promoting the stability of national monetary system according to duties and roles of each party.

Duties

The duties of the IDIC on administering its functions are as the following:

1. to formulate and determine implementation policies of deposit insurance;
2. to implement the deposit insurance program;
3. to formulate and determine policies in order to actively participate in maintaining the stability of the banking system;
4. to formulate, determine, and implement policies the resolution policy for failing banks that do not have systemic effects;
5. to perform the handling of the Failing Banks that have systemic effects.

D. Assets

The initial capital of IDIC came from the state's separated asset and not in he forms of stocks. The Government Regulation Number 32 year 2005 stated that IDIC was given Rp4 Trillions from the state's separated asset as its initial capital when it was established. IDIC is fully responsible for asset management and administration.

IDIC is only allowed to invest in State Bonds (SUN) and/or Bank of Indonesia Certificate (SBI). The IDIC is not allowed to invest in banks or finance companies except to inject capital into a failing institution when a rescue has been authorized.

E. Governance

The IDIC has a Board of Commissioners which is responsible for formulating and deciding policies as well as supervising the operations of the Corporation. The Chief Executive Officer reports to the Board of Commissioners.

Board of Commissioners

The Board of Commissioners is appointed by the President. There are six members including the Chairman and an individual appointed as the Chief Executive Officer to oversee the operations of IDIC.

On administering its tasks, the Board is obliged to carry out routine meetings to discuss the following issues:



1. policies of the Deposit Insurance Program;
2. policies of IDIC supporting the stability of national banking system;
3. evaluation on the implementation of Deposit Insurance Program and the role of IDIC in the stability of national banking system;
4. evaluating issues reported by the CEO; and/or
5. other issues related to the duties of IDIC.

Based on the Decree of the President, the Board of Commissioners are follows:

- | | |
|---|------------------------|
| 1. Chairman | Mr Rudjito |
| 2. Chief Executive Officer | Krisna Wijaya |
| 3. Member | Markus Parmadi |
| 4. Member | Pontas Riyanto Siahaan |
| 5. Member
(<i>ex-officio</i> Bank Indonesia) | Muliaman D. Hadad |
| 6. Member
(<i>ex-officio</i> Ministry of Finance) | Darmin Nasution |

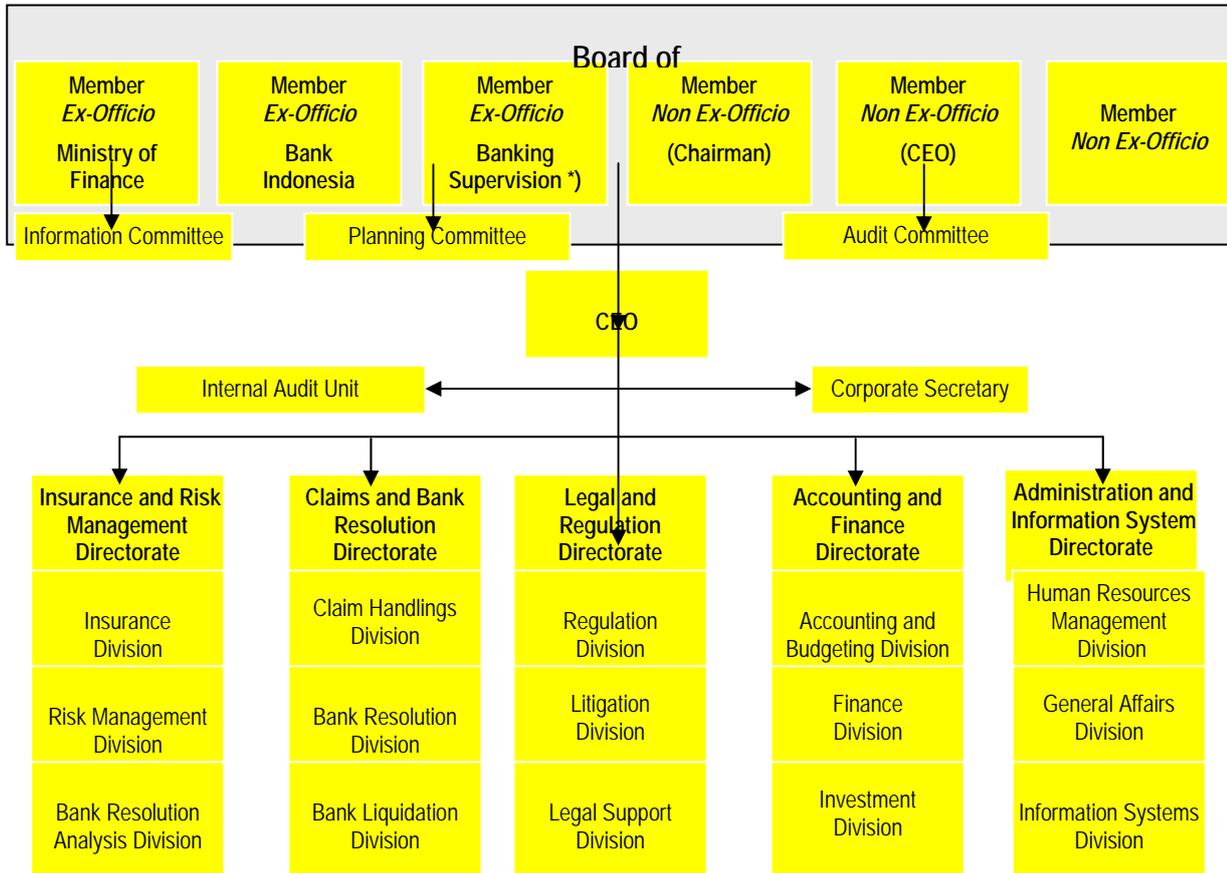
Board of Directors

The CEO is responsible for operational matters assisted by directors that manage the functional areas of deposit insurance, risk management, legal, finance, bank resolution and administration. Directors are appointed by the Board of Commissioners.

CEO: Krisna Wijaya

- Directors :
1. Firdaus Djaelani
 2. Noor Cahyo
 3. Mirza Mochtar

Organizational Structure



*) At the time Banking Supervision is conducted by Bank Indonesia, the Ex-Officio member from Banking Supervision is handled by Non Ex-Officio member.

F. Management Profile

Board of Commissioners

Mr Rudjito

- o Appointed Chairman in September 2005.
- o President Commissioner of PT Bank Rakyat Indonesia, Tbk., July 2005-September 2005.

Krisna Wijaya

- o Chief Executive Officer/Member of Board of Commissioners of Indonesia Deposit Insurance Corporation appointed September 2005.
- o Micro and Retail Business Director of PT Bank Rakyat Indonesia, Tbk., April 2003-May 2005

Pontas R. Siahaan

- o Member of Board of Commissioners of Indonesia Deposit Insurance Corporation appointed September 2005.
- o Deputy of the Economic Sector Government Institution's Supervision of the Financial Development Supervisory Board, March 2001-October 2005.

Markus Parmadi

- o Member of Board of Commissioners of Indonesia Deposit Insurance Corporation appointed September 2005.
- o Independent Commissioner of PT Citra Marga Nusaphala Persada Tbk., June 2001-now.

Darmin Nasution (Ministry of Finance)

- o Ex-Officio Member of Board of Commissioner of Indonesia Deposit Insurance Corporation appointed September 2005.
- o Director General of Indonesia Taxation Directorate, May 2006-now.

Muliaman D. Hadad (Central Bank of Indonesia)

- o Ex-Officio Member of Board of Commissioner of Indonesia Deposit Insurance Corporation appointed September 2007.
- o Deputy Governor of Central Bank of Indonesia, 2007-now.

Directors

Firdaus Djaelani

Insurance and Risk Management Director of Indonesia Deposit Insurance Corporation, appointed September 2005.

- o Insurance Director of Insurance Directorate (DJLK) of Ministry of Finance, June 2000-to 2005.

Noor Cahyo

- o Claim and Bank Resolution Director of Indonesia Deposit Insurance Corporation appointed September 2005.
- o Deputy Director for Directorate Bank Supervision I of Central Bank of Indonesia, September 2004 to 2005.

Mirza Mochtar

- o Accounting and Finance Director of Indonesia Deposit Insurance Corporation, from September 2005.
- o Director of Supervision of Accountant and Appraisal Service Directorate of Ministry of Finance from 2000 to 2005.

The Deposit Insurance System in Indonesia

A. Membership

Every bank, either in the forms of conventional-based or syaria-based commercial banks and rural banks that operates within the territory of the Republic of Indonesia are obligated to become a

“Every bank that operates within the territory of the Republic of Indonesia is obligated to become a member of the Deposit Insurance”

member of the deposit insurance system. Rural Credit Union (Badan Kredit Desa) is exempt from the mandatory membership.

Mandatory membership also extends to branches of foreign-based banks which conduct banking activities within the Republic of Indonesia.

As a member, each bank is obliged to submit required documents, pay membership contribution, pay insurance premium, and submit periodical reports.

B. Premiums

A member is obliged to pay premiums of 0.1% of the average monthly deposit balance for each period. The premium is paid twice a year, :

- a. Period of 1 January until 30 June, shall be paid on 31 January at the latest; and
- b. Period of 1 July until 31 December, shall be paid on 31 July.

To determine the amount of insurance premium a bank has to pay, the bank must calculate its premium on the basis of self-assessment which will be verified by IDIC.

C. Deposit Insured

IDIC insures bank deposits in the forms of current accounts, term deposits, term deposit with original issued discount, savings accounts, and/or other similar forms of deposits.

IDIC also insures syaria-based deposit that includes:

1. Wadiah-based current accounts;
2. Wadiah-based saving accounts;
3. Mudharabah Muthlaqah-based saving accounts or Mudharabah Muqayyadah-based at bank's risk saving accounts;
4. Mudharabah Muthlaqah-based term deposits or Mudharabah Muqayyadah-based at bank's risk term deposits; and
5. other syaria-based deposits.

D. Amount of Deposits Insured

As of 22 March 2007, maximum amount of deposit insured by IDIC is Rp 100 millions for each depositor per bank.

The amount of insured deposits for each account at each bank is gradually came into effect through the following stages:

1. From 22 September 2005 to 21 March 2006, the deposit was fully insured;
2. From 22 March 2006 to 21 September 2006, maximum amount of deposit insured was Rp5 billions;
3. From 22 September 2006 to 21 March 2007, maximum amount of deposit insured was Rp1 billion; and
4. Since 22nd March 2007, maximum amount of deposit insured is Rp100 millions.

“As of 22
March 2007,
maximum
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bank.”

Tabel 2.1.
Distribusi Simpanan di Bank Umum
As of 31 December 2006

No	Nominal	Jumlah Rekening	%	Jumlah Nominal (dlm Triliun Rp)	%
1.	0 s/d 100 J	80.012.412	98,26%	268,553	20.69%
2.	100 J s/d 1 M	1.278.602	1.57%	355,435	27.39%
3.	1 M s/d 5 M	116.710	0.14%	225,399	17.37%
4.	> 5 Miliar	23.222	0.03%	448,473	34.55%
TOTAL		81.430.946	100.00%	1.297,860	100.00%

The amount of deposit insured comprises balances on the date of license' s revocation. The balance is consisting of:

1. Initial plus return, for a syaria-based deposit.
2. Initial plus interest, for an interest-based deposit.
3. Present value per revocation date with a discount rate as stated on biljet, for a discount rate-based deposit.

The balance of deposits insured of each depositor in a bank is the sum of all accounts, including single and joint account. For a joint account, the balance of a depositor is the balance which has been divided equally among the account holders (a pro rata balance). In the event that a depositor has an individual account and a joint account, the individual account's balance shall take precedence.

If a depositor has a beneficiary account the balance will be treated as the beneficiary's account balance.

The amount of deposit insured of Rp100 millions can be revised on the basis of the following:

1. In the event of a simultaneous bank runs of a sizeable scale;
2. Occurrence of significantly high inflation over years; or
3. Total number of depositors whose accounts are insured less than 90% from all accounts at all banks.

The amendment to the amount of the deposit insured requires parliamentary approval before the government's ratification for such regulatory changes are to take place.

E. Resolution and Handlings of Failing Banks

IDIC can resolve or handle a failing bank through the following ways:

1. A non-systemic bank resolution can be done by rescuing or not rescuing the bank.
2. Handlings of a systemic bank can be done by involving the shareholders in the handling process (open bank assistance) or without the participation of shareholders.

The decision of rescuing the failed bank or not rescuing is determined by IDIC based on, a minimum of, the estimation of rescuing and not rescuing cost.

Resolution of a Non-Systemic Bank

IDIC will resolve a non-systemic bank if the following conditions are fulfilled:

1. Resolution cost is significantly lower than the cost of not rescuing the failing bank.
2. The bank is having a good prospect if rescued.
3. The bank management agrees to surrender all rights and authorities of GSM to IDIC, and will not press charge against IDIC or other parties appointed by IDIC in the event the rescue process is unsuccessful.
4. Necessary documents are submitted to IDIC.

All funds injected by IDIC to resolve the failing bank shall serve as IDIC's temporary capital injection. If the rescue process is successful, IDIC must dispose of all bank's shares within 2 years from the date of the bank resolution begun. It can be extended twice with a period of 1 year for each extension. The sell is openly and transparently executed by considering the optimum return rate for IDIC.

Handlings of a Systemic Bank

The handling of a systemic bank by involving the shareholders (open bank assistance) could be carried out if the following conditions are fulfilled:

1. Shareholders injected capital of a minimum of 20% of the estimation of the handling cost.
2. A statement from the GSM of the bank that stipulates (i) grant rights and authorities of GSM to IDIC; (ii) hand-over the bank management to IDIC and (iii) shall not press charge against IDIC or other parties in the event the rescue process is unsuccessful.
3. Necessary documents are submitted to IDIC.

The handling cost is then noted as temporary capital injection from IDIC. IDIC is obliged to sell rescued bank shares for a maximum of 3 years which can be extended twice for each extension lasting for 1 year period. The shares are divested in an open and transparent manner which seek optimum return rate.

IDIC can undertake the handling of a systemic bank without the involvement of the shareholders if their involvement could not be sought. In the event that IDIC decides to handle the bank without the involvement of the shareholder, hence:

- a. IDIC will take over the rights and authorities of the GSM, ownerships, management, and/or others interests of the bank;
- b. Shareholders and management can not take legal action whenever IDIC or other party appointed by IDIC is failed to rescue the bank.

F. Pembayaran Klaim Penjaminan

When a bank license is revoked, IDIC obliges to pay insurance claims to depositors. Before paying the claims, IDIC determines which deposits are classified as eligible deposits by

administering verification and reconciliation process. The process should be done in a maximum of 90 days from the date of revocation.

IDIC will pay the claim 5 days, at the latest, since the verification process is started. Due to the matter, IDIC is required to inform the date for depositors to start claiming their deposits in, at least, 2 wide-coverage newspapers. The depositors can place their claims to IDIC for 5 years since the bank license revocation.

A claim is determined to be ineligible if:

1. After verification and reconciliation is completed, the depositor's deposit data is unrecorded;
2. The depositor is deemed to be a party that benefited from imprudent banking practices;
3. The depositor is deemed to be a party that caused the bank to fail.

The deposit is determined to be recorded if:

1. The bank records the data of the deposit, such as the account number, depositor's name, account balance, and other related information related to a depositor's account; and/or
2. There is evidence in terms of cashflow indicating the existence of the deposit with the bank.

A depositor is deemed to have benefited from imprudent banking practices when, among others, the depositor secures an interest rate higher to that of interest rate published by IDIC. A depositor is also deemed to be a party that led to the bank's failure if, among others, the depositor has an outstanding debt to the bank that can be categorized as non-performing in line with prevailing regulations and the balance of the debt itself is larger than the deposit.

In the event a depositor that is deemed ineligible feels that they are disadvantage, therefore the depositor can choose to:

1. Submit their objections to IDIC, supported by clear facts and evidence or undertake legal process through the courts.
2. If IDIC accepts the depositor's objection, IDIC will therefore pay the deposit in accordance with the terms and conditions of the deposits insurance terms along with the appropriate interests.

G. Bank Liquidation

In regards to the process of liquidating a failing bank whose license has been revoked, IDIC shall undertake the following actions:

- a. IDIC will take over shareholders' and GSM's rights and authorities.
- b. Provide advance payment for the accrued and unpaid staff's remuneration and severance pay in accordance with the minimum severance payment amount stipulated within prevailing laws and regulations.
- c. Take necessary actions to secure the bank's assets prior to the liquidation process.
- d. Determine to dissolve the bank's legal entity, appoint a liquidation team, and announce the bank's status to be under liquidation.

Bank liquidation is performed by liquidation team. However, IDIC supervises the bank's liquidation process. The liquidation of a bank can be carried out through the following process:



1. Disposal of the assets and/or collection of receivables from debtors, followed by payment of the bank's liabilities to creditors from proceeds generated from the asset disposal and/or collection, or
2. Transfer of the bank's assets and liabilities to other parties on the basis of IDIC's approval.

The funds used for payment of the bank's liabilities to creditors that derive from the disposal and/or collection of the assets will be used in the following:

1. Refund advance payment made to the accrued and unpaid remuneration for staff;
2. Refund advance payment for severance payment to bank's staff;
3. Legal fees and charges, unpaid auction expenses, and operational expenses;
4. The resolution cost and/or payments on insurance claims;
5. Unpaid tax;
6. Uninsured portion of deposits and ineligible deposits, and
7. Other creditors' rights.

In the event the revocation of the bank's license was made at the request of the shareholder therefore, the liquidation will be conducted by the shareholders themselves and IDIC will not be obliged to pay the depositor's claims.

This newsletter was issued on 28 March 2008. To submit articles or items for consideration for a future issue, please send them to kim.white@iadi.org.

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