

BANK INDONESIA REGULATION  
NUMBER: 6/23/PBI/2004  
CONCERNING  
THE FIT AND PROPER TEST  
FOR RURAL BANKS

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas to promote the creation of a sound banking system, it is necessary to strengthen the practice of good corporate governance within the banking industry;
  - b. whereas to bring about good corporate governance, it is necessary for the Rural Bank industry, as part of the national banking system, to be managed and owned by parties who consistently possess high levels of competence and integrity and fulfill other requirements as required under the applicable laws and regulations;
  - c. now therefore it is deemed necessary to stipulate provisions for the Fit and Proper Test for parties exercising major influence in the control and management of Rural Banks 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 .....

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);

HAS DECREED:

To enact : THE BANK INDONESIA REGULATION CONCERNING  
THE FIT AND PROPER TEST FOR RURAL BANKS.

## **CHAPTER I**

### **GENERAL PROVISIONS**

#### Article 1

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

1. “Rural Bank”, hereinafter referred to as RB (BPR), is a Rural Bank as defined in Article 1 number 4 of Act Number 7 of 1992 concerning Banking, as amended by Act Number 10 of 1998, conducting conventional business or business based on sharia principles.
2. “Commercial Bank” is a Commercial Bank as defined in Article 1 number 3 of Act Number 7 of 1992 concerning Banking, as amended by Act Number 10 of 1998, conducting conventional business and/or business based on sharia principles.

3. “Control” ...

3. “Control” is any action aimed at exerting influence over the management and/or policies of a company, including a bank, by any means whatsoever, whether directly or indirectly.
4. “Controlling Shareholder” is a legal entity, natural person, and/or business group:
  - a. holding shares in a company or RB equal to 25% (twenty-five percent) or more of total issued shares with voting rights; or
  - b. holding less than 25% (twenty-five percent) of total issued shares with voting rights in a company or RB, but nevertheless can be proven to have exercised control of the RB, whether directly or indirectly.
5. “Managers” are the Board of Directors and Board of Commissioners of an RB or company, or equivalent.
6. “Board of Directors”:
  - a. for an RB legally incorporated as a Limited Liability Company, is board of directors as referred to in Article 1 number 4 of Act Number 1 of 1995 concerning Limited Liability Companies;
  - b. for an RB legally incorporated as a Regional Government Enterprise, is board of directors as referred to in Article 11 of Act Number 5 of 1962 concerning Regional Government Enterprises;
  - c. for an RB legally incorporated as a Cooperative, is management board as referred to in Article 29 of Act Number 25 of 1992 concerning Cooperatives.
7. “Board of Commissioners”:
  - a. for an RB legally incorporated as a Limited Liability Company, is board of commissioners as referred to in Article 1 number 5 of Act Number 1 of 1995 concerning Limited Liability Companies;
  - b. for ...

- b. for an RB legally incorporated as a Regional Government Enterprise, is supervisory board as referred to in Article 19 of Act Number 5 of 1962 concerning Regional Government Enterprises;
  - c. for an RB legally incorporated as a Cooperative, is supervisory board as referred to in Article 38 of Act Number 25 of 1992 concerning Cooperatives.
8. “Executive Officer” is an officer exercising influence over the policy and operations of an RB or company and/or directly responsible to the Board of Directors, including but not limited to branch office manager.
9. “Disqualified List”, hereinafter referred to as DTL, is a list of parties Disqualified in the Fit and Proper Test for Controlling Shareholders, Managers, and Executive Officers.

## Article 2

- (1) Parties included in the definition of parties exercising control of RBs are subject to the provisions of this Bank Indonesia Regulation.
- (2) Parties included in the definition of parties exercising control of RBs as referred to in paragraph (1) are natural persons, legal entities, or any business group exercising Control of an RB, including but not limited to the Controlling Shareholders, Managers, and Executive Officers of an RB.
- (3) Control over an RB may be exercised by means that include but are not limited to the following:
  - a. ownership of 25% (twenty-five percent) or more of the shares of an RB, whether jointly or severally;
  - b. direct ...

- b. direct conduct of management and/or influence over the policies of the RB;
- c. holding of options or other rights to shares that if exercised would cause the parties to own and/or control 25% (twenty-five percent) or more of the shares in the RB, whether jointly or severally;
- d. acting in concert to exercise control over the RB, with or without written agreement with any other party, to the extent of owning and/or controlling jointly or severally 25% (twenty-five percent) or more of the shares in the RB, with or without a written agreement;
- e. acting in concert to exercise control over the RB, with or without written agreement with any other party, to the extent of jointly holding options or other rights to ownership of shares that if exercised would result in the parties acquiring joint ownership and/or control of 25% (twenty-five percent) or more of the shares in the RB;
- f. control of one or more other company with aggregate ownership and/or joint control of 25% (twenty-five percent) or more of the shares in the RB;
- g. having power to approve and/or dismiss the Managers of the RB;
- h. indirect influence over or conduct of the management and/or policies of the RB;
- i. exercising Control over a holding company or financial sector holding company of an RB;
- j. exercising Control over any party exercising Control as referred to in letter a through letter i.

Article 3

Bank Indonesia shall conduct the Fit and Proper Test for:

- a. proposed Controlling Shareholders and candidate Managers for RBs;
- b. Controlling Shareholders and Managers of RBs;
- c. Executive Officers of RBs, if indications exist that party concerned has a role in;
  1. formulating policy and operational activities that affect the business of the RB; and/or
  2. occurrence of any violations or irregularities in the operations of the RB.

**CHAPTER II**

**THE FIT AND PROPER TEST**

**FOR PROPOSED CONTROLLING SHAREHOLDERS**

**Part One**

**Tested Factors**

Article 4

The Fit and Proper Test shall be conducted to assess whether a proposed Controlling Shareholder meets the requirements of:

- a. integrity; and
- b. financial standing.

Article 5 ...

#### Article 5

The scope of the integrity requirement as referred to in Article 4 letter a covers the following:

- a. good character and sound moral values;
- b. commitment to comply with prevailing laws and regulations;
- c. strong commitment to the development of sound RB operations;
- d. not included in the DTL.

#### Article 6

The scope of the financial standing requirement as referred to in Article 4 letter b covers the following:

- a. requirements concerning financial capacity;
- b. fulfillment of administrative requirements for assessment of financial capacity as stipulated in the applicable legal provisions, including but not limited to requirements concerning:
  1. not included in the list of bad debts;
  2. never declared bankrupt or never served as member of the board of directors or board of commissioners found at fault in causing a company to be declared bankrupt during a period of 5 (five) years prior to nomination; and
  3. willingness to resolve any capital and liquidity difficulties faced by the RB in the course of its business;
- c. have no overdue debts or bad debts.

## **Part Two**

### **Testing Procedure**

#### Article 7

- (1) Application for approval of a proposed Controlling Shareholder shall be submitted by the RB to Bank Indonesia.
- (2) Approval or rejection as referred to in paragraph (1) shall be issued by Bank Indonesia no later than 30 (thirty) days after receipt of the complete application.

#### Article 8

- (1) With regard to issuance of approval or rejection as referred to in Article 7, Bank Indonesia shall conduct the Fit and Proper Test consisting of:
  - a. administrative examination;
  - b. interviews.
- (2) As part of the approval process, Bank Indonesia may request the RB, Controlling Shareholders, and/or parties exercising Control to provide written commitments for the development of sound RB operations.

#### Article 9

- (1) If a proposed Controlling Shareholder of an RB is incorporated as a legal entity, the Fit and Proper Test for that legal entity shall be conducted by assessing the legal entity, its management, and parties who in the opinion of Bank Indonesia are the ultimate shareholders of the legal entity.

(2) Parties ...



- (2) Parties as referred to in paragraph (1) are required to submit the administrative requirements and attend interviews.
- (3) In addition to the parties referred to in paragraph (1), Bank Indonesia may determine that other parties also exercising Control shall submit the administrative requirements and/or attend interviews.
- (4) The results of the Fit and Proper Test for parties as referred to in paragraph (1) and paragraph (3) shall constitute an integral whole and constitute the results of the Fit and Proper Test for the legal entity as referred to in paragraph (1).

#### Article 10

If the proposed Controlling Shareholder of an RB is the government, interviews as referred to in Article 8 paragraph (1) letter b shall only be conducted if deemed necessary.

### **Part Three**

#### **Test Results**

#### Article 11

- (1) Based on the administrative examination and/or results of interviews conducted by Bank Indonesia as referred to in Article 8 paragraph (1), the final result of the Fit and Proper Test shall be classified into 2 (two) ratings:
  - a. Passing Grade;
  - b. Disqualified.

(2) In the event ...

- (2) In the event that a proposed Controlling Shareholder has previously been Disqualified in the Fit and Proper Test as referred to in Article 31 paragraph (1) letter c and has completed a period of sanctions as referred to in Article 42 paragraph (1), Article 43, or Article 44, if the party concerned is awarded a Passing Grade in the Fit and Proper Test as referred to in paragraph (1) letter a, that party shall be required to meet certain requirements determined by Bank Indonesia as referred to in Article 47 paragraph (3).

#### Article 12

- (1) A proposed Controlling Shareholder awarded a Passing Grade as referred to in Article 11 paragraph (1) letter a shall be deemed to fulfill the requirements for becoming a Controlling Shareholder of the RB.
- (2) A proposed Controlling Shareholder who is Disqualified as referred to in Article 11 paragraph (1) letter b shall be deemed not to fulfill the requirements for becoming a Controlling Shareholder of the RB.
- (3) A proposed Controlling Shareholder as referred to in paragraph (2) may only be renominated for Controlling Shareholder if the requirements in this Bank Indonesia Regulation are first met.

#### Article 13

- (1) A proposed Controlling Shareholder for whom approval has not been issued by Bank Indonesia despite already owning shares in the RB is prohibited from taking actions in the capacity of Controlling Shareholder.
- (2) A proposed Controlling Shareholder already owning shares in an RB but Disqualified in the Fit and Proper Test shall be required to transfer his/her share ...

share ownership to another party fulfilling the requirements for a shareholder no later than 90 (ninety) days after the date of written notification from Bank Indonesia to the RB concerned.

- (3) If within the period referred to in paragraph (2) the proposed Controlling Shareholder owning the shares has not transferred ownership of shares, the party concerned shall be prohibited from taking actions in the capacity of shareholder of the RB.
- (4) The RB shall be prohibited from recording ownership of shares and/or conferring rights as shareholder on a proposed Controlling Shareholder as referred to in paragraph (2).

#### Article 14

- (1) Bank Indonesia shall inform the RB in writing of the test results as referred to in Article 11 in the form of approval or rejection as referred to in Article 7 paragraph (2).
- (2) In addition to the RB as referred to in paragraph (1), Bank Indonesia may inform other interested parties of the results of the Fit and Proper Test.

### **CHAPTER III**

#### **THE FIT AND PROPER TEST FOR CANDIDATE RB MANAGERS**

##### **Part One**

##### **Tested Factors**

#### Article 15

The Fit and Proper Test shall be conducted to assess whether candidate Managers fulfill the requirements of:

a. integrity ...

- a. integrity;
- b. competence; and
- c. financial reputation.

#### Article 16

The scope of the integrity requirement as referred to in Article 15 letter a covers the following:

- a. good character and sound moral values;
- b. commitment to comply with prevailing laws and regulations;
- c. strong commitment to the development of sound RB operations;
- d. not included in the DTL.

#### Article 17

(1) The scope of the competence requirement as referred to in Article 15 letter b covers the following:

- a. for candidates for the Board of Directors:
  - 1. adequate knowledge in banking relevant to their position and certification from a certification institution as stipulated in the applicable legal provisions concerning requirements for candidates for the Board of Directors;
  - 2. experience and expertise in banking and/or finance; and
  - 3. capacity for strategic management for development of a sound RB.
- b. for candidates for the Board of Commissioners:

1. adequate ...

1. adequate knowledge in banking relevant to their position; and/or
  2. experience in banking;
- (2) Fulfillment of the requirements for knowledge, experience, and expertise in banking and/or finance for candidates for the Board of Directors and Board of Commissioners as referred to in paragraph (1) is also subject to the applicable legal provisions concerning requirements for candidates for the Board of Directors and Board of Commissioners of RBs.

#### Article 18

The scope of the financial reputation requirement as referred to in Article 15 letter c covers the following:

- a. Not included in the list of bad debts; and
- b. Never declared bankrupt or never served as member of the board of directors or board of commissioners found at fault in causing a company to be declared bankrupt during a period of 5 (five) years prior to nomination.

#### **Part Two**

#### **Test Procedure**

#### Article 19

- (1) Application for approval of candidate Managers shall be submitted by the RB to Bank Indonesia.
- (2) Application as referred to in paragraph (1) shall be submitted for a maximum of 2 (two) persons for each open position, in which nominated candidates have been selected in accordance with the applicable laws and regulations.

(3) Approval ...

- (3) Approval or rejection of an application as referred to in paragraph (1) shall be issued by Bank Indonesia no later than 30 (thirty) days after receipt of the complete application.

#### Article 20

- (1) With regard to issuance of approval or rejection as referred to in Article 19 paragraph (1), Bank Indonesia shall conduct the Fit and Proper Test consisting of:
  - a. administrative examination;
  - b. interviews.
- (2) If a candidate for whom approval is requested from Bank Indonesia as referred to in Article 19 paragraph (1) is approved and appointed as Manager to an RB in accordance with a resolution of a general meeting of shareholders or meeting of members, notwithstanding the person concerned is not approved by Bank Indonesia, the RB shall dismiss the person concerned in a general meeting of shareholders or meeting of members no later than 90 (ninety) days after the date of written notification from Bank Indonesia.
- (3) A candidate Manager for an RB who has not received approval from Bank Indonesia is prohibited from performing tasks in the capacity of member of the Board of Directors or Board of Commissioners in the operations of the RB and/or other activities significantly influencing the policies and financial condition of the RB, even if previously approved and appointed by a general meeting of shareholders or meeting of members.

### **Part Three**

#### **Test Results**

##### Article 21

- (1) Based on the administrative inquiries and/or interviews conducted by Bank Indonesia as referred to in Article 20 paragraph (1), the final results of the Fit and Proper Test shall be classified by 2 (two) ratings as follows:
  - a. Passing Grade;
  - b. Disqualified.
- (2) If a candidate Manager has previously been Disqualified in the Fit and Proper Test as referred to in Article 31 paragraph (1) letter c and has completed the term of sanctions as referred to in Article 42 paragraph (1), Article 43, or Article 44, the party concerned if awarded a Passing Grade as referred to in paragraph (1) letter a shall be required to fulfill the requirements determined by Bank Indonesia as referred to in Article 47 paragraph (3).

##### Article 22

- (1) A candidate Manager awarded a Passing Grade as referred to in Article 21 paragraph (1) letter a shall be deemed to fulfill the requirements for becoming a member of the Board of Directors or Board of Commissioners at the RB.
- (2) A candidate Manager who is Disqualified as referred to in Article 21 paragraph (1) letter b shall be deemed not to fulfill the requirements for becoming a member of the Board of Directors or Board of Commissioners at the RB.

Article 23 ...

Article 23

- (1) Bank Indonesia shall inform the RB in writing of the results of the Fit and Proper Test as referred to in Article 21 in the form of approval or rejection as referred to in Article 19 paragraph (3).
- (2) In addition to the RB as referred to in paragraph (1), Bank Indonesia may inform other interested parties of the results of the Fit and Proper Test.

**CHAPTER IV**

**THE FIT AND PROPER TEST FOR CONTROLLING SHAREHOLDERS,  
MANAGERS, AND EXECUTIVE OFFICERS**

**Part One**

**Tested Factors**

Article 24

The Fit and Proper Test shall be conducted to assess:

- a. the factors of integrity and financial standing for Controlling Shareholders;
- b. the factors of integrity, competence, and financial reputation for Managers and Executive Officers.

Article 25

- (1) The integrity factor for Controlling Shareholders is that the party concerned has never committed actions, whether directly or indirectly, as follows:
  - a. provision of false or misleading information or banking practices in departure from banking regulations;

b. refusal ...



- b. refusal to provide a commitment and/or failure to meet a commitment previously agreed with Bank Indonesia;
  - c. actions generating unreasonable gain for the owners, Managers, employees, and/or other parties that may cause losses or foregone profits for the RB; and/or
  - d. acts in violation of prudential banking principles.
- (2) The financial standing factor for Controlling Shareholders is as follows:
- a. not included in the bad debt list;
  - b. never declared bankrupt or found at fault in causing a company to be declared bankrupt; and/or
  - c. capacity to fulfill commitments in resolving any capital and liquidity difficulties faced by the RB.

#### Article 26

- (1) The integrity factor for Managers and Executive Officers is that the person concerned has never directly or indirectly committed actions in the form of:
- a. actions as referred to in Article 25 paragraph (1); and
  - b. actions by Managers and/or Executive Officers lacking independence.
- (2) The scope of the competence factor for Managers and Executive Officers covers the following:
- a. adequate knowledge of banking relevant to the position held;
  - b. experience and expertise in banking and/or finance; and
  - c. capacity for strategic management for development of a sound RB.

(3) The ...

- (3) The scope of the financial reputation factor for Managers and Executive Officers covers the following:
- a. not included in the list of bad debts; and/or
  - b. never declared bankrupt or never served as member of the board of directors or board of commissioners found at fault in causing a company to be declared bankrupt

## **Part Two**

### **Test Procedure**

#### Article 27

Bank Indonesia shall conduct the Fit and Proper Test at any time if deemed necessary.

#### Article 28

- (1) The Fit and Proper Test shall be conducted by means of the following steps:
- a. gathering of information;
  - b. examination;
  - c. confirmation of preliminary test results based on findings from examination of the tested parties;
  - d. the tested parties submit responses/objections to the preliminary test results;
  - e. deliberation of the responses/objections from the tested parties and revision of the preliminary results of the Fit and Proper Test by Bank Indonesia;

f. the ...

- f. the results of deliberation as referred to in letter e are conveyed to the tested parties;
  - g. the tested parties submit responses to the results of deliberation as referred to in letter f;
  - h. further deliberation by Bank Indonesia of the responses/objections from the tested parties;
  - i. deliberation and determination of the test results by Bank Indonesia;
  - j. notification by Bank Indonesia of the final result of the Fit and Proper Test.
- (2) Responses/objections by tested parties as referred to in paragraph (1) letter d shall be submitted no later than 14 (fourteen) days after the date of confirmation of preliminary test results as referred to in paragraph (1) letter c.
- (3) Responses/objections by tested parties as referred to in paragraph (1) letter g shall be submitted no later than 14 (fourteen) days after delivery of the results of deliberation as referred to in paragraph (1) letter f.
- (4) If the tested parties do not exercise their rights to submit responses or objections as conferred in paragraph (2) and paragraph (3), the final result of the Fit and Proper Test shall be wholly based on the results of testing by Bank Indonesia.

#### Article 29

Scope of examination as referred to in Article 28 paragraph (1) letter b may cover any previous scope of examination.

Article 30 ...

Article 30

- (1) The Fit and Proper Test for Controlling Shareholders shall be conducted for all parties exercising Control over the RB as referred to in Article 2 paragraph (3) who are related to the Controlling Shareholders to be tested.
- (2) The results of the Fit and Proper Test for Controlling Shareholders and parties exercising Control over the RB as referred to in paragraph (1) shall constitute an integral whole and shall be valid for the Controlling Shareholders and parties exercising Control over the RB related to the tested Controlling Shareholders, unless it is possible to prove otherwise.
- (3) Proof otherwise as referred to in paragraph (2) shall be furnished by the parties concerned during the stages of the Fit and Proper Test as referred to in Article 28.

**Part Three**

**Test Results**

Article 31

- (1) Based on the testing procedure referred to in Article 28, the final result of the Fit and Proper Test shall be classified by 3 (three) ratings:
  - a. Passing Grade;
  - b. Qualified Passing Grade;
  - c. Disqualified.
- (2) The final result of the Fit and Proper Test as referred to in paragraph (1) shall be determined on the basis of the scores and weighting of tested factors as referred to in Article 25 and Article 26.

Part Four ...

**Part Four**  
**Consequences of Test Results**

Article 32

- (1) Parties awarded a Passing Grade shall be declared to have fulfilled the requirements for retaining their positions as Controlling Shareholders, Managers, or Executive Officers.
- (2) If any of the parties awarded a Passing Grade are subsequently found to owe bad debts to an RB and/or Commercial Bank, the issued rating shall be downgraded to Qualified Passing Grade.
- (3) The provision for downgrading of rating referred to in paragraph (2) shall also apply to parties deemed to be Managers of a legal entity owing bad debts.

Article 33

Parties awarded a Qualified Passing Grade shall be deemed to fulfill the requirements for retaining their positions as Controlling Shareholders, Managers, or Executive Officers with the obligation of meeting the requirements referred to Article 34 paragraph (1).

Article 34

- (1) Parties awarded a Qualified Passing Grade are required to:
  - a. prepare a written statement containing a statement that the party concerned will refrain from acts as referred to in Article 25 paragraph (1) or Article 26 paragraph (1) and/or acts for which the party concerned was awarded Qualified Passing Grade;
  - b. strengthen ...

- b. strengthen the competence factor as referred to in Article 26 paragraph (2) within a period not exceeding 1 (one) year;
  - c. resolve any bad debts owed to any RB and/or Commercial Bank within a period not exceeding 1 (one) year; and/or
  - d. submit and implement measures in the form of an action plan to fulfill commitments to resolve any capital and liquidity difficulties faced by the RB as referred to in Article 25 paragraph (2) letter c.
- (2) The personal statement referred to in paragraph (1) letter a shall be submitted to Bank Indonesia no later than 14 (fourteen) days after receipt of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

#### Article 35

- (1) Parties awarded a Qualified Passing Grade by reason of bad debts and who have resolved the bad debts as referred to in Article 34 paragraph (1) letter c and/or have fulfilled commitments as referred to in Article 34 paragraph (1) letter d may be awarded a Passing Grade.
- (2) Parties awarded a Qualified Passing Grade by reason of the competence factor and who have fulfilled the requirements referred to in Article 34 paragraph (1) letter b may be awarded a Passing Grade.

#### Article 36

Disqualified parties shall be barred from becoming:

a. Controlling ...

- a. Controlling Shareholders and owning more than 10% (ten percent) of shares in any RB or Commercial Bank; and/or
- b. Managers and/or Executive Officers at any RB and/or Commercial Bank.

#### Article 37

- (1) Parties barred from becoming Controlling Shareholders as referred to in Article 36 letter a shall submit a written statement to Bank Indonesia within a period not exceeding 30 (thirty) days, stating that the party concerned will not participate in Control of any RB and/or Commercial Bank, whether directly or indirectly.
- (2) If any of the parties referred to in paragraph (1) hold shares in excess of 10% (ten percent), the party concerned shall reduce ownership to no more than 10% (ten percent) within a period not exceeding 1 (one) year.

#### Article 38

- (1) In the event that parties as referred to in Article 36 letter a are unable to reduce their ownership to no more than 10% (ten percent) within the stipulated period:
  - a. the parties concerned may only acquire and exercise rights as shareholders in the RB and/or Commercial Bank to a maximum of 10% (ten percent); and
  - b. the RB shall record the ownership of shares and/or confer rights as shareholder on the parties concerned to a maximum of 10% (ten percent).
- (2) In the event that ownership is reduced by transferring shares to relatives and/or business groups of parties as referred to in Article 36 letter a, the RB shall be prohibited from recording the parties receiving the transfer in the register ...

register of shareholders of the RB and the parties receiving the transfer may not exercise their rights as shareholders.

- (3) Bank Indonesia may extend the period for the obligation to reduce ownership as referred to in paragraph (1) if in the opinion of Bank Indonesia, the intended actions need to be adjusted to a restructuring program for the RB as stipulated in the applicable legal provisions.
- (4) If after the extension of the period as referred to in paragraph (3) the party concerned is unable to fulfill commitments previously made, the party concerned shall be Disqualified and barred for 20 (twenty) years.

#### Article 39

- (1) Parties barred from becoming Managers and Executive Officers as referred to in Article 36 letter b and Article 45 paragraph (1) shall resign within a period not exceeding 90 (ninety) days.
- (2) Parties as referred to in paragraph (1) shall be prohibited from conducting operational tasks for the RB and/or other activities strongly influencing the policies and financial condition of the RB.
- (3) If any of the parties barred from serving as Manager of an RB as referred to in paragraph (1) are unwilling to resign:
  - a. the shareholders of the RB shall convene a general meeting of shareholders or meeting of members to dismiss the parties concerned;
  - b. Bank Indonesia will not recognize any and all legal relationships between Bank Indonesia and the RB represented by the RB Managers concerned;  
and
  - c. all actions taken by these parties shall constitute the personal liability of the individuals concerned.

Article 40 ...



Article 40

- (1) The following is stipulated in regard to the requirement for resignation of Managers within the period referred to in Article 39 paragraph (1):
  - a. if any Managers remain who have been awarded a Passing Grade or Qualified Passing Grade and these remaining Managers are deemed capable of conducting RB operations in accordance with the applicable legal provisions, the shareholders shall immediately convene a general meeting of shareholders or meeting of members within a period not exceeding 90 (ninety) days to approve the resignation or dismissal of the Disqualified Managers;
  - b. if no Manager was awarded a Passing Grade or Qualified Passing Grade and the general meeting of shareholders or meeting of members as referred to in letter a is not convened within the prescribed period, or the existing RB management is deemed capable of harming the operations of the RB in accordance with the applicable legal provisions, Bank Indonesia may designate and appoint caretaker management until a general meeting of shareholders or meeting of members appoints permanent replacements in accordance with the applicable legal provisions.
- (2) The RB shall report the resignation or dismissal of Managers as referred to in paragraph (1) letter a to Bank Indonesia no later than 10 (ten) days after the general meeting of shareholders or meeting of members.

Article 41

- (1) If any party barred from serving as Executive Officer as referred to in Article 39 paragraph (1) is unwilling to resign, the RB shall be required to dismiss the party concerned.

(2) The RB ...

- (2) The RB shall report the resignation of an Executive Officer as referred to in Article 39 paragraph (1) or dismissal of an Executive Officer as referred to in paragraph (1) to Bank Indonesia within a period not exceeding 10 (ten) days after the act of resignation or dismissal.

#### Article 42

- (1) The period of barring imposed on Disqualified parties as referred to in Article 36 is stipulated as follows:
- a. 2 (two) years if the deeds or actions of the party concerned resulted in losses not materially affecting the capital of the RB;
  - b. 3 (three) years if the deeds or actions of the party concerned resulted in losses with fairly material impact on the capital of the RB;
  - c. 5 (five) years if the deeds or actions of the party concerned:
    1. resulted in losses with highly material impact on the capital of the RB; or
    2. constituted serious misconduct in managerial affairs and/or banking operations.
- (2) Any parties awarded a Qualified Passing Grade but:
- a. unable to resolve obligations from bad debts within the prescribed period as referred to in Article 34 paragraph (1) letter c; or
  - b. deemed unable to improve competence as referred to in Article 34 paragraph (1) letter b,
- shall be Disqualified and barred for 2 (two) years.
- (3) Parties awarded a Qualified Passing Grade but unwilling to comply with the legal provisions or who commit violations of written statements as referred

to in Article 34 paragraph (1) letter a shall be Disqualified and barred for 5 (five) years.

- (4) Managers of an RB proven to be unwilling to dismiss a Disqualified Executive Officer as referred to in Article 41 paragraph (1) shall be Disqualified and barred for 3 (three) years after the individuals concerned have been issued 2 (two) written warnings, each at an interval of 15 (fifteen) days.

#### Article 43

Controlling Shareholders, Managers, and Executive Officers may be Disqualified and barred for a period of 20 (twenty) years in the case of:

- a. Controlling Shareholders who are Disqualified and unwilling to furnish personal statements to Bank Indonesia as referred to in Article 37 paragraph (1);
- b. Controlling Shareholders who breach any written personal statement made in order to fulfill the provisions referred to in Article 37 paragraph (1);
- c. Controlling Shareholders who fail to fulfill commitments made to Bank Indonesia as referred to in Article 38 paragraph (4);
- d. Controlling Shareholders, Managers, and Executive Officers who breach any written personal statement made within the framework of retesting as referred to in Article 47 paragraph (3); or
- e. Managers and Executive Officers who are Disqualified and notwithstanding are unwilling to resign.

Article 44

- (1) In addition to the provisions referred to in Article 43, Bank Indonesia may determine that shareholders, Controlling Shareholders, Managers, and Executive Officers shall become Disqualified parties barred for 20 (twenty) years if:
  - a. the parties concerned commit a crime in which the RB is exploited as a vehicle or target as referred to in Article 49 and are convicted by a court in a decision with permanent legal force;
  - b. the parties concerned are proven to be responsible for causing the RB to experience difficulties endangering its survival or potentially endangering the banking system; or
  - c. the parties concerned are declared bankrupt or become members of a board of directors or board of commissioners found at fault in causing a company to be declared bankrupt by a court in a decision with permanent legal force.
- (2) Parties may be determined to be Disqualified as referred to in paragraph (1) letter a and letter c without the process of the Fit and Proper Test as referred to in Article 28.

Article 45

- (1) Parties as referred to in Article 43 and Article 44 shall be barred from becoming parties exercising Control, shareholders, Managers, and Executive Officers at all RBs and/or Commercial Banks.

(2) Parties ...

- (2) Parties barred from exercising Control or becoming shareholders as referred to in paragraph (1) shall be required to relinquish their entire ownership at all RBs and/or Commercial Banks within a period not exceeding 1 (one) year from the date of written notification from Bank Indonesia.
- (3) If any parties as referred to in paragraph (1) are unable to relinquish their entire holdings within the prescribed period:
  - a. the party concerned may not acquire and exercise rights as shareholder in an RB and/or Commercial Bank; and
  - b. the RB shall be prohibited from recording the ownership of shares and/or conferring rights as shareholder on the party concerned.
- (4) Bank Indonesia may extend the period of the obligation for relinquishment of ownership as referred to in paragraph (2) if in the opinion of Bank Indonesia, these measures need to be adjusted to an RB restructuring program as stipulated in the applicable legal provisions.

#### Article 46

- (1) Bank Indonesia shall inform the RB and the tested parties in writing of the results of the Fit and Proper Test.
- (2) In addition to the parties referred to in paragraph (1), Bank Indonesia may inform other interested parties of the results of the Fit and Proper Test.

#### **Part Five**

#### **Application for Reinstatement as Controlling Shareholder, Shareholder, Manager, and/or Executive Officer of RB, and Review**

Article 47

- (1) Parties who are barred as referred to in Article 36 and Article 45 paragraph (1) may apply to Bank Indonesia for reinstatement as proposed Controlling Shareholder, proposed shareholder of an RB and/or Commercial Bank in excess of 10% (ten percent) of shares, candidate Manager, or candidate Executive Officer, if the term of barring as referred to in Article 42, Article 43, and Article 44 has expired.
- (2) A Controlling Shareholder incorporated as a legal entity that is barred as referred to in Article 36 and Article 45 paragraph (1) may submit an application to Bank Indonesia for reinstatement as proposed Controlling Shareholder and/or proposed shareholder at an RB and/or Commercial Bank holding more than 10% (ten percent) of shares prior to expiration of the period of barring as referred to in Article 42, Article 43, and Article 44, insofar as the legal entity concerned has replaced the parties Disqualified in the Fit and Proper Test who had exercised Control of the legal entity.
- (3) Parties submitting an application as referred to in paragraph (1) and deemed by Bank Indonesia to fulfill the requirements for becoming a proposed Controlling Shareholder, proposed shareholder in an RB and/or Commercial Bank holding more than 10% (ten percent) of shares, candidate Manager, or candidate Executive Officer of an RB shall be awarded a Qualified Passing Grade and shall prepare written statements for Bank Indonesia.
- (4) Application for reinstatement as proposed Controlling Shareholder, increase of ownership, and/or reinstatement as owner and candidate Manager of an RB as referred to in paragraph (1) shall be assessed in accordance with the provisions stipulated in CHAPTER II and CHAPTER III of this Bank Indonesia Regulation.

(5) Application ...

- (5) Application for reinstatement as candidate Executive Officer as referred to in paragraph (1) shall be assessed in accordance with the applicable legal provisions.
- (6) Bank Indonesia may reject any application as referred to in paragraph (1), among others, if:
- a. the party concerned is involved in a legal case still in process before a court;
  - b. the party concerned has violated the prevailing laws and regulations.

#### Article 48

- (1) Parties who are awarded a Qualified Passing Grade or are Disqualified may apply to Bank Indonesia for review in the case of any new evidence of a strong and relevant nature.
- (7) Any decision to approve or reject an application as referred to in paragraph (1) shall be at the sole discretion of Bank Indonesia.

### **CHAPTER V**

#### **MISCELLANEOUS PROVISIONS**

#### Article 49

Bank Indonesia shall inform the authorities if it is found on the basis of the process and/or results of the Fit and Proper Test that serious managerial and operational irregularities have taken place as referred to in Article 42 paragraph (2) letter c number 2, that are reasonably suspected of including elements of crime in which the RB is exploited as a vehicle or target.

Article 50 ...

Article 50

- (1) The process and results of the fit and proper test shall be confidential and administered and used only by Bank Indonesia for regulation and supervision of RBs.
- (2) In the event that the RB, any tested party, and other parties as referred to in Article 14, Article 23, and Article 46 disclose the results of the Fit and Proper Test to any other party, all legal consequences arising there from shall constitute the liability of the party concerned.

Article 51

Bank Indonesia may announce to the public the names of:

- a. Controlling Shareholders and/or shareholders who are Disqualified and unwilling to reduce ownership and/or relinquish ownership;
- b. Managers and Executive Officers who are Disqualified and unwilling to resign from their positions as Managers and/or Executive Officers; and/or
- c. Managers proven to be unwilling to dismiss any Executive Officer who is Disqualified.

Article 52

- (1) RBs shall report the business group structure related to the RB, including any owners of the RB incorporated as legal entities up to the ultimate shareholders, to Bank Indonesia 1 (one) time in each year for the end of year position and upon each plan for change in the business group structure that will result in change in the parties exercising control over the RB.

(2) The report ...



- (2) The report of the business group structure referred to in paragraph (1) shall be submitted no later than 30 (thirty) days after the end of the year.
- (3) Any plan for change in business group structure as referred to in paragraph (1) shall be reported to Bank Indonesia no later than 30 (thirty) days prior to the change.
- (4) If in the opinion of Bank Indonesia, a change in business group structure as referred to in paragraph (1) would bring about change in parties exercising control over an RB, or if in the opinion of Bank Indonesia there are parties exercising control over an RB as referred to in Article 2, the RB shall submit applications for proposed Controlling Shareholders and Bank Indonesia shall conduct the Fit and Proper Test as stipulated in Chapter II of this Bank Indonesia Regulation.
- (5) Any Fit and Proper Test conducted for parties exercising control of an RB by reason of change in business group structure as referred to in paragraph (4) shall constitute an integral whole and shall represent the result of the fit and proper test for the business group as referred to in paragraph (1).

#### Article 53

Bank Indonesia may refuse to approve any change in the parties exercising control of an RB if in the opinion of Bank Indonesia the change may or indications exist that the change may hinder the supervision of the RB.

#### Article 54

- (1) RBs are required to disclose the ultimate shareholders of the RB in the Annual Financial Statement and Published Financial Statement of the RB.

(2) The disclosure ...

- (2) The disclosure requirement referred to in paragraph (1) is additional to the disclosure requirement for information on RB shareholders as stipulated in the applicable Bank Indonesia legal provisions.

#### Article 55

Proposed Controlling Shareholders and candidate Managers for RBs, in addition to the requirements for integrity, competence, and financial standing as stipulated in this Bank Indonesia Regulation, shall also fulfill the requirements concerning ownership and management as stipulated in the applicable Bank Indonesia provisions and amendments and/or replacements thereto.

## CHAPTER VI

### SANCTIONS

#### Article 56

- (1) Any RB failing to comply with the provisions referred to in Article 13 paragraph (4), Article 20 paragraph (2), Article 38 paragraph (1) letter b and paragraph (2), and Article 45 paragraph (3) letter b shall be liable to administrative sanctions in accordance with Article 52 paragraph (2) of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 in the form of:
- a. Written warning;
  - b. Order for dismissal of the RB Management and thereafter appointment of caretaker management by Bank Indonesia until appointment of a permanent replacement by a general meeting of shareholders or meeting of Cooperative members with approval from Bank Indonesia.

(2) Any RB ...

- (2) Any RB failing to comply with the provisions referred to in Article 40 paragraph (2), Article 41 paragraph (2), and Article 52 paragraph (2) and paragraph (3) shall be liable to administrative sanctions in accordance with Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 in the form of written warning and a financial penalty of Rp 100,000.00 (one hundred thousand rupiahs) per day of delay for each report up to a maximum of Rp 3,000,000.00 (three million rupiahs).
- (3) Any shareholder failing to comply with the provisions referred to in Article 13 paragraph (1) and paragraph (3), Article 36 letter a, Article 39 paragraph (3) letter a, Article 40 paragraph (1) letter a, and Article 45 paragraph (1) shall be liable to administrative sanctions in accordance with Article 50 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.
- (4) Any member of the Board of Directors or Board of Commissioners or Executive Officer failing to comply with the legal provisions referred to in Article 20 paragraph (3), Article 36 letter b, and Article 45 paragraph (1) shall be liable to sanctions in accordance with Article 49 paragraph (2) letter b of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

## **CHAPTER VIII**

### **TRANSITIONAL PROVISIONS**

#### *Article 57*

Results of interviews conducted by Bank Indonesia for proposed Controlling Shareholders and candidate RB Managers prior to the enactment of this Bank Indonesia Regulation shall remain valid. Article 58 ...

Article 58

- (1) Commencing from the enactment of this Bank Indonesia Regulation, parties included in the list of certain persons meeting the criteria for disgraceful acts in banking as referred to in Decree of the Board of Managing Directors of Bank Indonesia Number 27/118/KEP/DIR dated January 25, 1995, concerning Criteria for Disgraceful Acts of Persons Prohibited from Becoming Shareholders and/or Managers of Banks, as specifically concerning parties from RBs, shall be Disqualified and barred for 20 (twenty) years.
- (2) The period of 20 (twenty) years referred to in paragraph (1) shall commence from the date of enactment of this Bank Indonesia Regulation.

**CHAPTER IX**

**CONCLUDING PROVISIONS**

Article 59

Further provisions concerning the Fit and Proper Test for RBs shall be stipulated in a Circular Letter of Bank Indonesia.

Article 60

With the enactment of this Bank Indonesia Regulation, Decree of the Board of Managing Directors of Bank Indonesia Number 27/118/KEP/DIR dated January 25, 1995, concerning Criteria for Disgraceful Acts by Persons Prohibited from Becoming Shareholders and/or Managers of Banks, is revoked and declared no longer valid.

Article 61 ...

Article 61

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

Enacted in: Jakarta

Dated: August 9, 2004

THE GOVERNOR OF BANK INDONESIA

(signed)

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 81 OF 2004

DPBPR

ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER: 6/23/PBI/2004  
CONCERNING  
THE FIT AND PROPER TEST  
FOR RURAL BANKS

**GENERAL REVIEW**

The restructuring of the banking system not only involves improvements to the financial condition of banks, but also placing the banking system on firmer foundations by guiding banks towards good corporate governance and compliance with prudential principles.

Quality human resources are essential to the resilience of a strong, stable banking system. Accordingly, RBs as intermediary institutions must maintain and safeguard their credibility at all times, and it is therefore essential for RBs to be owned and managed by parties of high integrity, adequate competence, and strong financial standing or good financial reputation.

To ensure the quality of human resources in the banking system and their ability to maintain public credibility at all times, it is necessary for Bank Indonesia to conduct the Fit and Proper Test for parties deemed to exercise major influence in the control and management of RBs. The Fit and Proper Test is an activity or practice in supervision customarily applied in the international realm.

The Fit ...

The Fit and Proper Test is an activity integral to the tasks conducted by Bank Indonesia in the supervision of RBs and needs to be conducted on an ongoing basis to ensure that the management of RBs remains in the hands of competent banking personnel with integrity and good financial standing or financial reputation. In addition to taking into account the factors of integrity, competence, and financial standing or reputation, the Fit and Proper Test also includes judgement based on reliable sources of data and information and a transparent process.

The Fit and Proper Test shall not only be conducted for incumbent Controlling Shareholders, Managers, and Executive Officers at RBs, but also for proposed Controlling Shareholders and candidate Managers for RBs. In the case of parties who in the opinion of Bank Indonesia do not fulfill the stipulated criteria, Bank Indonesia will proceed with actions in accordance with the applicable laws and regulations.

## **ARTICLE BY ARTICLE**

### Article 1

Self-explanatory

### Article 2

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3) ...

Paragraph (3)

The calculation of shares jointly owned and/or controlled by parties exercising Control over the RB shall include:

- a. RB shares owned by another party in which voting rights may be exercised or controlled by a party exercising control over the RB;
- b. RB shares owned by a company controlled by a party exercising control over the RB;
- c. RB shares owned by an affiliated party of a party exercising control over the RB;
- d. RB shares owned by a subsidiary of a company controlled by a party exercising control over the RB;
- e. nominee shares in the RB owned by another party for and on behalf of a party exercising control over the RB, whether or not based on a written agreement;
- f. RB shares held by another party in which transfer requires approval of a party exercising control over the RB;
- g. RB shares other than the shares referred to in letter a through letter f that are controlled by any party exercising control over the RB.

“Parties affiliated with the parties exercising control of the RB” as referred to in letter c are defined as:

a. Board ...



- a. Board of Commissioners, Board of Directors, or equivalent or their appointees, officers, or employees of a company exercising control of the RB;
- b. management board, supervisory board, managers or their appointees, officers, or employees of a company exercising control of the RB in the specific case of a company incorporated as a cooperative;
- c. parties providing services to a company exercising control over the RB, including but not limited to public accountant, appraisal company, legal consultant, and other consultant proven to be under the control of parties exercising control of the RB;
- d. parties with family ties to the parties exercising control over the RB until the second degree along horizontal or vertical lines of marriage or descent, including parents related to each other through the marriage of their children;
- e. parties who in the opinion of Bank Indonesia participate in influencing the management of a company exercising control over the RB, including but not limited to shareholders and their relatives, relatives of the Board of Commissioners, relatives of the supervisory board, relatives of the Board of Directors, and relatives of the management board.

### Article 3

#### Letter a

An RB may have 1 (one) or more Controlling Shareholders. The understanding of proposed Controlling Shareholder includes but is not limited ...

not limited to shareholder who becomes a Controlling Shareholder by reason of internal or external transfer of RB shares, additional capital from one or more RB shareholders, and/or party offering to become a Controlling Shareholder. The Fit and Proper Test shall also be conducted in the event of any transfer of office from the Board of Commissioners to the Board of Directors of the same RB.

Transfer of office from the Board of Directors to the Board of Commissioners, and/or from a member of the Board of Directors or Board of Commissioners to a higher position at the same RB, and/or in regard to extension of the term of office of the Board of Directors or Board of Commissioners shall be subject to administrative assessment, including but not limited to assessment of track record and examination to ascertain that the party concerned is not listed in the list of bad debts.

Letter b

Self-explanatory

Letter c

Self-explanatory

Article 4

Self-explanatory

Article 5

Letter a

The criteria in this Letter shall be assessed, among others, on the basis of information acquired by Bank Indonesia or information known to the public to the effect that the party concerned has never

been ...

been convicted of a crime in which the RB is exploited as a vehicle or target of crime and/or for committing improper and/or illegal acts harmful to the interests of other parties and/or defrauding the state.

Letter b

Self-explanatory

Letter c

Included herein is the commitment of the proposed Controlling Shareholder to assist in the resolution of difficulties in the liquidity and capital of the RB in accordance with the applicable legal provisions.

Letter d

Self-explanatory

## Article 6

Letter a

If the proposed Controlling Shareholder is a legal entity, the legal entity shall be required to submit an analysis of the current financial standing of the legal entity and projections for a minimum period of 3 (three) years, prepared by an independent consultant.

Letter b

“Included in the list of bad debts” is defined as a case in which a proposed Controlling Shareholder owes bad debts and/or is Manager of a legal entity that owes bad debts.

Letter c ...

Letter c

“Debt” is defined as including the debt of a company or business group owned by a Controlling Shareholder.

“Overdue debts and bad debts” are defined as debts failing to meet the requirements for proceeding with debt restructuring in accordance with the applicable legal provisions.

Article 7

Paragraph (1)

Application for approval of a proposed Controlling Shareholder shall be submitted by the RB at the initiative of the RB, the initiative of the proposed Controlling Shareholder, or at the request of Bank Indonesia.

Paragraph (2)

If an application for approval of a Controlling Shareholder of an RB is submitted at the time of application for approval in principle for establishment of the RB, Bank Indonesia shall issue approval or rejection in accordance with the legal provisions concerning RBs.

Article 8

Paragraph (1)

Letter a

The scope of administrative examination includes but is not limited to examination of documents submitted as administrative requirements as stipulated in the applicable legal provisions, track record, examination of financial standing ...

standing, and the ownership structure of the proposed Controlling Shareholder.

Examination of track record includes examination of any party previously Disqualified but deemed in retesting to fulfill the requirements to be reinstated as Controlling Shareholder, increase ownership, and/or become an owner of an RB.

Letter b

Interviews shall be conducted only for proposed Controlling Shareholders who have fulfilled the requirements in administrative examination as referred to in letter a.

Paragraph (2)

The written commitments include but are not limited to:

- a. commitment of the RB not to conduct certain activities deemed likely to worsen the financial and non-financial condition of the RB, such as dividend payout.
- b. commitment from parties exercising Control to report in a transparent manner any planned transfer of shares ownership in a company that would bring about change in parties exercising control of the RB.
- c. commitment from the Controlling Shareholder(s) and parties exercising Control not to transfer their share ownership in the RB within a specified period.
- d. commitment of the Controlling Shareholder(s) and parties exercising Control, including the ultimate shareholders, not to

accept ...

accept any improper provision of funds and/or facilities in any form whatsoever from the RB.

## Article 9

### Paragraph (1)

If a legal entity holding shares in an RB is owned and controlled by a series of other legal entities within a business group, the ultimate shareholders are the natural persons holding shares and exercising control over the ultimate legal entity in the entire structure of the business group exercising control over the RB. If no party exercises control over the ultimate legal entity in the entire structure of the business group exercising control over the RB, the legal entity is the ultimate shareholder.

### Paragraph (2)

Self-explanatory

### Paragraph (3)

“Administrative requirements” in this paragraph are defined as the required documents for a proposed Controlling Shareholder as stipulated in the applicable legal provisions.

### Paragraph (4)

Self-explanatory

## Article 10

“Government” is defined as a Regional Government.

Article 11 ...

Article 11

Paragraph (1)

Self-explanatory

Paragraph (2)

“Requirements stipulated by Bank Indonesia” in this paragraph are defined as including but not limited to personal statements for the retesting of Disqualified parties as referred to in Article 47 paragraph (3).

Article 12

Self-explanatory

Article 13

Paragraph (1)

“Actions in the capacity of Controlling Shareholder” in this paragraph are defined as including but not limited to:

- a. influencing the policies of the RB;
- b. attending and/or casting votes in a general meeting of shareholders in the capacity of Controlling Shareholder;
- c. receiving dividends according to the number of shares held as Controlling Shareholder.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4) ...

Paragraph (4)

Rights as shareholders as referred to in this paragraph include but are not limited to the right to attend and cast votes in a general meeting of shareholders and the right to receive dividends.

The prohibition on recording of share ownership shall not affect the accounting records or capital records of the RB until the party concerned has transferred his/her shares.

Article 14

Self-explanatory

Article 15

Self-explanatory

Article 16

The integrity requirement for the tested party shall be based on, among others, track record, grade awarded in any Fit and Proper Test previously awarded to a candidate Manager for the RB, whether Passing Grade or Qualified Passing Grade, or party that was Disqualified but approved by Bank Indonesia for reinstatement as Manager of an RB.

Letter a

The criteria in this letter shall be assessed, among others, on the basis of information acquired by Bank Indonesia or information known to the public to the effect that the party concerned has never been convicted of a crime in which the RB is exploited as a vehicle or target of crime and/or for committing improper and/or illegal acts harmful to the interests of other parties and/or defrauding the state.

Letter b ...



Letter b

Self-explanatory

Letter c

Self-explanatory

Letter d

Self-explanatory

Article 17

Paragraph (1)

Letter a

Number 1

Self-explanatory

Number 2

“Experience and expertise in banking and/or finance” is defined as including but not limited to experience and expertise in marketing, bookkeeping, funding, credit, or legal affairs pertaining to banking and/or finance.

Number 3

“Capacity for strategic management” is defined as including but not limited to ability to anticipate developments.

Letter b ...

Letter b

Number 1

“Knowledge in banking” is defined as including but not limited to knowledge of RB regulations and operations.

Number 2

“Experience in banking” is defined as including but not limited to experience in marketing, bookkeeping, funding, credit, or legal affairs pertaining to banking and economics, finance, and banking, interpreting the vision in terms of the mission of the RB, and analysis of the situation in the banking industry.

Paragraph (2)

Self-explanatory

Article 18

Letter a

The understanding of “included in the list of bad debts” includes any case in which a candidate Manager owes bad debts and/or is Manager of a legal entity owing bad debts.

Letter b

Self-explanatory

Article 19 ...

Article 19

Paragraph (1)

If all shares or a majority interest in the RB is held by a Regional Government, the application for approval of candidate Managers for the RB may be submitted by the Regional Government.

Paragraph (2)

“Applicable legal provisions” are defined as including but not limited to the laws and regulations concerning Limited Liability Companies and Labor.

Paragraph (3)

If an application for approval of a candidate Manager for an RB is submitted at the time of application for approval in principle for establishment of the RB, Bank Indonesia shall issue approval or rejection in accordance with the legal provisions concerning RBs.

Article 20

Paragraph (1)

Letter a

The scope of administrative examination includes but is not limited to examination of documents submitted as administrative requirements, track record, and examination of the financial reputation of the candidate RB Manager.

Letter b ...

Letter b

Interviews shall be conducted for candidates who have fulfilled requirements in administrative examination as referred to in letter a.

Paragraph (2)

Self-explanatory

Paragraph (3)

“Operations” are defined as including but not limited to activities in marketing, bookkeeping, funding, and credit.

Article 21

Paragraph (1)

Self-explanatory

Paragraph (2)

“Requirements stipulated by Bank Indonesia” in this paragraph are defined as including but not limited to personal statements for the purpose of retesting of Disqualified parties as referred to in Article 47 paragraph (3).

Article 22

Self-explanatory

Article 23

Paragraph (1)

Self-explanatory

Paragraph (2) ...

Paragraph (2)

Other interested parties in this paragraph include but are not limited to the shareholders.

Article 24

Self-explanatory

Article 25

Paragraph (1)

Letter a

“False or misleading information” is defined as efforts to conceal and/or disguise violations of any legal provision or true financial condition and/or transaction, including but not limited to the following:

1. embezzlement or manipulation that may cause loss to the RB;
2. fictitious transactions, whether conducted on the assets or liabilities side of the RB or in off-balance sheet transactions;
3. collusion with customers or other parties causing loss to the RB;
4. bank within bank practices or banking business conducted outside the bookkeeping of the bank;
5. window dressing in the books or reports of the RB with material impact on the financial condition of the RB to

the extent ...

the extent of giving rise to a misleading impression of the RB; or

6. improper cooperation resulting in one or more offices operating outside the control of the RB.

Letter b

“Commitment” is defined as readiness and sincerity of purpose in carrying out matters for which undertakings have previously been made, in keeping with the word given.

Letter c

“Employee” is defined as any person working for and recorded in the personnel administration of the RB.

“Causing losses or causing foregone profits for the RB” is defined as causing financial loss or foregoing of financial profit that may give rise to financial difficulties or potential for financial difficulties in the future.

Letter d

Legal provisions related to prudential principles include but are not limited to Earning Assets Quality, the Minimum Capital Adequacy Requirement, and the Legal Lending Limit.

Paragraph (2) ...

Paragraph (2)

Letter a

Testing of a Controlling Shareholder who is Manager of a legal entity owning bad debts will take into account the extent of involvement of the party concerned.

Letter b

Self-explanatory

Letter c

The commitment referred to in this letter is as set forth in the written statement as required under the applicable Bank Indonesia provisions.

Article 26

Paragraph (1)

Letter a

Self-explanatory

Letter b

“Independent” is defined as the ability to express views and thoughts and to take actions in accordance with professional norms without siding with the interests of other parties in contravention of the applicable laws and regulations and prudential principles in the management of the RB.

Paragraph (2) ...

Paragraph (2)

Assessment of the competence factor shall be based on the tasks and responsibilities of each Manager and Executive Officer in accordance with the job descriptions at the RB concerned.

Letter a

“Knowledge in banking” is defined as covering the scope of the knowledge of RB regulations and operations.

Letter b

“Expertise in banking and/or finance” is defined as including but not limited to expertise in operations, marketing, bookkeeping, funding, credit, and/or legal affairs pertaining to banking and/or finance.

Letter c

“Capacity for strategic management” is defined as the ability to anticipate economic, financial, and banking developments, interpret vision in terms of the mission of the RB, and analyze the situation of the RB industry.

Paragraph (3)

Self-explanatory

Article 27

Testing may be conducted at any time if indications come to light of actions in departure from sound banking practices in the results of off-site supervision, on-site examination, and/or information received from the public.

Article 28 ...



Article 28

Paragraph (1)

Letter a

Information may be based on the results of supervision or other information acquired by Bank Indonesia.

Letter b

Examination for the Fit and Proper Test may be conducted by means of special examination or concurrently with other examination.

Letter c

If the tested parties are a business group, confirmation of the results of the Fit and Proper Test shall be conveyed to all members of the business group related to the RB.

Letter d

Responses/objections by the tested parties may be submitted in writing or in person, and shall be supported by the necessary evidence.

Letter e

Self-explanatory

Letter f

The results of the deliberations shall be conveyed in writing.

Letter g ...

Letter g

Responses/objections by the tested parties may be submitted in writing or in person, and shall be supported by the necessary evidence.

Letter h

Self-explanatory

Letter i

Self-explanatory

Letter j

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Article 29

Self-explanatory

Article 30

Paragraph (1)

The Fit and Proper Test shall be conducted for Controlling Shareholders and parties exercising Control of an RB if indications exist of problems with integrity and financial standing.

Paragraph (2)

“Integral whole valid for the Controlling Shareholders and parties exercising Control” is defined as when the Controlling Shareholders are Disqualified, all parties exercising Control who are related to the Controlling Shareholders shall also be Disqualified.

This provision is intended so that each member of the Controlling Shareholders may act independently of the other members in the group of Controlling Shareholders.

Paragraph (3)

Self-explanatory

Article 31

Self-explanatory

Article 32

Self-explanatory

Article 33

Self-explanatory

Article 34 ...

## Article 34

The written statement and obligatory actions shall be adjusted to the reason for issuance of Qualified Passing Grade.

### Paragraph (1)

#### Letter a

Written statements shall be signed over sufficient revenue stamp.

#### Letter b

Improvement of the competence factor shall take place, among others, by the efforts of the party concerned to acquire additional knowledge.

The period shall commence from the date of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

#### Letter c

Resolution of bad debt must be supported by written confirmation from the lending RB and/or Commercial Bank, stating that the credit has been repaid in full or that the credit is no longer classified as loss.

The obligation for resolution of bad debts for parties who are managers of a legal entity recorded as owing bad debts shall be deemed fulfilled if the party concerned has resigned from the management of that legal entity and submitted documentary evidence to Bank Indonesia.

The period ...

The period for resolution of bad debts shall commence from the date of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

Letter d

Self-explanatory

Paragraph (2)

Fulfillment of the obligation for submission of personal statement by a party awarded a Qualified Passing Grade shall not result in upgrading of the status of the party concerned to Passing Grade, but the party concerned shall notwithstanding be permitted to remain as Controlling Shareholder, Manager, or Executive Officer.

Article 35

Self-explanatory

Article 36

Barring under this Article shall also apply to parties committing deeds and/or acts causing the party to be Disqualified at one bank, even though at the time of testing the party concerned has become a Controlling Shareholder, Manager, and/or Executive Officer at another RB and/or Commercial Bank.

Article 37

Paragraph (1)

The written statement shall be signed over sufficient revenue stamp and legalized by a Notary Public. Once the statement is made, the party concerned shall be prohibited from exercising all rights and

powers ...

powers as Controlling Shareholder, except for the right to receive dividends.

The period shall commence from the date of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

Paragraph (2)

The period of 1 (one) year shall commence from the date of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

Article 38

Paragraph (1)

Letter a

Self-explanatory

Letter b

Recording of ownership in the register of shareholders may only be recognized up to a maximum of 10% (ten percent).

Recording as referred to in this letter shall not affect the recording of accounting or capital of the Bank.

Rights as shareholders as referred to in this paragraph include but are not limited to the right to attend and cast votes in a general meeting of shareholders and the right to receive dividends.

Paragraph (2) ...

Paragraph (2)

Self-explanatory

Paragraph (3)

“Applicable legal provisions” are defined as including but not limited to the legal provisions concerning Designation of RB Status Under Special Surveillance and Freezing of Business Activities, and Requirements and Procedure for Merger, Consolidation, and Acquisition of RBs.

Paragraph (4)

Self-explanatory

Article 39

Paragraph (1)

“Resignation” in this paragraph is defined as resignation of the party concerned from the RB.

The period shall commence from the date of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 40

Paragraph (1)

Letter a

The period shall commence from the date of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

Letter b

Self-explanatory

Paragraph (2)

Self-explanatory

Article 41

Self-explanatory

Article 42

Paragraph (1)

The period shall commence from the date of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

The understanding of losses to the capital of the RB includes foregone profits for the RB and/or potential losses incurred.

Paragraph (2)

The period shall commence from the date of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

Paragraph (3) ...



Paragraph (3)

The period shall commence from the date of written notification from Bank Indonesia as referred to in Article 28 paragraph (1) letter j.

Paragraph (4)

Self-explanatory

Article 43

The period of 20 (twenty) years shall commence from the date of written notification from Bank Indonesia.

Article 44

Paragraph (1)

The period of 20 (twenty) years shall commence from the date of written notification from Bank Indonesia.

Letter a

Self-explanatory

Letter b

“Responsible for causing the RB to experience difficulties endangering its survival or potentially endangering the banking system” is defined as including but not limited to:

- 1) exploitation of the RB to finance personal interests or the interests of his/her business group; and/or
- 2) violation of legal provisions and/or commitments to Bank Indonesia resulting in serious problems for the RB to the

extent ...

extent that business activities are frozen and/or operating license is revoked.

Letter c

Self-explanatory

Paragraph (2)

Self-explanatory

Article 45

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Letter a

Self-explanatory

Letter b

Rights as shareholders as referred to in this letter include but are not limited to the right to attend and cast votes in a general meeting of shareholders and the right to receive dividends.

The prohibition on recording ownership of shares shall not affect the accounting records or the capital of the RB until the party concerned transfers his/her shares.

Paragraph (4) ...

Paragraph (4)

“Applicable legal provisions” are defined as including but not limited to the provisions concerning Designation of Status of RB Under Special Surveillance and Freezing of Business Activities and Requirements and Procedure for Merger, Consolidation, and Acquisition of RBs.

Article 46

Paragraph (1)

Self-explanatory

Paragraph (2)

Other interested parties in this paragraph include but are not limited to the shareholders.

Article 47

Paragraph (1)

Self-explanatory

Paragraph (2)

Documented evidence of replacement of parties exercising Control of the legal entity must be provided in accordance with the applicable laws and regulations.

Paragraph (3)

The written statement shall be made over sufficient revenue stamp and shall declare that the party concerned will not commit and/or repeat any deed and/or action deemed in violation of the

requirements ...

requirements concerning the factors of competence, integrity, and/or financial standing as referred to in Article 25 and Article 26.

Paragraph (4)

Self-explanatory

Paragraph (5)

“Applicable legal provisions” are defined as the Bank Indonesia provisions concerning RBs.

Paragraph (6)

Letter a

“Legal case” in this letter is defined as a legal case related to the Fit and Proper Test conducted by Bank Indonesia.

Letter b

“Applicable laws and regulations” in this letter is defined as including but not limited to the legal provisions concerning labor or immigration.

Article 48

Paragraph (1)

Self-explanatory

Paragraph (2)

Any decision to approve or reject an application as referred to in this paragraph shall be made independently on the basis of certainty of knowledge and strong, relevant evidence held or acquired by Bank Indonesia. If necessary, information or decisions from other agencies ...

agencies will be used as material for consideration in reaching the decision of Bank Indonesia.

Article 49

Self-explanatory

Article 50

Paragraph (1)

Self-explanatory

Paragraph (2)

Bank Indonesia shall not be responsible for any misuse of data provided to the Managers of an RB and other interested parties as referred to in Article 14, Article 23, and Article 46.

Article 51

Announcement to the public includes but is not limited to announcement on the Bank Indonesia website.

Article 52

Paragraph (1)

The report on business group structure in this paragraph shall disclose all natural persons or legal entities owning 10% (ten percent) or more of the shares in the RB and parties exercising Control and/or owning 10% (ten percent) or more of the shares in those legal entities, and shall specify the parties who are the ultimate shareholders.

The report ...

The report on the business group structure related to the RB in accordance with this Bank Indonesia Regulation shall be submitted for the first time for the position of December 31, 2004.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Article 53

“Hindering the supervision of the RB” is defined as including but not limited to a case in which Bank Indonesia experiences or sees potential for difficulties in accessing data and information, including information on the financial resources of the parties exercising control over the RB.

Article 54

Paragraph (1)

Self-explanatory

Paragraph (2)

Sample disclosure of information on ultimate shareholders:

1. Mr X owns ....% of shares in the RB through PT ABC

2. Mr Z owns ...

2. Mr Z owns:

- .... of shares in the RB through PT A,
- .... of shares in the RB through PT B, and
- .... of shares in the RB through PT C.

Article 55

“Applicable legal provisions concerning ownership and management” are defined as including but not limited to the legal provisions concerning RBs.

Article 56

Self-explanatory

Article 57

Self-explanatory

Article 58

Self-explanatory

Article 59

Self-explanatory

Article 60

Self-explanatory

Article 61

Self-explanatory