

BANK INDONESIA REGULATION

NO. 10/31/PBI/2008

CONCERNING

EMERGENCY LIQUIDITY ASSISTANCE

FOR COMMERCIAL BANKS

WITH THE BLESSING OF GOD ALMIGHTY

THE GOVERNOR OF BANK INDONESIA

Considering : a. in the course of their business, Bank may face liquidity difficulties that may jeopardize its business future and can have a ; potentially causing a crisis that endangers the stability of the financial system.

b. that in order to solve the Liquidity Problem with a Systemic Impact, Bank Indonesia will function as a lender of last resort in providing Emergency Liquidity Assistance to Commercial Banks in the frame of Crisis Prevention and Crisis Resolution.

c. based on the considerations in to in letter a and letter b, it is deemed necessary to regulate provisions concerning Emergency Liquidity Assistance for Commercial Banks in Bank Indonesia Regulation

In view of : 1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Addendum to State Gazette of the Republic of Indonesia Number 3742) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Addendum to State Gazette of the Republic of Indonesia No3790);

2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Addendum to State Gazette Number 3843) as amended last by Government Regulation in Lieu of Law Act Number 2 of 2008 (State Gazette Republic of Indonesia Number 142 of 2008, Addendum to State Gazette Number 4901);

3. Act Number 24 of 2002 concerning Government Bond (SUN) (State Gazette Republic of Indonesia Number 110 of 2002, Addendum to State Gazette Number 4236);

4. Act Number 17 of 2003 concerning public finance (State Gazette Republic of Indonesia Number 47 of 2003, Addendum to State Gazette Number 4286);

5. Act Number 1 year 1 of 2004 concerning state treasury (State Gazette Republic of Indonesia Number 5 of 2004, Addendum to State Gazette Number 4355);

6. Act Number 21 of 2008 concerning Islamic Banking (State Gazette Republic of Indonesia Number 94 of 2008, Addendum to State Gazette Number 4867);

7. Government Regulation in Lieu of Law Number 4 of 2008 concerning Financial System Safety Net (State Gazette Republic of Indonesia Number 149 of 2008, Addendum to State Gazette Republic of Indonesia Number 4907);

HAS DECREED

To enact : BANK INDONESIA REGULATION CONCERNING THE EMERGENCY LIQUIDITY ASSISTANCE FOR COMMERCIAL BANKS

CHAPTER I

GENERAL PROVISIONS

Article 1

The terminology used in this Bank Indonesia Regulation has the following meanings:

1. "Bank" is a Commercial Bank as defined in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 and Islamic Bank as referred to in Act Number 21 of 2008 concerning Islamic Banking.
2. "Troubled Bank" is a Bank experiencing financial difficulties in the form of Liquidity Problem and/or Solvency Problem to the extend of endangering its survival.
3. "Failed Bank" is a Bank experiencing financial difficulties and endangering its survival and deemed irrecoverable by Bank Indonesia.

4. "Rupiah Deposit Account" is a Deposit Account in Rupiah currency as stipulated by Bank Indonesia Regulation concerning The Relationship between Bank Indonesia's Current Account with External Parties.
5. "Liquidity Problem" is a short-term funding difficulty experienced by a Bank as a result of mismatch between cash inflow and cash outflow deemed likely to result in a negative demand deposit balance.
6. "Solvency Problem" is a difficulty experienced by a Bank to the extent that it fails to meet the Minimum Capital Adequacy Requirement (CAR) stipulated in this Bank Indonesia
7. "Crisis" is a financial system condition that has failed to run its function and role in national economics.
8. "Systemic Impact" is a potential contagion effect from one Troubled Bank other banks, directly or indirectly, that could result in Liquidity Problem in other banks and potentially trigger loss of confidence in the banking system and causing a threat to the stability of the financial system.
9. "Emergency Liquidity Assistance", hereinafter referred to as FPD, is a financing facility extended by Bank Indonesia, decided by Financial System Stability Committee (KSSK), guaranteed by the Government to a Troubled Bank experiencing Liquidity Problem with a and crisis potential, but still comply to the level of solvency.
10. "Financial System Stability Committee" (KSSK) is a committee formed by the ---
11. "Government Securities", hereinafter referred to as SBN, are --- as referred to in Act concerning Government Bond and Sharia-Compliant Government Securities as referred to in Act concerning Sharia-Compliant Government Securities.
12. "Interbank Money Market", hereinafter referred is as PUAB, is the activity of lending and borrowing funds between one Bank and another Bank.
13. "Crisis Prevention" is the activities to prevent crisis.
14. "Crisis Resolution" is measures taken to overcome and solve crisis to restore the financial system back to functioning normally.

CHAPTER II

GOALS AND SCOPE

Article 2

FPD is disbursed to overcome Bank's Liquidity Problem with Systemic Impact in order of Crisis Prevention or Crisis Resolution;

CHAPTER III

FPD SOURCE OF FUND

Article 3

- (1) FPD source of fund in order of Crisis Prevention comes from Bank Indonesia and guaranteed by the Government.
- (2) FPD source of fund in order of Crisis Resolution comes from the Government.

CHAPTER IV

FPD DISBURSEMENT

Part One

Requirement of FPD Application

Article 4

- (1) Bank has to run its course with prudential principal that applies, including maintaining Capital Adequacy Requirement.
- (2) In overcoming Liquidity Problem, Bank has to seek out external funding to overcome the said Liquidity Problem.

Article 5

- (1) In the event that Bank is not successful in acquiring funding to overcome Liquidity Problem referred to in Article 4 paragraph (2), Bank can submit application to receive FPD from Bank Indonesia by complying to requirement as regulated in this Bank Indonesia Regulation.
- (2) Requirement of FPD issuance as referred to in paragraph (1) shall consist of:
 - a. Bank having Liquidity Problem with Systemic Impact;
 - b. Bank has positive Minimum Capital Adequacy Requirement (CAR); and
 - c. Bank has asset to be secured as collateral.

Article 6

FPD is only disbursed to Bank incorporated as Indonesian Legal Body.

Part Two

FPD Application Submission

Article 7

- (1) FPD application is addressed to The Governor of Bank Indonesia in Jalan M.H. Thamrin No. 2 Jakarta Pusat with copies to Minister of Finance RI in Jalan Lapangan Banteng No. 2-4 Jakarta Pusat and:
 - a. Directorate of Monetary Management in Jalan M.H. Thamrin No. 2 Jakarta Pusat.
 - b. Bank Supervision Directorate in Jalan M.H. Thamrin No. 2 Jakarta Pusat for Bank whose main office is in Jakarta;
 - c. Directorate of Islamic Banking in Jalan M.H. Thamrin No. 2 Jakarta Pusat for Islamic Bank whose main office is in Jakarta;
 - d. Bank Indonesia local office for Conventional Banks and Islamic Bank whose main office is outside the vicinity of Bank Indonesia main office of Bank Indonesia's main office.

- (2) FPD recipient Bank has to convey action plan, action plan realization and daily liquidity report as stipulated in this Bank Indonesia Regulation to Bank Indonesia with address as referred to in paragraph (1) letter b, letter c, and letter d.

Article 8

FPD application as referred to in Article 5 paragraph (1) has to be equipped with the following required documents:

- a. Statement from the Bank Management that the Bank has sought funding as referred to in Article 4 paragraph (2) prior to applying for the FPD;
- b. Supporting documents for the amount of FPD required;
- c. List of assets to be secured as collateral and preliminary assessed value and attaching original ownership documents, to be accompanied by mortgage assignment, pledge, or fiduciary guarantee;
- d. Written Undertaking from the Controlling Shareholder and/or Bank Management for transfer of additional assets to be secured as collateral, if the assets referred to in letter c are inadequate, drawn up before a Notary;
- e. Written Undertaking from the Controlling Shareholder to hand out its authority in shareholder meeting.
- f. Written Undertaking for issuance of a Personal Guarantee and/or Corporate Guarantee from the Controlling Shareholder and/or Bank Management, drawn up before a notary public, and enclosing the list of assets; and
- g. Statement affirming the willingness of the Controlling Shareholder and Bank Management to perform actions ordered by Bank Indonesia, drawn up before a Notary.

PART THREE

DECISION MAKING MECHANISM

Article 9

- (1) If Bank Indonesia indicates that the Bank applying for FPD as referred to in Article 5 paragraph (1) has systemic impact, the Governor of Bank Indonesia shall immediately request the Minister of Finance to convene a KSSK meeting to discuss Bank's problem and stipulate resolution steps.
- (2) Indication to a Bank with Systemic Impact as referred to in paragraph (1) is based on analysis of Bank's financial condition and its impact on banking system.

Article 10

- (1) KSSK meeting as referred to in Article 9, decrees whether Bank's condition have Systemic Impact or not.
- (2) If Bank is decreed to have Systemic Impact as referred to in paragraph (1), KSSK decrees:
 - a. disbursement of the FPD;
 - b. designation of ceiling of the FPD;
 - c. term of the FPD;
 - d. interest rate or return; and
 - e. general criteria of FPD collateral.
- (3) FPD disbursement as referred to in paragraph (2) can only be extended to Banks submitting FPD application and fulfill the solvency criteria as referred to in Article 5 paragraph (2) letter b.
- (4) In KSSK meeting as referred to in Article 9 in decrees a Bank has Systemic Impact but have not not submit FPD application, or submitting FPD application but decreed not to have Systemic Impact, Bank Indonesia then stipulate the said Bank a Failed Bank.
- (5) Subsequent handling of the Failed Bank as referred to in paragraph (4) shall operate in accordance with the applicable laws and regulations.

Article 11

- (1) Designation of ceiling as referred to in Article 10 paragraph (2) letter b based on consideration of liquidity needs submitted by Bank.
- (2) Term of FPD as referred to in Article 10 paragraph (2) letter c shall be fixed at no more than 90 (ninety) calendar days and shall be extendable only 1 (one) time for a period of no more than 90 (ninety) calendar days.

PART V

GENERAL PROVISIONS OF FPD COLLATERAL

Article 12

- (1) Bank submitting FPD application has to submit principal collateral and additional collateral.
- (2) Principal collateral as referred to in paragraph (1) are in the form of Bank asset available with priority on the most liquid, high quality assets.
- (3) Additional collateral as referred to in paragraph (1) are in the form of Controlling Shareholder's Asset.
- (4) Bank submit preliminary assessed value of the principal collateral as referred to in paragraph (1) in which the last appraisal was done by an independent appraisers.

Article 13

- (1) Asset secured as collateral by the Bank are free of encumbrances, not secured to any other party, not secured as collateral in any way to any other party and not involved in any legal case or dispute.
- (2) Asset secured as collateral by the Bank may not be transferred, sold and purchased, or secured as collateral in any subsequent pledge by the Bank.
- (3) The Bank shall replace any collateral for the FPD that fails to satisfy the conditions stipulated in paragraph (1) and paragraph (2).

Article 14

- (1) Collateral shall be appraised by an independent appraiser appointed by Bank Indonesia on the basis of a nomination list of independent appraisers submitted by the Bank.
- (2) All costs incurred for appraisal of collateral shall be borne by the Bank.

Article 15

- (1) Binding of collateral shall be executed by Bank Indonesia immediately after complete collateral documents are enclosed.
- (2) Binding of collateral as referred to in paragraph (1) shall be in reference to the provisional assessed value of the collateral submitted by the independent as referred to in Article 14 paragraph (1).
- (3) The ownership documents for collateral as referred to in paragraph (1) shall be administered by Bank Indonesia.
- (4) The Bank management and/or controlling shareholder of the Bank shall be responsible for physical maintenance of collateral secured for purposes of the FPD.

CHAPTER VI

FPD AGREEMENT AND DISBURSEMENT OF FPD

Part One

Crisis Prevention

Article 16

The FPD loan agreement shall be notarized and signed by the Bank Management receiving the FPD and by the Bank Indonesia.

Article 17

- (1) The FPD shall be disbursed immediately after signature of the FPD agreement.
- (2) Disbursement of the FPD as referred to in paragraph (1) shall be effected by debiting the Government special demand deposit account at Bank Indonesia for the FPD and crediting the demand deposit account of the Bank receiving the FPD at Bank Indonesia.
- (3) Disbursement of the FPD shall be in the amount necessary for the Bank to comply the Minimum Statutory Reserves Requirement.

Article 18

- (1) FPD used by the Bank receiving the FPD shall be charged interest according to the interest rate determined by KSSK.
- (2) The interest rate referred to in paragraph (1) shall be equal to published BI yield plus a specified margin.
- (3) Bank Indonesia shall calculate interest as referred to in paragraph (1) on the basis of the end-of-day balance of disbursed FPD.
- (4) Interest as referred to in paragraph (3) shall be charged at maturity or upon full repayment of the FPD to the deposit account of the Bank receiving the FPD at Bank Indonesia.

Article 19

- (1) Bank Indonesia has a written guarantee from the Minister of Finance on behalf of the Government for the FPD given to the Bank.
- (2) Guarantee by the Government as referred to in paragraph (1) in the form of replacement for FPD fund not yet fully repaid by the Bank in the following:
 - a. Bank has not paid FPD in term set by KSSK; or
 - b. Bank has been deemed a Failed Bank before the end of term of FPD.
- (3) If the Bank receiving FPD is unable to effect full repayment of the FPD at maturity and/or is being deemed a Failed Bank as referred to in paragraph (2), then:

- a. The Government will replace the FPD fund not yet in full repayment by the Bank receiving FPD to Bank Indonesia in cash or in SBN issuance;
- b. Bank Indonesia hands over FPD claims and collaterals to Minister of Finance through Letter of Agreement of Transfer Rights of Claims including supporting documents that is checked by Bank Indonesia.
- c. With the Transfer of claim as referred to in letter b, the debt of Bank receiving FPD is transferred from Bank Indonesia to the Government.

Part Two

Crisis Resolution

Article 20

- (1) FPD disbursement in Crisis condition to Banks with Liquidity Problem is done by Bank Indonesia with funding from the Government.
- (2) FPD disbursement in Crisis condition is put in Letter of Agreement between Bank and Bank Indonesia that is acting for and on behalf of the Government, equipped with:
 - a. list of assets to be secured as collateral and preliminary assessed value;
 - b. Bank's work plan to resolute the difficulty faced.
- (3) FPD Loan agreement shall be be notarized and signed by management of Bank receiving FPD with Bank Indonesia acting on behalf of the Government.
- (3) Disbursement of the FPD to resolute Crisis shall be effected right after the Government issues SBN and/or by debiting the Government deposit account at Bank Indonesia.

CHAPTER VII

EXPENSES FOR PROVISION OF EFF

Article 21

Expenses pertaining to:

- a. fees for appraisal of collateral conducted by an independent appraiser;
- b. fees for the FPD agreement and binding of collateral; done by a Notary or a Notary Public
- c. fees for auction of collateral, in case of disposal; and
- d. other expenses pertaining to the provision of the FPD;

shall be wholly borne by the Bank receiving the FPD.

CHAPTER VII

REPAYMENT OF FPD

Article 22

- (1) The Bank may effect full repayment and/or partial payments on the outstanding balance of the FPD during the term of provision of the FPD.
- (2) Full repayment and/or partial payments on outstanding balance as referred to in paragraph (1) shall be effected by debiting the rupiah demand deposit account of the Bank receiving the EFF at Bank Indonesia if the balance of the rupiah demand deposit account of the Bank receiving the EFF at Bank Indonesia is greater than the Minimum Statutory Reserves Requirement.

Article 23

- (1) Bank Indonesia shall debit the rupiah demand deposit account of the Bank receiving the EFF and credit the special Government demand deposit account at Bank Indonesia for full repayment of the FPD upon maturity of the FPD.

- (2) If the balance of the Rupiah demand deposit account of the Bank receiving the FPD at Bank Indonesia is insufficient for full repayment of the FPD upon maturity of the FPD, the Governor of Bank Indonesia shall request KSSK to discuss the problems of the bank, including but not limited to financial condition and prospects, and decide the measures necessary to resolve these problems.
- (3) The measures for resolving the problems of the bank as referred to in paragraph (2) shall be for deciding:
 - a. whether or not to extend the term of the FPD for 1 (one) time for a period of no more than 90 (ninety) calendar days, if the Bank has a positive Minimum Capital Adequacy Requirement (CAR) ratio.
 - b. FPD shall not be extended if the Minimum Capital Adequacy Requirement (CAR) ratio is negative.
- (4) Any extension and amendment to the FPD agreement as referred to in paragraph (3) letter a shall be based on application submitted by the Bank receiving FPD.

Article 24

- (1) In the event the condition as referred to in Article 23 paragraph (3) letter b, or Bank receiving FPD is unable to effect full payment of the FPD repayment of the FPD at maturity after extension as referred to in Article 23 paragraph (3) letter a, Bank Indonesia then stipulate the said Bank a Failed Bank.
- (2) The Governor of Bank Indonesia shall request a KSSK meeting to decide the actions to be taken towards the Failed Bank in accordance with the applicable laws and regulations.

Article 25

- (1) If the Bank receiving the FPD is in default and FPD is transferred to the Government, the disposal of collateral may be carried out by the Government in its capacity as creditor.
- (2) If the proceeds from disposal of collateral are less than the value of the FOD and interest liabilities payable by the Bank receiving the FPD, the Bank and/or the Controlling Shareholder of the Bank shall bear responsibility towards the Government for the outstanding repayment of the FPD.

CHAPTER IX
SUPERVISION

Article 26

With the extension of FPD as referred to in Article 17 and Article 20, Bank Indonesia has the authority to:

- a. take over the rights and the authority in Shareholder Meeting to replace part or the entire Board of Directors and/or Bank Commissioners until the full repayment of FPD.
- b. place a party representing Bank Indonesia as Board of Directors until the full repayment of FPD.
- c. conduct other authorities in accordance with the applicable laws and regulations.

Article 27

- (1) Bank receiving FPD shall be designated Bank Under Special Surveillance.
- (2) The status of Bank Under Special Surveillance as referred to in paragraph (1) shall be lifted if the Bank receiving FPD has settled its obligations for repayment of the EFF and has satisfied requirements as stipulated in the applicable Bank Indonesia Regulation.

Article 28

- (1) The Bank receiving the FPD is required to convey an action plan to Bank Indonesia with a copy to Minister of Finance Republic of Indonesia no later than 5 (five) working days after disbursement of the FPD for resolution of Liquidity Problem and FPD repayment plan.
- (2) The Bank shall submit the action plan progress report as referred to in paragraph (1) to Bank Indonesia on a weekly basis with a copy to the Minister of Finance.
- (3) The Bank receiving the FPD shall report the condition of its liquidity to Bank Indonesia on a daily basis.
- (4) Bank is considered overdue in report as referred to in paragraph (1) and paragraph (2) when Bank has not submit report until report submission deadline.

- (5) Bank is considered not reporting when Bank has not submit report until the next report period.

Article 29

- (1) Bank receiving FPD is prohibited to withdrawing funds from the accounts of related parties unless stipulated otherwise by KSSK.
- (2) Bank receiving FPD is prohibited from paying out a dividend in any form whatsoever as long as obligations in respect of the EFF have not been repaid in full.
- (3) The Controlling Shareholder of Bank receiving FPD is prohibited from transferring ownership of his/her shares to any other party without approval from Bank Indonesia.

CHAPTER X

REPORT TO HOUSE OF REPRESENTATIVES (DPR)

Article 30

The Governor of Bank Indonesia along with Minister of Finance submit and explain the KSSK decision to House of Representatives no later than 30 (thirty) calender days right after the decision of the extension of FPD.

CHAPTER XI

Article 31

If Bank fail to effect full repayment of FPD and/or infringing the provisions of this Bank Indonesia Regulation and/or found to have irregularities in FPD usage based on investigation by Bank Indonesia, shall be liable to administrative sanctions as stipulated in Article 52 paragraph (2) Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, among others, written reprimand, prohibition to participate in clearing activities, freezing certain business unit, and/or dismissal of bank management.

Article 32

If Bank Management, Controlling Shareholder and Bank Executive Officers deliberately does not take the necessary actions required to ensure Bank's compliance to certain provisions of this Bank Indonesia Regulation, and/or give out information or documents necessitated in this Bank Indonesia Regulation incorrectly, other than the sanctions referred to in Article 31, will also be liable to sanctions referred to in Article 49 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 2998.

CHAPTER XII

CLOSING PROVISIONS

Article 33

With the validity of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 8/1/PBI/2006 concerning Emergency Funding Facility shall be declared invalid.

Article 34

This Bank Indonesia Regulation shall come to force on the date of its enactment.

Letter be promulgated in State Gazette of the Republic of Indonesia. Please be informed accordingly.

Enacted in Jakarta

Dated 18 November 2008

THE GOVERNOR OF BANK INDONESIA

BOEDIONO

Promulgated in Jakarta

Dated 18 November 2008,

MINISTER OF LAW AND HUMAN RIGHTS

REPUBLIC OF INDONESIA

ANDI MATTALATTA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 178 OF 2008

ELUCIDATION

TO

BANK INDONESIA REGULATION

NO. 10/31/PBI/2008

CONCERNING EMERGENCY LIQUIDITY ASSISTANCE FOR COMMERCIAL BANKS

I. GENERAL REVIEW

In the course of its business, Bank face various various risks that include liquidity risk. Liquidity risk is the short-term funding difficulty that arises from mismatch between cash inflows and cash outflows. This condition can lead to a negative balance in the demand deposit account of the Bank at Bank Indonesia. If not quickly resolved, liquidity difficulties may lead to bigger problems, and may even lead to liquidity difficulty for other banks.

To resolve liquidity difficulty, the Bank must first raise funds on the money market, using the various available money market instruments. If the Bank fails to raise funds on the money market, Bank Indonesia in its capacity as lender of the last resort may provide a loan to the Bank to resolve the short-term funding difficulty.

Lender of the last resort policy is part of the financial safety nets essential to financial system stability. The comprehensive framework for the financial safety nets clearly prescribes the roles of each agency and the coordination mechanisms employed in the prevention and resolution of crisis. It is essential that financial system stability is maintained to support the monetary stability that provides the basis for sustainable economic growth.

Lender of the last resort facilities extended by the central bank to banks, whether under normal situations or to deal with crisis, can generally be categorized as follows:

1. Intraday Liquidity Facility (FLI) to overcome liquidity mismatch by the discrepancy of cash inflow and cash outflow. Provision of this facility to the Bank is adressed to smooth out repayment system operation backed by liquid, high value collateral provided by the Bank to Bank Indonesia.
2. The Short-Term Funding Facility (FPJP), whether extended to Banks experiencing liquidity difficulties at end of day (overnight) or to Banks unable to settle the Intraday

Liquidity Facility (FLI) at end of day. Provision of FPJP must be backed by liquid, high value collateral provided by the Bank to Bank Indonesia.

3. The Emergency Financing Facility (FPD) for a Problem Bank that is experiencing liquidity difficulty and has systemic impact, but still complying with the level of solvency prescribed by Bank Indonesia, in which extension of the facility is based on a decision by KSSK.

The FLI and FPJP is a facility provided by Bank Indonesia to resolve liquidity difficulty under normal conditions, while the FPD is a facility for addressing systemic impact or risk in an emergency in order to prevent and resolve a crisis. FPD extended in Crisis Prevention is extended by Bank Indonesia and guaranteed by the Government. Therefore, funding for the FPD is charged to the State Budget through issuance of Government Securities or Cash by the Government. FPD in the first Crisis Resolution has funding from the Government extended through Bank Indonesia.

To provide assurance of accountability and transparency, the decision making process in determining systemic impact or systemic risk and to extend the FPD to a Bank operates by means of a joint decision by the Minister of Finance through KSSM. The decision to extend the FPD shall be based on assessment of the potential for systemic risk for financial system stability and the negative impact on the economy if the FPD is not extended to the Bank.

II. ARTICLE BY ARTICLE

Article 1

Self explanatory.

Article 2

Self explanatory.

Article 3

Paragraph (1)

Pertaining the function of Bank Indonesia as the Lender of The Last Resort, FPD extension is related to monetary policy of Bank Indonesia. However, if the Bank is stipulated as a Failed Bank, than the Government shall replace the fund extended by Bank Indonesia through issuance of SBN or cash.

Paragraph (2)

FPD source of fund in order of Crisis Prevention is the State Budget.

Article 4

Paragraph (1)

Self explanatory.

Paragraph (2)

Source of Fund is Interbank Lending, Interday Liquidity Facility (FLI), SBI Repo and/or SBN, and Short-Term Funding Facility (FPJP) in accordance with the applicable laws and regulations.

Article 5

Paragraph (1)

Self explanatory.

Paragraph (2)

Letter a

Systemic Impact can be assessed from several key aspects: the threat of the decline of community trust towards the banking system, the contagion effect and degree of loss that would arise. Factors taken into account in determining systemic impact are:

- a. Internal factors, namely liquidity difficulty faced by one or more banks which have (with) systemic impact; and/or
- b. External factors such as but not limited to disruption in the payment system, global currency crisis, currency crisis, operational disruption

caused by failure of technology and information system, and/or natural disaster disrupting financial system stability.

Letter b

Minimum Capital Adequacy Requirement (KPMM) ratio is the last position of KPMM ratio at the time of FPD application submission in accordance with the applicable laws and regulation.

Letter c

FPD extension does not necessarily be based on preliminary assessed value submitted by Bank, considering FPD is extended to resolute systemic impact therefore shall not be treated as normal lending. However, Bank still has to submit collateral as required in accordance to criterias stipulated in this Bank Indonesia Regulation.

Article 6

Self explanatory.

Article 7

Self explanatory.

Article 8

Letter a

Statement is signed by Bank Management acting for and on behalf of Bank receiving FPD with stamp duty in accordance with the applicable laws and regulations.

Letter b

Documents required to support amount of FPD are estimated FPD quota, cash flow projection, latest financial statement (balance sheet and income statement), and maturity profile for the latest 1 (one) month.

Letter c

The list of Bank assets to be secured as collateral and the provisional assessed value. The provisional assessed value can be based from the Taxable Sale Value (NJOP) for asset such as land, latest market value for securities.

Letter d

Self explanatory.

, Letter e

Self explanatory.

Letter f

Self explanatory.

Letter g

Self explanatory.

Letter h

Self explanatory.

Article 9

Self explanatory.

Article 10

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

The applicable laws and regulations are Act Number 24 of 2004 concerning Deposit Insurance Company (LPS) as amended by Government Regulation in Lieu of Law Number 3 of 2008, and Government Regulation in Lieu of Law Number 4 of 2008 concerning Financial System Safety Net.

Article 11

Paragraph (1)

Bank Indonesia provides input to KSSK after analyzing Bank's liquidity needs based on datas submitted by Bank as well as any other datas available to Bank Indonesia.

Paragraph (2)

Self explanatory.

Article 12

Paragraph (1)

Self explanatory.

Paragraph (2)

Principal Collateral are in the form of Bank asset available with priority on the most liquid, high quality assets, including but not limited to:

- a. Government Securities, securities issued by the Government of Republic of Indonesia or Bank Indonesia, including SBN, SBI and SBI Sharia.
- b. other securities issued by other legal body with priority to of good quality and actively traded. Securities secured as collateral may not come from securities issued by parties to the Bank or other parties controlling the Bank receiving FPD;
- c. Credit Asset and other productive Asset with liquid collectability;

- d. bank Fixed Asset; and/or
- e. all Bank Account Receivable from other third parties.

Paragraph (3)

Binding of Asset of Controlling Shareholders to be Collateral of FPD shall be executed with the issuance of Personal Guarantee and/or Corporate Guarantee drawn up before a notary and to be accompanied by list of Asset.

Paragraph (4)

Self explanatory.

Article 13

Paragraph (1)

Transfer of assets secured as collateral for the FPD must be accompanied by a statement from the Problem Bank or Controlling Shareholder of the Bank on the condition and status of each asset to be secured as collateral.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 14

Paragraph (1)

“Independent appraiser” is defined as an appraisal company that:

- a. has no ownership, management, or financial ties with the Bank;
- b. conducts appraisal on the basis of the Code of Ethics for Appraisers in Indonesia and other regulatory provisions stipulated by the Indonesian Appraisers Council; and

- c. holds an operating license from the competent authority to operate as an appraisal company.

Paragraph (2)

Self explanatory.

Article 15

Paragraph (1)

The binding of collateral shall be executed with mortgage assignment, pledge, or fiduciary guarantee depending on the type of collateral.

Verification on asset documents to be secured as collateral shall be executed by a third party, all cost shall be borne by the Bank receiving FPD.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Bank and/or Controlling Shareholder of Bank receiving FPD shall be responsible for collateral which is not physically handed over to Bank Indonesia, such as land, building and office inventory.

Article 16

Self explanatory.

Article 17

Self explanatory.

Article 18

Self explanatory.

Article 19

Paragraph (1)

Self explanatory.

Paragraph (2)

letter a

Repalcement of FPD fund by the Government shall consist of principal and FPD interest as well as all cost incurred by FPD.

Letter b

The handing over FPD claims and collaterals is executed immediately after Bank is stipulated as a Failed Bank and is followed by issuance of SBN or debiting the Government special demand deposit account at Bank Indonesia by cash.

Paragraph (3)

Self explanatory.

Article 20

Paragraph (1)

Disbursement of FPD in order of crisis resolution is the debt of the Bank to the Government.

Paragraph (2)

letter a

Binding of collateral shall be executed by Bank Indonesia on behalf of and

in the name of the Government immediately after supporting documents are complete.

Letter b

Bank work plan has to be conveyed no later than 14 (fourteen) work days after the FPD disbursement.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Article 21

Self explanatory.

Article 22

Self explanatory.

Article 23

Self explanatory.

Article 24

Self explanatory.

Article 25

Self explanatory.

Article 26

letter a

Take over the rights and the authority in Shareholder Meeting is temporary until the full repayment of the FPD.

Letter b

Placement of parties representing Bank Indonesia may be from Bank Indonesia or another parties appointed by Bank Indonesia with knowledge and experience in finance, economy, law and industry.

Letter c

Self explanatory.

Article 27

Paragraph (1)

Bank Indonesia shall do Cease and Desist Order (CDO) to Bank, including conducting investigation and/or placing an investigator of the Bank receiving FPD, in order to supervise Bank operational in general.

Paragraph (2)

Applicable Bank Indonesia Regulation is defined as Bank Indonesia Regulation concerning subsequent action for supervision and designation of bank status.

Article 28

Paragraph (1)

Action plan includes but not limited to measures taken by Bank receiving FPD to overcome and solve crisis and plan to effect full repayment of FPD.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

Self explanatory.

Article 29

Self explanatory.

Article 30

Self explanatory.

Article 31

Self explanatory.

Article 32

Self explanatory.

Article 33

Self explanatory.

Article 34

Self explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF
INDONESIA NUMBER 4926 OF 2008
DPNP/DPM