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Tanggal : Senin, 11 April 2022
Surat Kabar : Jakarta Post
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House Commission XI chairman Kahar Muzakir (middle), House Commission XI deputy chairman Amir Uskara (Left) and Dolfie O.F.C (Right) after reading the lawmakers decision on new commissioners of OJK supervisory body on Thursday, April 8 2022. (The Jakarta Post/Vincent Fabian Thomas)

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PREMIUM Jakarta • Mon, April 11 2022

The House of Representatives has selected the new seven-member board of commissioners for the Financial Services Authority (OJK), in a decision that will shape Indonesian finance industry-related policies for the next five years.

House Commission XI, which oversees the financial services industry, chose Mahendra Siregar to head the OJK for a five-year period until 2027. Mahendra has held several positions in various ministries, with the latest as Deputy Foreign Minister in President Joko "Jokowi" Widodo's current cabinet.

Mahendra is accompanied by Mirza Adityaswara as deputy chair, Dian Ediana Rae as head of banking supervision, Inarno Djajadi as head of capital market supervision, Ogi Prastomyono as head of non-banking financial industry supervision, Sophia Issabella Watimena as head auditor and Friderica Widyasari Dewi as head of consumer education and protection.

The decision was made after a two-day fit-and-proper test that ended Thursday wherein the House narrowed down a list of 14 candidates. Following the meeting, the House needs to approve the names in a plenary session, hand over the names to the President then have the Supreme Court swear them in before July 20.

"We have agreed to propose these [seven] candidates we previously concluded to be ratified at the plenary meeting. When is the plenary session? If not Tuesday, then Thursday," Kahar Muzakir, who chairs House Commission XI, told reporters on Thursday.

The transition to the new OJK board of commissioners comes as public scrutiny mounts over the supervisory body with the emergence of new issues in the financial sector.



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House Commission XI deputy chairman Amir Uskara told reporters on Thursday that lawmakers instructed the new commissioners to prioritize addressing several pressing issues in the non-banking financial industry including the fraud case on state-owned insurer Jiwasraya, the mis-selling of unit-linked insurance and the rise of illegal peer-to-peer (P2P) lending platforms.

Commissioners were also instructed to address a number of pressing capital market issues related to “pump-and-dump” stock price manipulation schemes, online gambling and binary option trading platforms.

The new OJK chairman

Mahendra is the only candidate that stated he would not accept any other OJK position other than chairman. He told lawmakers on Wednesday that he was “assigned and trusted” by the government to focus on becoming OJK chairman.

Mahendra was seen as a strong candidate to lead the OJK as he had the support of President Jokowi. He told lawmakers on Wednesday that Jokowi and Foreign Minister Retno Marsudi had approved his candidacy.

Mahendra was the only candidate that mentioned the Development and Strengthening of the Financial Sector Bill (RUU P2SK), which would overhaul several provisions regarding the OJK, the central bank and the Indonesian Deposit Insurance Corporation (LPS). The OJK would give inputs on the P2SK bill that is being prepared by the House and is a subject of focus for the government this year.

Mahendra pledged to focus his first three months on improving OJK’s supervisory capacity and developing road maps for the OJK, particularly for the fast-growing non-banking financial industry.

By the end of the first year of his chairmanship, he promised the OJK would launch a centralized single-window system to handle industry-related permits. He also pledged to improve the authority’s IT system and infrastructure.



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Banking industry

Dian Ediana Rae told lawmakers on Wednesday that regulators needed to address domestic banks' interest rates, which had remained high even though Bank Indonesia (BI) lowered the benchmark rate. He said that fixing this issue would make Indonesia's financial and banking industry more efficient.

"Sufficiently conducive interest rates would encourage the growth of our investment and industry," Dian said.

He promised lawmakers that he would look into similar practices among regional administration banks (BPD).

In his presentation materials, Dian also unveiled plans to continue expanding capital market access, slimming down the banking industry landscape and improving regulatory oversight and supervision of the industry.

Capital market

Inarno Djajadi was appointed as OJK head of capital market supervision just as his term as CEO of the Indonesia Stock Exchange (IDX) neared its end.

To lawmakers on Thursday, he unveiled ambitious growth targets for the Indonesian capital market over the next five years.

He aims to raise market capitalization to more than Rp 15 quadrillion (US\$1.04 trillion) from the current figure of Rp 8.9 quadrillion, daily transaction values to Rp 25 trillion per day from Rp 13.37 trillion per day and capital market investor volumes to more than 20 million investors from just 7.49 million at the end of 2021.

Inarno plans to focus on deepening the capital market, promoting sustainable financial instruments and improving consumer protection, among other strategies, to reach his goal.

Inarno also plans to tackle pump-and-dump schemes in the stock market by improving the screening of companies that want to be listed on the local bourse.

On the trend of celebrities promoting stocks, Inarno pointed to the recently launched IDX influencer incubator program that hopes to educate the public about stock markets.



Non-banking industry (IKNB)

Ogi Prastomiyono is the only candidate who received a different position from what the government initially suggested, which was as head of banking supervision.

House Commission XI members did not explain why the decision was made.

Ogi did not talk much about his plans for the industry. However, when lawmakers asked his opinions on selling financial products to consumers with low financial literacy, he described such a practice as "dangerous".

"If we let any product be sold to anyone... where the literacy rate is low, this could be dangerous," Ogi said on Wednesday.

Aside from continually improving financial literacy, there should be clear guidelines on every financial product, including on who may be a suitable customer, before products go to market.