

Dated: March 25, 2021

## **Risk Management on Financial Services Authority Regulation (POJK) No.6/POJK.04/2021**

The Financial Services Authority (OJK) has recently ratified the Financial Services Authority Regulation (POJK) No.6/POJK.04/2021 concerning the application of risk management for securities companies that carry out business activities as underwriters and broker-dealers who are members of the stock exchange. This regulation was enacted on March 12<sup>th</sup> 2021, and came into effect on March 17<sup>th</sup> 2021.

The regulation emphasizes that securities companies are required to implement risk management in an effective and strategic manner. The application of risk management in securities companies must be adjusted to the objectives, business policies, size, and complexity of the business, as well as the capabilities of the securities company.

According to Article 3 paragraph 2, stated that the application of risk management includes active supervision of the Board of Directors and Board of Commissioners of Securities Companies, the adequacy of risk management policies and procedures and determination of risk limits, the adequacy of the identification process, measurement, monitoring and control of risk as well as the risk management information system, comprehensive internal control. The types of risk referred to in the provisions are operational risk, credit risk, market risk, liquidity risk, compliance risk, legal risk, reputation risk, and strategic risk.

Securities companies are required to establish risk management must at least be comprehensive from a strategic point of view and uphold the principle of prudence. Securities companies are also asked to determine risk limits that can be run and prepare contingency plans in case of the worst conditions.

As a form of supervision, the OJK requires securities companies to provide risk management assessment reports until December 31<sup>st</sup> each year. The latest report must be submitted to the OJK on February 28<sup>th</sup> of the following year, administrative sanctions will be imposed on securities companies such as written warnings, fines in the form of obligation to pay a certain amount of money, restrictions on business activities, freezing of business activities, revocation of business licenses, cancellation approval, as well as cancellation of registration.

----

*Mulyaningsih Prawirowiryo (Lia)*