

II. FINANCIAL SECTOR REFORM

POLICY	PROGRAM	ACTION	OUTPUT	TIME TARGET	OBJECTIVE	RESPONSIBLE AUTHORITY	
I. FINANCIAL SYSTEM STABILITY							
<i>A. Strengthen Financial Sector Coordination Mechanism</i>	1. Establishment of a financial sector safety net. Law	Finalize the Financial Sector Safety Net draft law.	Submission of the Financial Sector Safety Net draft law to the Parliament	October 2007	Develop the financial sector safety net	Minister of Finance in coordination with Bank Indonesia Governor	
	2. Prevention of illegal investment management practices	Establish a coordination mechanism between the Ministry of Finance, Ministry of Trade, Futures Trading Supervisory Board, Bank Indonesia, the Police, the Financial Transaction Reports and Analysis Centre	Task Force	June 2007	Prevent illegal investment management practices	Minister of Finance	
	3. Operationalization of the Financial System Stability Forum (FSSK)	a. Formation of the FSSK organizational structure and work mechanism	Joint Decree between BI Governor and Finance Minister	Joint Decree between BI Governor and Finance Minister	June 2007	the Financial System Stability Forum working actively	Minister of Finance in coordination with Bank Indonesia Governor
		b. Finalization of conceptual suggestions for the Indonesian Financial System Architecture (ASKI)	Joint Decree between BI Governor and Finance Minister	Joint Decree between BI Governor and Finance Minister	November 2007	Develop the Indonesian Financial System Architecture	Minister of Finance in coordination with Bank Indonesia Governor and Commissioner of Depository Guarantee Agency
		c. Conduct Pre-Financial Sector Assessment Program (FSAP)	Report on Pre-FSAP results	Report on Pre-FSAP results	December 2007	the Pre-FSAF conducted	Minister of Finance in coordination with Bank Indonesia Governor

POLICY	PROGRAM	ACTION	OUTPUT	TIME TARGET	OBJECTIVE	RESPONSIBLE AUTHORITY
		d. Preparation of Macro Early Warning System (EWS) in financial sector	Macro EWS model results on early indicator of financial sector development	November 2007 and continuing	Develop Macro EWS model	
B. Strengthen financial institutions	Improvement of intermediation efficiency through information provision	a. Enrichment of products the Debtor information System (SID) from the Credit Information Bureau (BIK)	Service and implementation of BIK products that meet international standards *	November 2007 and continuing	Improve the quality standards of Credit Information Bureau (BIK) to meet international standards	Coordinating Minister for the Economy in coordination with Bank Indonesia Governor
		b. Increase information coverage and access for BIK users	Review of integration of databases of public utility companies in particular in connection with main data on customers and their arrears	November 2007 and continuing		Coordinating Minister for the Economy in coordination with Bank Indonesia Governor
		c. Prepare a cooperation document between BI and the Government represented by Minister of Finance pertaining to an increase in the number of reporting parties and users of BIK information by NBFIs	Cooperation document	September 2007		Minister of Finance in coordination with Bank Indonesia Governor
C. Conduct financial education	Improvement of the public's financial literacy	Formulation and implementation of a public campaign blueprint of public education in the field of finance	Blueprint and materials for public education in the field of finance	September 2007	Continue customers protection program in a comprehensive and coordinated manner	Coordinating Minister for the Economy in coordination with Bank Indonesia Governor and Minister of Finance

POLICY	PROGRAM	ACTION	OUTPUT	TIME TARGET	OBJECTIVE	RESPONSIBLE AUTHORITY
II. BANKING INSTITUTIONS						
A. Improve banking policy coordination	Improvement of coordination to support restructuring of State Owned Banks	Formulate steps to improve the performance of state banks	Decree of the State Minister for State-Owned Enterprises	October 2007	Make the State Owned Banks more efficient	State Minister for State-Owned Enterprises in coordination with Bank Indonesia Governor
B. Facilitate Sharia banking development	1. Enhancement of the market liquidity of Sharia-based financial products	Development of a guide book on Sharia banking investment	Guidelines on Sharia financial investment in Indonesia	July 2007	Increase the inflow of overseas investment funds through Sharia financial instruments	Coordinating Minister for the Economy in coordination with Bank Indonesia Governor and Minister of Finance
	2. Development of Inter-Bank Money Market on the basis of Sharia principles (PUAS) to make it more liquid and efficient	Formulation of PUAS Regulations which covers, among others: Development of Commercial Banks' Daily Report (LHBU), and Consultation with BI's Committee of Sharia Banking Experts and members of the National Sharia Board (DSN) of the Indonesian Ulemas Council (MUI)	Regulations on PUAS and implementing rules *	June 2007	Improve the liquidity management function of Sharia-based banking in order to increase financing.	Coordinating Minister for the Economy in coordination with Bank Indonesia Governor and Minister of Finance

POLICY	PROGRAM	ACTION	OUTPUT	TIME TARGET	OBJECTIVE	RESPONSIBLE AUTHORITY
III. NON-BANK FINANCIAL INSTITUTIONS						
A. Strengthen the Health of the insurance industry	1. Implementation of Good Corporate Governance for the Insurance Business	Improving the guidelines on Good Corporate Governance for the Insurance Business	Circular Letter of Bapepam-LK Chairman on the implementation of Good Corporate Governance for Insurance Business	August 2007	Implement GCG rules for the insurance industry	Minister of Finance
	2. Improvement of the effectiveness of insurance business regulation and supervision	Revision of Law No. 2 of 1992 on the Insurance Business	Submission to the Parliament of proposed revisions to Law No.2 of 1992 on the Insurance Business	January 2008	Improve the effectiveness of insurance business regulation and supervision	Minister of Finance in coordination with Minister of Law and Human Rights and State Secretary Minister
		Amendment to Government Regulation No.73 of 1992 on the Conduct of Insurance Business	Government Regulation (PP) on the Second Amendment of PP No.73 of 1992	January 2008		Minister of Finance
B. Strengthen the Health of the Pension Fund Industry	Improvement of the effectiveness of Pension Fund regulation and supervision	Amend Law No.11 of 1992 on Pension Fund	Submission to the Parliament of a Draft Law to revise Law No. 11 of 1992 on Pension Fund	January 2008	Improve the effectiveness of Pension Fund regulation and supervision	Minister of Finance in coordination with Minister of Law and Human Rights and State Secretary Minister
C. Export Financing Development	Establishment of Indonesia's Export Financing Institution (<i>LPEI</i>)	Prepare a draft Law on the Indonesian Export Financing Institution	Submission of the draft Export Financing Institution Bill to the Parliament	August 2007	Establish the Indonesian Export Financing Institution	Minister of Finance in coordination with Minister of Law and Human Rights and State Secretary Minister.

POLICY	PROGRAM	ACTION	OUTPUT	TIME TARGET	OBJECTIVE	RESPONSIBLE AUTHORITY
D. Establish the foundation of risk-based supervision of multifinance companies	Adoption of a risk-based supervision framework for multifinance companies	Formulate the Standard Operating Procedure (SOP) for the implementation of risk-based supervision of multifinance companies	Decree of Bapepam-LK Chairman on Standard Operating Procedure for Risk-Based Supervision of multifinance companies	December 2007	Increase the risk-based supervision of multifinance companies	Minister of Finance
E. Develop the pawn service industry	Efficiency Improvements of the pawn service industry	Conduct an assessment of the efficiency level, competition and institutional infrastructure of the pawn service industry	Assessment report	October 2007	Formulate the efficiency improvement scheme for the pawn service industry	Minister of Finance
F. Increase product diversification and services of multifinance institutions	Development of Sharia-based multifinance services	Drafting of a decree of the Bapepam-LK Chairman on the implementation guidelines for Sharia-based multifinance companies	Decree of the Bapepam-LK Chairman	December 2007	Develop Sharia-based multifinance products	Minister of Finance
G. Develop venture capital industry	Enhancement of the venture capital industry's role in developing small- and medium-sized micro enterprises (UMKM)	Conduct an assessment of the business forms and institutional infrastructure of the venture capital industry	Assessment report	November 2007	Enhance the role of the venture capital industry in developing UKM	Minister of Finance

POLICY	PROGRAM	ACTION	OUTPUT	TIME TARGET	OBJECTIVE	RESPONSIBLE AUTHORITY
IV. THE CAPITAL MARKET						
A. Increase the efficiency and liquidity of the Capital Market	1. Improvement of the competitiveness and efficiency of the stock exchanges	Merge the Jakarta Stock Exchange (JSX) and the Surabaya Stock Exchange (SSX)	Agreement to the JSX and SSX merger plan by the respective shareholders	October 2007	Strengthen competitiveness and efficiency of the Stock Exchanges	Minister of Finance
	2. Increased adoption of information technology in the capital market	Develop e-reporting, e-registration, and e-monitoring systems	Implementation of e-reporting, e-licencing, e-registration, and e-monitoring systems	December 2007 and continuing	Increase the utilization of information technology in the capital market	Minister of Finance
B. Increase liquidity and stability of the Securities/ Bond Market	1. Development of a price discovery mechanism	Formulate regulations on the requirements, criteria and procedures for the establishment of institutions that will conduct valuation of securities	Bapepam-LK's regulation	October 2007	Develop a price discovery mechanism that is credible and transparent	Minister of Finance
	2. Development of Islamic Sharia Government Bonds (SBSN)	a. Prepare and formulate regulations for the issuance of SBSN	i. Government Regulation concerning the Issuers of SBSN	After the SBSN Bill has been enacted	Develop Islamic Sharia Government Bonds	Minister of Finance
			ii. Minister of Finance's Decree on the Procedure of Issuing SBSN			
	b. Identify State-Owned Assets (BMN) that can be used as SBSN assets	Minister of Finance's Decree on the Register of State-Owned Assets that can be used as SBSN Assets		Support SBSN transactions using BMN as the underlying assets	Minister of Finance	

POLICY	PROGRAM	ACTION	OUTPUT	TIME TARGET	OBJECTIVE	RESPONSIBLE AUTHORITY
		c. Prepare the structure of SBSN covenants and types of SBSN instruments	Minister of Finance's Decree on the structure of SBSN covenants		Operationalize SBSN transactions and trading	Minister of Finance
		d. Prepare the mechanism for the issuance, trading and administration of SBSN	Minister of Finance's Decree on the mechanism for the issuance, trading and administration of SBSN			
	3. Creation of a mechanism to stabilize the market for State Securities (SUN)	Opening of the SUN Repo Window at Bank Indonesia for members of Primary Dealers	Repo window regulations by Bank Indonesia	November 2007	Increase liquidity and stability of the SUN market	Coordinating Minister for the Economy in coordination with Bank Indonesia Governor and Minister of Finance
C. Strengthen the legal framework for supervision against money laundering crimes through the capital market	Improvement of the compliance of financial service providers with the Know Your Customer (KYC) principles	Improve regulations on the KYC principles	Revision of Bapepam-LK's Regulation No. V.D.10 on the KYC principles	August 2007	Increase financial service providers' compliance with the KYC principles	Minister of Finance
D. Taxation policy to encourage capital market activity	Tax incentive for publicly listed companies	Formulate a regulation offering income tax (PPH) incentive for publicly listed companies	Regulation on income tax (PPH) incentive for publicly listed companies	August 2007	Increase the number of listed companies and public ownership	Minister of Finance
	Confirmation of tax treatment to securities-type products of the capital market	Formulate tax regulation which confirms tax treatment to securities-type products of the capital market	Regulation which confirms tax treatment to securities-type products of the capital market	August 2007	Broaden the types of capital market products	Minister of Finance

POLICY	PROGRAM	ACTION	OUTPUT	TIME TARGET	OBJECTIVE	RESPONSIBLE AUTHORITY
V. OTHERS						
A. Harmonization of Laws and Regulations governing the Financial Sector	1. Evaluate laws and regulations governing the financial sector	a. Form a team to systematically evaluate all laws and regulations in the financial sector	Decree of the Coordinating Minister for the Economy	June 2007	Facilitate harmonization of laws and regulations in the financial sector	Coordinating Minister for the Economy
		b. Conduct a stock-take and review of all laws and regulations and formulate recommendations	Recommendations	June 2007 and continuing		
	2. Review tax treatment across the financial sector	a. Form a team to systematically conduct a stock-take and evaluate all tax treatments in the financial sector	Decree of the Coordinating Minister for the Economy	June 2007	Create a conducive climate for the development of the financial sector	Coordinating Minister for the Economy in coordination with Bank Indonesia Governor and Minister of Finance
		b. Conduct a stock-take and review of all laws and regulations and formulate recommendations	Recommendations	June 2007 and continuing		
B. Diversify development financing sources	Development of alternative domestic financing sources for the state budget	Drafting of Regulations governing domestic borrowing	Draft Government Regulation (RPP) on domestic borrowing	July 2007	Develop alternative sources for the financing of State Budget	Minister of Finance in coordination with Minister for the National Development Planning

POLICY	PROGRAM	ACTION	OUTPUT	TIME TARGET	OBJECTIVE	RESPONSIBLE AUTHORITY
C. Improve the performance of State Owned Enterprises (BUMNs)	1. Institutional development of BUMNs	Formulate short-term and medium-term restructuring strategies for BUMNs	BUMN Restructuring Strategy Blueprint, which covers, among others, merger, integration and changes to the formation of BUMNs.	August 2007	Improve the efficiency of BUMNs.	State Minister of BUMNs
	2. Implementation of Good Corporate Governance (GCG) at BUMNs	a. Conduct an assessment of poorly performing BUMNs	BUMN restructuring	November 2007	Revitalize or liquidate poorly performing BUMNs	State Minister of BUMNs
		b. Conduct a stock-take of government assistance to BUMNs whose status has not been determined (BPYBDS)	Recommendation for determining BPYBDS	September 2007	Clarify direction for the resolution of BPYBDS	State Minister of BUMNs
		c. Amendment to the Decree of the State Minister of BUMNs No. 117/ MBU/ 2002 on the implementation of GCG at BUMNs	Decree of State Minister for State-Owned Enterprises concerning the implementation of GCG across BUMNs	July 2007	Increase implementation of GCG at BUMNs	State Minister of BUMNs
		d. Assessment of the lending of the Investment Fund Account (RDI) and Subsidiary Loan Agreement (SLA) to BUMNs	Recommendation on the settlement of <i>RDI</i> and <i>SLA</i> loans to BUMNs.	November 2007	Clarify the mechanism to settle <i>RDI</i> & <i>SLA</i> loans to State Owned Enterprises	State Minister of BUMNs, in coordination with Minister of Finance

* Bank Indonesia's authority