

BANK INDONESIA REGULATION
NUMBER: 6/27/PBI/2004
CONCERNING
SUPERVISION OF VILLAGE CREDIT AGENCIES

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas the powers, functions, and responsibilities for supervision of Village Credit Agencies (“Badan Kredit Desa” or BKD) established in Java and Madura pursuant to Staatsblad Number 357 of 1929 and Rijksblad Number 9 of 1937 and Number 3/H of 1938 were assigned to Algemeene Volkscrediet Bank (AVB), which subsequently changed name to Bank Rakyat Indonesia and most recently to PT Bank Rakyat Indonesia (Persero);
 - b. whereas by reason of revocation of the regulations referred to in the above item a pursuant to Act Number 7 of 1992 concerning Banking, the powers, functions, and responsibility for supervision of Village Credit Agencies were transferred to Bank Indonesia;
 - c. whereas because of the widely dispersed location of Village Credit Agencies in rural areas, there is a vital need for the continuing role of PT Bank Rakyat Indonesia (Persero) in conducting the supervision of Village Credit Agencies;
 - d. now therefore, for further promotion and expansion of the business of Village Credit Agencies and to intensify the supervision of Village Credit Agencies on an effective and efficient ...

efficient basis, it is deemed necessary to enact provisions concerning the supervision of Village Credit Agencies in a 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, Supplement to the State Gazette Number 3472), as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette Number 3790);
 2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette Number 4357);
 3. Government Regulation Number 21 of 1992 concerning Conversion of the Legal Incorporation of Bank Rakyat Indonesia to State Owned Company of Limited Liability (Persero) (State Gazette Number 41 of 1992)

HAS DECREED:

To enact : THE BANK INDONESIA REGULATION CONCERNING SUPERVISION OF VILLAGE CREDIT AGENCIES.

Article 1 ...

Article 1

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

1. “Village Credit Agencies”, hereinafter referred to as BKDs, are “Bank Desa” (village banks) and “Lumbung Desa” (rural savings and loans agencies) established pursuant to Staatsblad Number 357 of 1929 and Rijksblad Number 9 of 1937 and Number 3/H of 1938, domiciled in Java and Madura and issued operating licenses by the Minister of Finance;
2. “The Bank” is PT Bank Rakyat Indonesia (Persero) as referred to in Government Regulation Number 21 of 1992 concerning Conversion of the Legal Incorporation of Bank Rakyat Indonesia to State Owned Company of Limited Liability (Persero).

Article 2

- (1) The Bank shall conduct the supervision of BKDs pursuant to this Bank Indonesia Regulation.
- (2) Supervision as referred to in paragraph (1) shall be conducted in accordance with the instructions and/or guidelines determined by Bank Indonesia.
- (3) Bank Indonesia may also request the Bank to conduct other supervision outside the guidelines referred to in paragraph (2).

Article 3

- (1) The Bank shall submit reports to Bank Indonesia as follows:
 - a. Recapitulation of balance sheets and profit and loss statements of BKDs.
 - b. Analysis of developments concerning BKDs, problems or constraints, corrective actions taken, and proposals and/or matters for consideration in regard to necessary follow up actions.
 - c. Analysis ...

- c. Analysis of BKDs for which possibilities exist to operate as Rural Banks, both in regard to level of capital and total assets.
- (2) The report referred to in paragraph (1) letter a shall be submitted each quarter by:
 - a. the Head Office of the Bank to the Directorate of Rural Bank Supervision, Bank Indonesia, Jl. M.H. Thamrin No. 2, Jakarta 10010, for BKDs throughout Indonesia; and
 - b. the Regional Office and Branch Office of the Bank to the local Bank Indonesia Regional Office, for BKDs in the working area of the relevant Regional Office and Branch Office of the Bank.
 - (3) The reports referred to in paragraph (1) letter b and letter c shall be submitted by the Bank to the Directorate of Rural Bank Supervision, Bank Indonesia, Jl. M.H. Thamrin No. 2, Jakarta 10010, at the end of each June and end of each December.
 - (4) Bank Indonesia may also request the Bank to submit reports to Bank Indonesia other than the reports stated in paragraph (1).

Article 4

- (1) Costs for supervision of BKDs shall be borne by Bank Indonesia.
- (2) Bank Indonesia shall bear costs as referred to in paragraph (1) until the transfer of the function for BKD supervision to another agency in accordance with the applicable laws and regulations.
- (3) The Bank shall submit a work plan and budget for BKD supervision for the following fiscal year no later than the end of September in order to request approval from Bank Indonesia.
- (4) With regard to approval or rejection of a work plan and budget as referred to in paragraph (3), Bank Indonesia shall examine the viability of the work plan and ...

and appropriateness of expenses proposed by the Bank and take account of past results.

- (5) Approval of a work plan and budget shall be conveyed in writing no later than 1 (one) month after receipt of the report accounting for use of the budget during the previous year.
- (6) The budget approved by Bank Indonesia shall be final, without possibility of additional budget.
- (7) If actual expenses incurred in supervision of BKDs are lower than the approved budgeted expenses, the Bank shall return the surplus budget to Bank Indonesia.

Article 5

- (1) With the enactment of this Bank Indonesia Regulation, Decree of the Board of Managing Directors of Bank Indonesia Number 31/63/KEP/DIR dated July 9, 1998, concerning Supervision of Village Credit Agencies by PT Bank Rakyat Indonesia (Persero) is revoked and declared no longer valid.
- (2) The implementing regulations for Decree of the Board of Managing Directors of Bank Indonesia Number 31/63/KEP/DIR dated July 9, 1998, concerning Supervision of Village Credit Agencies by PT Bank Rakyat Indonesia (Persero), insofar as are not contrary to this Bank Indonesia Regulation, are declared to remain valid until revoked, replaced, and renewed.

Article 6

This Bank Indonesia Regulation shall come into force on January 1, 2005.

Enacted ...

-6-

Enacted in Jakarta

Dated: December 13, 2004

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 161 OF 2004
DPBPR

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER: 6/27/PBI/2004
CONCERNING
SUPERVISION OF VILLAGE CREDIT AGENCIES

GENERAL REVIEW

Village Credit Agencies are regarded as continuing to serve a useful function in meeting the working capital needs of rural communities. Accordingly, to strengthen and promote the business of Village Credit Agencies, it is necessary to perform the supervision of Village Credit Agencies.

Following the promulgation of Act Number 7 of 1992 concerning Banking, the supervision of Village Credit Agencies became the competence, task, and responsibility of Bank Indonesia. Because of constraints in availability of human resources, Bank Indonesia requested PT Bank Rakyat Indonesia (Persero) to retain its role in conducting the supervision of Village Credit Agencies, having considered that the supervision of Village Credit Agencies until that time had been conducted by PT Bank Rakyat Indonesia (Persero), which is equipped with human resources and an adequate office network for supervision of Village Credit Agencies. To confirm this arrangement, Bank Indonesia issued legal provisions to assign this task to PT Bank Rakyat Indonesia in Decree of the Board of Managing Directors of Bank Indonesia Number 31/63/KEP/DIR dated

July ...

July 9, 1998, concerning Supervision of Village Credit Agencies by PT Bank Rakyat Indonesia.

Article 34 of Act of the Republic of Indonesia Number 23 of 1999 concerning Bank Indonesia as amended by Act of the Republic of Indonesia Number 3 of 2004 stipulates that the tasks of bank supervision shall be conducted by an independent financial services authority. Accordingly, after the establishment of the independent financial services authority, the task of supervision of Village Credit Agencies shall be handed over and the costs thereof no longer borne by Bank Indonesia.

In this regard, it is necessary to enact improved provisions concerning the supervision of Village Credit Agencies in a Bank Indonesia Regulation.

ARTICLE BY ARTICLE

Article 1

Number 1

Self-explanatory

Number 2

Self-explanatory

Article 2

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory ...

Self-explanatory

Article 3

Paragraph (1)

Self-explanatory

Paragraph (2)

The quarterly report shall be submitted to Bank Indonesia no later than 1 month after the end of the quarter.

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Article 4

Paragraph (1)

As stipulated in Article 34 paragraph (1) of Act Number 23 of 1999 concerning Bank Indonesia as amended by Act of the Republic of Indonesia Number 3 of 2004, the tasks of bank supervision shall be conducted by an independent financial services authority established in a law. As long as that authority is not established, the costs for supervision of BKDs shall be borne by Bank Indonesia.

Paragraph (2)

With the transfer of powers for bank supervision to a duly established financial services authority, the costs for supervision of BKDs will no longer be borne by Bank Indonesia.

Paragraph (3) ...

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Paragraph (6)

The expenses approved by Bank Indonesia for supervision of BKDs shall be final, meaning that Bank Indonesia may not provide any additional budget if the actual expenses for supervision of BKDs exceed the expenses approved by Bank Indonesia for supervision of BKDs.

Paragraph (7)

Self-explanatory

Article 5

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 6

Self-explanatory