

BANK INDONESIA REGULATION

NUMBER: 6/ 22 /PBI/2004

CONCERNING

RURAL BANKS

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas a strong and efficient national banking system is essential to promote the growth of the national economy and support the dynamic expansion of business.
  - b. whereas the Rural Bank industry, which comprises part of the national banking system, needs to be strengthened in order to grow and improve the services delivered to the public with particular focus on small and micro entrepreneurs;
  - c. now therefore it is deemed necessary to enact new provisions concerning the establishment and organization 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 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, 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;
2. “Sharia Rural Bank”, hereinafter referred to as SRB, is a Rural Bank as defined in Article 1 number 4 of Act Number 7 of 1992 concerning Banking

as amended ...

as amended by Act Number 10 of 1998, conducting business based on sharia principles;

3. “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;
4. “Branch Office” is an RB office directly responsible to the head office of the RB concerned, which conducts business at a permanent address;
5. “Cash Unit” is an RB office whose business is to provide cash services in support of its supervising office, and which conducts business at a permanent address;
6. “Outdoor Cash Service” is the provision of cash services to the public, including but not limited to:
  - a. “Mobile Cash Service” or “Floating Cash Service” is a cash service using land or water transportation;
  - b. “Payment Point” is an activity for payment services operated by means of cooperation between the RB and other parties;
  - c. “Automated Teller Machine” (ATM) is an electronic cash service operating as a convenience, among others for customers for cash withdrawal or deposit, payments by bookkeeping transfer, and obtaining information on the account balance and account entries of the customer;
7. “Board of Directors”:

- a. for an RB incorporated as a Limited Liability Company, is board of directors as referred to in Article 1 paragraph 4 of Act Number 1 of 1995 concerning Limited Liability Companies;
  - b. for an RB 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 incorporated as a Cooperative, is management board as referred to in Article 29 of Act Number 25 of 1992 concerning Cooperatives.
8. “Board of Commissioners”:
- a. for an RB incorporated as a Limited Liability Company, is board of commissioners as referred to in Article 1 paragraph 5 of Act Number 1 of 1995 concerning Limited Liability Companies;
  - b. for an RB incorporated as a Regional Government Enterprise, is board of commissioners as referred to in Article 19 of Act Number 5 of 1962 concerning Regional Government Enterprises;
  - c. for an RB incorporated as a Cooperative, is supervisory board as referred to in Article 38 of Act Number 25 of 1992 concerning Cooperatives.
9. “Executive Officer” is an officer exerting influence on the policy and operations of an RB or company, and/or directly responsible to the Board of Directors, including but not limited to the management of a Branch Office;
10. “Controlling Shareholder” is a legal person, natural person, and/or business group that:

- a. owns shares in a company or RB at 25% (twenty-five percent) or more of total issued shares with voting rights; or
- b. owns shares in a company or RB at less than 25% (twenty-five percent) of total issued shares with voting rights, but can be proven to exercise control of the RB whether directly or indirectly.

## Article 2

An RB may be legally incorporated as a:

- a. Limited Liability Company;
- b. Cooperative; or
- c. Regional Government Enterprise.

## CHAPTER II

### ESTABLISHMENT OF RURAL BANKS

## Article 3

- (1) An RB may only be established with a license from the Board of Governors of Bank Indonesia.
- (2) An RB may only be established and owned by:
  - a. Indonesian citizens;
  - b. an Indonesian legal entity wholly owned by Indonesian citizens;
  - c. a Regional Government; or

- d. two or more of the parties referred to letter a, letter b, and letter c.

#### Article 4

- (1) The minimum paid up capital for establishment of an RB is stipulated at:
  - a. Rp 5,000,000,000.00 (five billion rupiahs) for an RB established in the Capital City Territory of Jakarta
  - b. Rp 2,000,000,000.00 (two billion rupiahs) for an RB established in a provincial capital in Java and Bali and the Regencies or Municipalities of Tangerang, Bogor, Depok, and Bekasi;
  - c. Rp 1,000,000,000.00 (one billion rupiahs) for an RB established in a provincial capital outside Java and Bali and on Java and Bali outside the regions referred to in the above letter a and letter b;
  - d. Rp 500,000,000.00 (five hundred million rupiahs) for an RB established in another region outside the regions referred to in letter a, letter b, and letter c.
- (2) Paid up capital for an RB legally incorporated as a Cooperative is principal savings, mandatory savings, and endowments as stipulated in the law concerning cooperatives.
- (3) At least 50% (fifty percent) of the paid up capital of an RB shall be used for working capital.

**CHAPTER III**  
**LICENSING OF RURAL BANKS**

**Part One**

**General Review**

Article 5

A license as referred to in Article 3 paragraph (1) shall be granted in two stages:

- a. approval in principle, namely approval to conduct preparations for establishment of the RB;
- b. operating license, meaning a license to conduct business as RB after the completion of the preparations referred to in letter a.

**Part Two**

**Approval in Principle**

Article 6

(1) Application for approval in principle as referred to in Article 5 letter a shall be submitted by at least one of the proposed owners to the Board of Governors of Bank Indonesia, enclosing the following:

- a. draft deed of incorporation, including draft articles of association, stating at least the following:
  1. name and place of domicile;
  2. scope of business as RB;
  3. capital;

4. ownership ...

4. ownership;
  5. powers, responsibilities, and tenure of the Board of Commissioners and Board of Directors;
- b. ownership data as follows:
1. list of proposed shareholders and details of each individual shareholding, for an RB incorporated as a Limited Liability Company or Regional Government Enterprise;
  2. list of proposed members and details of principal savings and mandatory savings and list of endowments, for an RB incorporated as a Cooperative;
- c. list of candidates for the Board of Directors, Board of Commissioners, enclosing for each:
1. recent 4 x 6 cm photographs;
  2. photocopy of valid identity card (KTP);
  3. curriculum vitae;
  4. personal statement that the candidate has never committed any disgraceful acts in banking, financial, or other business and/or has never been convicted of a felony and/or is not under imposition of sanctions barring the candidate from serving on the management of an RB, SRB, and/or Commercial Bank as stipulated in the provisions for the Fit and Proper Test for RBs;
  5. personal statement declaring that the person concerned has never been declared bankrupt and never been a shareholder or member of the Board of Directors or Board of Commissioners found at fault in

causing ...

causing a company to be declared bankrupt on the basis of a court decision during the period of 5 (five) years prior to the date of application;

6. photocopy of D-3 Diploma or Undergraduate Degree or transcript of completion of 110 credits in an undergraduate (S-1) education program, legalized by the competent agency, for candidates for the Board of Directors;
7. statement or written evidence from the former bank of employment regarding operational experience in banking, for an experienced candidate for the Board of Directors;
8. personal statement from each candidate for the Board of Directors that the party concerned does not have family ties as referred in Article 24 paragraph (1);
9. personal statement from each candidate for the Board of Directors concerning willingness not to serve in any concurrent position in excess of the provisions referred in Article 24 paragraph (2);
10. certification from a certification institution, for candidates for the Board of Directors;
11. statement or other written evidence concerning education in banking previously taken by a candidate for the Board of Directors and Board of Commissioners not possessing experience, issued by the competent agency and/or educational institution;

12. statement ...

12. statement or other written evidence from the former bank of employment regarding experience in banking, for an experienced candidate for the Board of Commissioners;
  13. personal statement from each candidate for the Board of Commissioners concerning willingness not to serve in any concurrent position in excess of the provisions referred in Article 25 paragraph (3) and paragraph (4);
  14. personal statement from each candidate for the Board of Commissioners concerning willingness to present the results of supervision of the RB to Bank Indonesia; and
  15. personal statement from each candidate for the Board of Directors that the individual concerned is willing to serve on the Board of Directors at least 3 (three) years from the commencement of operation of the RB and will not resign without prior approval from Bank Indonesia;
- d. planned organizational structure, including personnel;
  - e. analysis of potential and feasibility for establishment of the RB, encompassing assessment of:
    1. demographic and economic aspects of the local region;
    2. numbers and growth in banking institutions, including microfinance institutions;
    3. business plan including sources of funds and channeling of funds, and steps to be taken to carry out this plan;

4. monthly financial projection for the first year and annually for the subsequent two years from the date that the RB commences operations;
  5. human resources planning;
  - f. planned systems and working procedures;
  - g. proof of payment of capital amounting to no less than 30% (thirty percent) of paid-up capital as referred to in Article 4 paragraph (1), in the form of a photocopy of a deposit slip in favor of "the Board of Governors of Bank Indonesia, q.q. one of the proposed owners for establishment of the RB concerned," at a Commercial Bank in Indonesia, stating that the funds may only be withdrawn after receipt of written approval of the Board of Governors of Bank Indonesia; and
  - h. personal statements from the proposed shareholders, for an RB incorporated as a Limited Liability Company or Regional Government Enterprise or personal statements from the proposed members for an RB incorporated as a Cooperative, stating that the payment of capital referred to in letter g:
    1. does not originate from a loan or other financing facility in any form whatsoever from a bank and/or any other party; and
    2. does not originate from nor is intended for money laundering.
- (2) List of proposed shareholders or list of candidate members as referred to in paragraph (1) letter b:
- a. in the case of an individual, shall enclose:

1. documents as referred to in paragraph (1) letter c number 1 through number 5; and
  2. personal statement from the proposed Controlling Shareholder affirming willingness to resolve any capital and liquidity difficulties faced by the RB in the course of its business;
- b. in the case of a legal entity, shall enclose:
1. deed of incorporation, including articles of association and amendments thereto, approved by the competent authority;
  2. documentation as referred to in paragraph (1) letter c number 1 through number 5, for all members of the Board of Directors and Board of Commissioners of the legal entity concerned;
  3. list of shareholders and details of each individual shareholding, for a legal entity incorporated as a Limited Liability Company or Regional Government Enterprise, or composition of management and details of principal savings and mandatory savings and list of endowments, for a legal entity incorporated as a Cooperative;
  4. financial statement for end of the month prior to the date of submission of application for approval in principle;
  5. financial statement for the legal entity, audited by a Public Accountant for the position at no more than 6 (six) months prior to the date of submission of application for approval in principle, for a legal entity with equity participation of Rp 1,000,000,000.00 (one billion rupiahs) or more, except for a Regional Government;

6. personal statement from the management of the legal entity, affirming willingness to resolve any capital and liquidity difficulties faced by the RB in the course of its business, if the legal entity is a proposed Controlling Shareholder of the RB;
7. personal statement from the Controlling Shareholder of a proposed Controlling Shareholder affirming willingness to resolve any capital and liquidity difficulties faced by the RB in the course of its business;
8. the entire structure of the business group related to the RB and the legal entities controlling the RB up to the ultimate shareholder of the legal entity, except for a Regional Government; and;
9. personal statement from the management of the legal entity, stating that the party concerned has submitted true and complete information on the business group structure of the RB up to the ultimate shareholder, if the legal entity is a proposed Controlling Shareholder of the RB.

#### Article 7

- (1) Approval or rejection of application for approval in principle shall be issued no later than 60 (sixty) days after receipt of the complete application.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
  - a. examine and verify the documents;
  - b. conduct ...

- b. conduct the fit and proper test through administrative inquiry and interview of the proposed Controlling Shareholder and candidates for the Board of Directors and Board of Commissioners in accordance with the provisions concerning the fit and proper test for RBs; and
  - c. assess the analysis of potential and feasibility for establishment of the RB as referred in Article 6 paragraph (1) letter c;
- (3) In addition to the provisions referred to in paragraph (2), the parties applying for establishment of the RB shall conduct a presentation for Bank Indonesia on the analysis of potential and feasibility for establishment of the RB.

#### Article 8

- (1) Approval in principle as referred to in Article 7 paragraph (1) shall be effective for 360 (three hundred and sixty) days after date of issue, and shall be non-extendable.
- (2) A party having obtained approval in principle is prohibited from conducting business prior to obtaining an operating license
- (3) If within the period referred to in paragraph (1), the proposed owners of the RB have not submitted an application for operating license to the Board of Governors of Bank Indonesia, the previously issued approval in principle shall be declared no longer valid.

**Part Three**  
**Operating License**

Article 9

Application for operating license as referred to in Article 5 letter b shall be submitted by the RB to the Board of Governors of Bank Indonesia, enclosing the following:

- a. deed of incorporation, including articles of association approved by the competent authority;
- b. ownership data comprising:
  1. list of shareholders and details of each individual shareholding, for an RB incorporated as a Limited Liability Company or Regional Government Enterprise;
  2. list of members and details of principal savings and mandatory savings and list of endowments, for an RB incorporated as a Cooperative,each accompanied by documents as referred to in Article 6 paragraph (2), in the event of any change;
- c. list of candidate members of the Board of Directors and Board of Commissioners, enclosing documents as referred in Article 6 paragraph (1) letter c, in the event of any change;
- d. organizational structure and working systems and procedures, including composition of personnel;
- e. proof of payment of paid up capital as referred to in Article 4 paragraph (1), in the form of a photocopy of a deposit slip in favor of “the Board of

Governors of Bank Indonesia, q.q. one of the owners for establishment of the RB concerned" at a Commercial Bank in Indonesia, stating that the funds may be withdrawn only after written approval of the Board of Governors of Bank Indonesia;

- f. personal statements by the shareholders, for an RB incorporated as a Limited Liability Company or Regional Government Enterprise, or by members, for an RB incorporated as a Cooperative, stating that the payment of capital referred to in letter e:
  - 1. does not originate from any loan or financing facility in any form whatsoever, extended by any other bank and/or other party; and
  - 2. does not originate from nor is intended for money laundering.
- g. evidence of operational readiness, including but not limited to:
  - 1. list of fixed assets and inventory;
  - 2. evidence of occupancy in the form of ownership or leasing agreement for office premises, supported by evidence of ownership from the lessor;
  - 3. photographs of the office building and layout of office space;
  - 4. specimen forms/slips to be used in the RB operations;
  - 5. Taxpayer Identification Number (NPWP).

#### Article 10

- (1) Approval or rejection of application for operating license shall be issued no later than 60 (sixty) days after receipt of the complete application.

(2) With ...

- (2) With regard to approval or rejection of application as referred to in paragraph (1), Bank Indonesia shall:
  - a. examine and verify the documents;
  - b. conduct a fit and proper assessment encompassing administrative inquires and interviews of the proposed Controlling Shareholder and candidates for the Board of Directors and Board of Commissioners in accordance with the provisions concerning the fit and proper test for RBs, in the event of any replacement of previously nominated candidates.

#### Article 11

- (1) An RB having received an operating license from Board of Governors of Bank Indonesia shall open for business no later than 60 (sixty) days after the date of issuance of the operating license.
- (2) Report of opening for business as referred to in paragraph (1) shall be submitted by the RB to Bank Indonesia no later than 10 (ten) days after the date of commencing operation, enclosing the Certificate of Company Registration.
- (3) If after the period referred to in paragraph (1), the RB has not opened business, the previously issued operating license shall be declared no longer valid.

Article 12

An RB having received an operating license from the Board of Governors of Bank Indonesia shall clearly state the words “Bank Perkreditan Rakyat” or the abbreviation "BPR" in front of the name of the RB, in accordance with the articles of association of the RB.

**CHAPTER IV**

**OWNERSHIP AND CHANGE IN RB CAPITAL**

Article 13

- (1) Ownership of an RB by a legal entity as referred to in Article 3 paragraph (2) letter b shall not exceed the net worth of the legal entity concerned and shall not exceed the amount permitted for the legal entity under the applicable legal provisions.
- (2) Net worth as referred to in paragraph (1) consists of:
  - a. the sum of paid up capital, reserves, and profit less equity participation and loss, for a legal entity incorporated as a Limited Liability Company or Regional Government Enterprise;
  - b. the sum of principal savings, mandatory savings, endowments, equity capital, reserve funds, and operating results less equity participation and losses, for a legal entity incorporated as a Cooperative;
  - c. the sum of donations or untied grants, *wakaf*, and endowments not in contravention of the articles of association and/or applicable laws and regulations, for a legal entity incorporated as a foundation.

#### Article 14

The following are prohibited sources of funds for use in acquiring ownership of an RB:

- a. funds originating from any loan or financing facility in any form whatsoever from a bank and/or other party;
- b. funds originating from and intended for money laundering.

#### Article 15

- (1) Parties eligible to become owners of an RB are parties:
  - a. not included on the list of persons barred from becoming shareholders and/or management of a Commercial Bank, RB, and/or SRB in accordance with the provisions stipulated by Bank Indonesia;
  - b. in the opinion of Bank Indonesia, possessing integrity, including but not limited to:
    1. good character and strong moral values;
    2. willingness to comply with the applicable laws and regulations; and
    3. willingness to develop sound operations at the RB.
- (2) Controlling Shareholders, in addition to complying with the provisions referred to in paragraph (1), are also required to meet the requirement for financial standing in accordance with the provisions for the fit and proper test for RBs.

## Article 16

- (1) Any change in ownership resulting in change and/or emergence of a Controlling Shareholder of an RB must have prior approval from Bank Indonesia and shall be subject to the procedure for replacement and/or addition of RB owners as stipulated in the applicable laws and regulations.
- (2) Application for approval of change in ownership as referred in to paragraph (1) shall be submitted to Bank Indonesia, enclosing the documents referred to in Article 6 paragraph (1) letter b and letter c numbers 1 through number 5.
- (3) Approval or rejection of application for change of ownership as referred to in paragraph (2) shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (4) The RB shall convene a general meeting of shareholders or meeting of members to adopt the change in ownership as referred to in paragraph (3) no later than 90 (ninety) days after the date of approval by Bank Indonesia.
- (5) If a general meeting of shareholders or meeting of members as referred to in paragraph (4) cannot be convened within the prescribed timeframe, approval from Bank Indonesia as referred to in paragraph (2) shall be declared no longer valid.
- (6) Adoption of change of ownership as referred to in paragraph (4) shall be reported to Bank Indonesia no later than 10 (ten) days after the change, enclosing:
  - a. proof of payment;
  - b. minutes of the general meeting of shareholders or meeting of members;
  - c. notarized ...

- c. notarized amendment to articles of association;
- d. evidence of reporting of the amendment to the articles of association as referred to in letter c to the competent agency;
- e. personal statements of shareholders as referred to in Article 6 paragraph (1) letter h; and
- f. ownership data as referred to in Article 9 letter b.

#### Article 17

- (1) Any plan for replacement and/or change in owners which does not result in emergence of a Controlling Shareholder of an RB shall be notified in advance to Bank Indonesia, enclosing the documents referred to in Article 6 paragraph (1) letter b and letter c numbers 1 through number 5.
- (2) Approval of planned replacement and/or addition of owners as referred to in paragraph (1) shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (3) The RB shall convene a general meeting of shareholders or meeting of members to adopt the replacement and/or addition of owners approved by Bank Indonesia as referred to in paragraph (2) no later than 90 (ninety) days after the date of approval by Bank Indonesia.
- (4) If a general meeting of shareholders or meeting of members as referred to in paragraph (3) cannot be convened within the prescribed timeframe, approval from Bank Indonesia as referred to in paragraph (2) shall be declared no longer valid.

- (5) Replacement and/or addition of owners as referred to in paragraph (3) shall be reported to Bank Indonesia no later than 10 (ten) days after adoption of the replacement or addition, enclosing the documents referred to in Article 16 paragraph (6).

#### Article 18

- (1) Change in composition of ownership of an RB which does not result in replacement and/or addition of a Controlling Shareholder shall be reported to Bank Indonesia no later than 10 (ten) days after the change.
- (2) Change in composition of ownership referred in to paragraph (1) resulting from addition of paid up capital shall be reported to Bank Indonesia, enclosing the documents referred to in Article 16 paragraph (6):
- (3) Change in composition of ownership referred in to paragraph (1) not resulting from addition of paid up capital shall be reported to Bank Indonesia, enclosing the documents referred to in Article 16 paragraph (6) letter b, letter c, letter d and letter f.

#### Article 19

- (1) Total paid up capital for an RB after change of ownership as referred to in Article 16, Article 17, and Article 18 shall comply with the provisions referred to in Article 4 paragraph (3).

- (2) To ensure adequacy of working capital as referred to in Article 4 paragraph (3), the RB shall ensure that the total amount of fixed assets and inventory is no more than 50% (fifty percent) of paid up capital.

#### Article 20

- (1) Any change in authorized capital shall be reported to Bank Indonesia no later than 10 (ten) days after the RB receives the letter of approval of amendment to articles of association from the competent agency, enclosing:
  - a. minutes of the general meeting of shareholders or meeting of members;  
and
  - b. amendment to the articles of association approved by the competent agency.
- (2) RBs are required to duly administer:
  - a. the register of shareholders and any amendments thereto, for an RB legally incorporated as a Limited Liability Company or Regional Government Enterprise;
  - c. register of members and any amendments thereto, for an RB legally incorporated as a Cooperative.

**CHAPTER V**  
**BOARD OF DIRECTORS, BOARD OF COMMISSIONERS,**  
**EXECUTIVE OFFICERS**

Article 21

- (1) Members of the Board of Directors and Board of Commissioners shall meet the following requirements:
  - a. competence;
  - b. integrity; and
  - c. financial reputation.
- (2) Fulfillment of the integrity requirement for members of the Board of Directors and Board of Commissioners as referred to in paragraph (1) shall be according to the provisions concerning the fit and proper test for RBs.

Article 22

- (1) Members of the Board of Directors shall number no less than 2 (two) persons.
- (2) The minimum level of formal education for members of the Board of Directors is Diploma III or Undergraduate or completion of a minimum of 110 credits in undergraduate (S-1) education.
- (3) At least 50% (fifty percent) of the members of the Board of Directors shall possess experience as officers in banking operations for at least 2 (two) years.

Article 23 ...

Article 23

Members of the Board of Directors shall be certified by a certification institution.

Article 24

- (1) Members of the Board of Directors are prohibited from having family ties with:
  - a. other members of the Board of Directors as parent, child, parent-in-law, son/daughter-in-law, husband, wife, natural brother/sister or brother/sister-in-law; and/or
  - b. members of the Board of Commissioners as parent, child, parent-in-law, son/daughter-in-law, husband, wife, or natural brother/sister.
- (2) Members of the Board of Directors of an RB are prohibited from serving in concurrent positions as members of the Board of Directors or Executive Officers for any other banking institution, company, or other institution.
- (3) Members of the Board of Directors of an RB are prohibited from granting general empowerment resulting in unlimited transfer of duties and powers.

Article 25

- (1) Members of the Board of Commissioners shall number no less than 2 (two) persons.

- (2) At least 50% (fifty percent) of the members of the Board of Commissioners as referred to in paragraph (1) shall possess knowledge and/or experience in banking.
- (3) A member of the Board of Commissioners may serve in concurrent positions at no more than 2 (two) other RBs or SRBs or at 1 (one) Commercial Bank.
- (4) Members of the Board of Commissioners are prohibited from holding concurrent positions as members of the Board of Directors of an RB, SRB, and/or Commercial Bank.
- (5) At least 1 (one) member of the Board of Commissioners possessing knowledge and/or experience in banking must be domiciled within commuting distance of the domicile of the RB.
- (6) If needed by Bank Indonesia, members of the Board of Commissioners shall be required to present the results of their supervision of the RB.

#### Article 26

In the event of any conflict of interest, a member of the Board of Directors, member of the Board of Commissioners, and Executive Officers of an RB shall be prohibited from making decisions.

#### Article 27

- (1) In the event of any replacement and/or extension of tenure of members of the Board of Directors and/or Board of Commissioners, the candidates for the Board of Directors and/or Board of Commissioners shall obtain

approval ...

approval from Bank Indonesia prior to appointment and taking up their position.

- (2) Application for approval as referred to in paragraph (1) shall be submitted by the members of the Board of Directors to Bank Indonesia prior to the general meeting of shareholders or meeting of members convened to adopt the replacement and/or extension of tenure, enclosing the documents referred to in Article 6 paragraph (1) letter c number 1 through number 14.
- (3) Approval or rejection of application for replacement and/or extension of tenure of members of the Board of Directors and/or Board of Commissioners shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (4) With regard to approval or rejection as referred to in paragraph (3), Bank Indonesia shall conduct an assessment in accordance with the provisions concerning the fit and proper test for RBs.

#### Article 28

- (1) The RB shall convene a general meeting of shareholders or meeting of members to appoint members of the Board of Directors and/or Board of Commissioners no later than 90 (ninety) days after the date of approval by Bank Indonesia as referred to in Article 27 paragraph (1).
- (2) Appointment of members of the Board of Directors and/or Board of Commissioners shall be reported to Bank Indonesia no later than 10 (ten) days after the appointment, enclosing the minutes of the general meeting of shareholders or meeting of members.

- (3) Minutes of the general meeting of shareholders or meeting of members as referred to in paragraph (2) shall be accompanied by notarized amendment to the articles of association, evidence of reporting of amendment to the articles of association to the competent agency, and the latest composition of the RB management.
- (4) If a general meeting of shareholders or meeting of members as referred to in paragraph (1) is not convened within the prescribed timeframe, the approval of Bank Indonesia for the candidates for the Board of Directors and/or Board of Commissioners as referred to in Article 27 paragraph (1) shall be declared no longer valid.

#### Article 29

- (1) Appointment or replacement of an Executive Officer shall be reported to Bank Indonesia no later than 10 (ten) days after the effective date of appointment, enclosing:
  - a. letter of appointment, and specifically in the case of Branch Manager, enclosing a letter of empowerment from the Board of Directors of the RB;
  - b. recent 4 x 6 cm passport photograph;
  - c. photocopy of valid Identity Card (KTP);
  - d. curriculum vitae; and
  - e. specimen signature and initials.

- (2) If according to assessment and inquiries by Bank Indonesia, an Executive Officer is included in the list of persons barred from become a shareholder, Controlling Shareholder, management, or Executive Officer of an RB, SRB, and/or Commercial Bank, the RB shall dismiss the person concerned no later than 30 (thirty) days after the date of notification from Bank Indonesia.
- (3) Dismissal of an Executive Officer as referred to in paragraph (2) shall be reported to Bank Indonesia no later than 10 (ten) days after the date of dismissal.

## **CHAPTER VI**

### **OPENING OF RB OFFICES**

#### **Part One**

#### **Opening of Branch Offices**

##### Article 30

- (1) An RB may establish a Branch Office only in the same province as its head office.
- (2) Establishment of a Branch Office as referred in to paragraph (1) may only proceed pursuant to a license from Bank Indonesia.
- (3) The Capital City Territory of Jakarta and the Regencies or Municipalities of Tangerang, Bogor, Depok, and Bekasi are stipulated as one provincial area for establishment of a Branch Office.
- (4) In consequence of the designation of area as referred in paragraph (3):

a. an RB ...

- a. an RB in West Java outside the Regencies or Municipalities of Bogor, Depok, Bekasi, and Karawang may not open a Branch Office in the Regencies or Municipalities of Bogor, Depok, Bekasi, and Karawang;
- b. an RB in Province of Banten outside the Regency or Municipality of Tangerang may not open a Branch Office in the Regency or Municipality of Tangerang.

#### Article 31

- (1) An RB intending to establish a Branch Office shall meet the following requirements:
  - a. disclosure of the plan for establishment of the Branch Office in the Annual Work Plan of the RB;
  - b. compliance with paid up capital as referred to in Article 4 paragraph (1);
  - c. rated sound during the last 12 (twelve) months; and
  - d. during the last 3 (three) months, capital adequacy ratio (CAR) at a minimum of 15% (fifteen percent).
- (2) An RB may only establish 1 (one) Branch Office within a period of 1 (one) year after obtaining a license for establishment of Branch Office.
- (3) An RB from an area with lower paid up capital requirement may open a Branch Office in an area with a higher paid up capital requirement insofar as the RB meets the paid up capital requirement for the area in which the Branch Office is to be established.

(4) An RB ...

- (4) An RB in an area with a higher paid up capital requirement for opening a Branch Office in an area with the same or lower paid up capital requirement:
- a. is required to maintain the existing paid up capital, if the amount of paid up capital meets the paid up capital requirement referred to in Article 4 paragraph (1); or
  - b. is required to meet the paid up capital requirement, if it has not met the paid up capital requirement referred to in Article 4 paragraph (1).

#### Article 32

A license of establishment of Branch Office as referred in Article 30 paragraph (2) shall be issued in two stages:

- a. approval in principle for establishment of the Branch Office, namely approval to conduct preparations for establishment of the Branch Office;
- b. operating license for the Branch Office, namely license to open the Branch Office after completion of preparations as referred to in letter a.

#### Article 33

Application for approval in principle for establishment of Branch Office as referred in Article 32 letter b shall be submitted by the RB to Bank Indonesia enclosing an analysis of the potential and feasibility of establishment of the Branch Office with reference to Article 6 paragraph (1) letter e.

Article 34

- (1) Approval or rejection of application for approval in principle for establishment of a Branch Office shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
  - a. examine and verify the documents; and
  - b. assess the analysis of the potential and feasibility of establishment of a Branch Office as referred to in Article 33.

Article 35

- (1) Approval in principle for establishment of a Branch Office as referred in Article 32 letter a shall be effective for 120 (one hundred and twenty) days after the date of approval in principal for establishment of the Branch Office.
- (2) If the RB has not submitted an application to Bank Indonesia for operating license for the Branch Office within the period referred to in paragraph (1), the approval in principle for establishment of the Branch Office shall be declared no longer valid.

Article 36

- (1) Application for operating license for Branch Office as referred to in Article 32 letter b shall be submitted by the RB enclosing evidence of operational readiness for opening of the Branch Office.
- (2) Approval or rejection of application for operating license for Branch Office shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (3) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall examine the operational readiness of the RB for opening of the Branch Office.

Article 37

- (1) An RB having obtained an operating license for a Branch Office as referred in Article 32 letter b shall open the Branch Office for business no later than 30 (thirty) days after the date of issuance of the license;
- (2) Opening of Branch Office as referred to in paragraph (1) shall be reported to Bank Indonesia no later than 10 (ten) days after the opening date.
- (3) If within the period referred to in paragraph (1) the RB does not open the Branch Office, the operating license issued for the Branch Office shall be declared no longer valid.

## **Part Two**

### **Opening of Cash Units**

#### Article 38

- (1) Opening of Cash Units shall be permitted only in the same Regency or Municipality as the supervising RB office.
- (2) An RB intending to open a Cash Unit as referred in to paragraph (1) shall meet the following requirements:
  - a. the plan for opening the Cash Unit is disclosed in the annual work plan of the RB; and
  - b. rated at least fairly sound during the last 12 (twelve) months.

#### Article 39

- (1) RBs are required to submit a plan for opening of Cash Unit to Bank Indonesia.
- (2) Bank Indonesia shall issue confirmation of the plan for opening as referred to in paragraph (1) no later than 30 (thirty) days after receipt of the plan for opening the Cash Unit.
- (3) The Cash Unit shall open for business no later than 30 (thirty) days after the date of confirmation by Bank Indonesia.
- (4) If within the period referred to in paragraph (3) the RB does not open the Cash Unit, the previously issued confirmation for opening of the Cash Unit shall be declared no longer valid.

- (5) Report of opening of Cash Unit as referred to in paragraph (3) shall be submitted to Bank Indonesia no later than 10 (ten) days after the opening date.

### **Part Three**

#### **Outdoor Cash Services**

##### Article 40

- (1) Outdoor Cash Services may only be operated in the same regency or municipality as the supervising RB office.
- (2) Any plan for opening of Outdoor Cash Services shall be disclosed in the annual work plan of the RB
- (3) Outdoor Cash Services shall be reported to Bank Indonesia no later than 10 (ten) days after the date of commencing activities.

##### Article 41

Financial statements for Cash Units and Outdoor Cash Services shall be consolidated into the financial statement for the supervising office on the same day.

**CHAPTER VII**  
**CHANGE OF OFFICE ADDRESS**

Article 42

- (1) The head office and any Branch Office of an RB may only move address with approval by Bank Indonesia.
- (2) Application for approval for change of address as referred to in paragraph (1):
  - a. to an area with higher paid up capital requirement shall comply with the paid up capital requirement in the new area as referred to in Article 4 paragraph (1);
  - b. to another area with the same or lower paid up capital requirement shall retain the existing level of paid up capital if it meets the paid up capital requirement in the new area or shall comply with the paid up capital requirement in the new area if it does not meet the paid up capital requirement as referred to in Article 4 paragraph (1).

Article 43

Approval for change of address shall be issued in two stages:

- a. approval in principle for change of address, namely approval to conduct preparations for moving address
- b. effective approval for moving address, namely approval to move address after completion of the preparations referred to in letter a.

#### Article 44

- (1) Approval of change of address as referred to in Article 43 letter a shall be effective only for moving address outside the Regency, Municipality, or Province.
- (2) Application for approval in principle for change of address as referred to in paragraph (1) a shall be submitted to Bank Indonesia enclosing:
  - a. reasons for the change of address and plan for settlement or transfer of claims and liabilities;
  - b. analysis of the potential and feasibility for moving address, with reference to Article 6 paragraph (1) letter e.

#### Article 45

- (1) Approval or rejection of application for approval in principle for change of address as referred to in Article 44 paragraph (2) shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
  - a. examine and verify the documents as referred to in Article 44 paragraph (2) letter a; and
  - b. assess the analysis of potential and feasibility for change of address as referred to in Article 44 paragraph (2) letter b.

#### Article 46

- (1) Approval in principle for change of address as referred to in Article 43 letter a shall be effective for a period of 180 (a hundred eighty) days after the date of issuance of the approval by Bank Indonesia.
- (2) The RB shall be prohibited from moving office address prior to obtaining effective approval for moving address as referred to in Article 43 letter b.
- (3) If within the period referred to in paragraph (1) the RB has not submitted application for effective approval for moving address, the previously issued approval in principle for change of address shall be declared no longer valid.

#### Article 47

Application for effective approval for moving address as referred to in Article 43 letter b shall be submitted to Bank Indonesia, enclosing:

- a. evidence of announcement to the public as referred to in Article 48 paragraph (1) and evidence of office readiness, including facilities, for an RB intending to move address outside the regency, municipality, or province;
- b. evidence of announcement to the public as referred to in Article 48 paragraph (1), reason for moving office address, plan for settlement or transfer of claims and liabilities, and evidence of office readiness including facilities, for an RB intending to move address within the same regency or municipality.

Article 48

- (1) The RB shall announced the planned change of address to the public in the previous domicile of the RB in a local daily newspaper or on the notice board of the local Subdistrict office no later than 10 (ten) days prior to the date of application to Bank Indonesia for effective approval for moving address as referred to in Article 47.
- (2) With regard to approval or rejection of application for effective approval for moving address as referred to in Article 47, Bank Indonesia shall examine and verify the documents.
- (3) Approval or rejection of application for effective approval for moving address as referred to in paragraph (2) shall be issued no later than:
  - a. 30 (thirty) days for an RB intending to move address within the same regency or municipality: or
  - b. 60 (sixty) days for an RB intending to move address outside the regency, municipality, or province,commencing from receipt of the complete application.
- (4) The office shall move address no later than 30 (thirty) days after the date of issuance by Bank Indonesia of effective approval for moving address.
- (5) If within the period referred to in paragraph (4) the RB has not moved address, the previously issued effective approval for moving address shall be declared no longer valid.
- (6) Report of moving address shall be delivered to Bank Indonesia no later than 10 (ten) days after the date of moving address.

Article 49

- (1) Change of address of Cash Unit shall be notified in advance to Bank Indonesia, explaining the reasons for the move and readiness of the Cash Unit.
- (2) A Cash Office may only move address as referred to in paragraph (1) after the RB has received a letter of confirmation from Bank Indonesia.
- (3) Confirmation as referred to in paragraph (2) shall be issued no later than 15 (fifteen) days after receipt by Bank Indonesia of notification of change of address of the Cash Unit as referred to in paragraph (1).
- (4) Moving of address of the Cash Unit shall be reported to Bank Indonesia no later than 10 (ten) days after the moving date.

Article 50

Moving of address of an Outdoor Cash Service shall be reported to Bank Indonesia no later than 10 (ten) days after the moving date.

## **CHAPTER VIII**

### **NAME AND LEGAL INCORPORATION**

#### **Part One**

#### **Name and Change of Name**

##### *Article 51*

- (1) The name and any change of name of an RB shall comply with the applicable laws and regulations.
- (2) Application for change of name shall be submitted to the competent authority with a copy to Bank Indonesia.
- (3) An RB having obtained approval for change of name from the competent authority shall submit an application to Bank Indonesia for a ruling on use of the operating license held by the RB under the new name.
- (4) Application as referred to in paragraph (3) shall be submitted no later than 30 (thirty) days after approval of the change of name, enclosing:
  - a. reason for change of name; and
  - b. the deed of amendment of articles of association approved by the competent agency.
- (5) Based on the application referred to in paragraph (4), Bank Indonesia shall issue approval for the change of name of the RB no later than 30 (thirty) days after receipt of the complete application.
- (6) Change of name of the RB shall be announced to the public in a local daily newspaper or on the notice board of the local Subdistrict office no later than 20 (twenty) days after the date of issuance of approval by Bank Indonesia.

## **Part Two**

### **Conversion of RB Legal Entity**

#### Article 52

- (1) Conversion of the legal entity of an RB shall be pursuant to the applicable laws and regulations and may only proceed with approval from Bank Indonesia.
- (2) Approval for conversion of the legal entity of an RB as referred to in paragraph (1) shall be issued in two stages:
  - a. approval in principle, meaning approval to conduct preparations for conversion of legal entity of the RB;
  - b. approval for conversion of operating license, meaning approval issued for conversion of the operating license from the former legal entity to the new legal entity.

#### Article 53

- (1) Application for approval in principle for conversion of the legal entity of an RB as referred to Article 52 paragraph (2) letter a shall be submitted to Bank Indonesia prior to the convening of a general meeting of shareholders or meeting of members to adopt a resolution on the conversion of the legal entity of the RB, enclosing:
  - a. reasons for conversion of legal entity of the RB;
  - b. draft deed of incorporation of the new legal entity, including articles of association;

- c. plan for transfer of all rights and liabilities from the former legal entity to the new legal entity;
  - d. documents as referred to in Article 6 paragraph (1) letter c number 1 through number 14; and
  - e. list of ownership as referred to in Article 6 paragraph (1) letter b.
- (2) Approval or rejection of application for approval in principle as referred to in paragraph (1) shall be issued no later than 30 (thirty) days after the receipt of the complete application.
- (3) With regard to approval or rejection as referred to in paragraph (2), Bank Indonesia shall:
- a. examine and verify the documents; and
  - b. conduct an assessment of the proposed shareholders and candidates for the Board of Directors and/or Board of Commissioners in accordance with the provision for the fit and proper test for RBs, in the event of any replacement or change.
- (4) Approval in principle as referred to in paragraph (2) shall be effective for 180 (one hundred and eighty) days after the date of approval.
- (5) If the RB does not submit an application for conversion of operating license within the period referred to in paragraph (4), the previously issued approval in principle shall be declared no longer valid.

Article 54

- (1) Application for conversion of the operating license of the RB from the former legal entity to a new legal entity as referred to in Article 52 paragraph (2) letter b shall be submitted to Bank Indonesia, enclosing:
  - a. deed of incorporation of the new legal entity, including articles of association approved by the competent authority;
  - b. list of candidates for the Board of Commissioners and Board of Directors, enclosing documents as referred to in Article 6 paragraph (1) letter c number 1 through number 14, in the event of any replacement;
  - c. list of ownership as referred to in Article 6 paragraph (1) letter b, in the event of any change;
  - d. official record of transfer of all rights and liabilities from the former legal entity to the new legal entity; and
  - e. minutes of the general meeting of shareholders or meeting of members of the former legal entity approving the conversion of legal entity and dissolution of the former legal entity.
- (2) Approval or rejection of application for conversion of operating license from former legal entity to a new legal entity shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (3) With regard to approval or rejection as referred to in paragraph (2), Bank Indonesia shall:
  - a. examine and verify the documents; and

b. conduct ...

- b. conduct an assessment of candidates for the Board of Directors and/or Board of Commissioners and/or proposed owners in accordance with the provisions concerning the fit and proper test for RBs, in the event of any replacement or change.

#### Article 55

- (1) The former legal entity may only be dissolved after:
  - a. Bank Indonesia has issued approval for conversion of operating license as referred to in Article 52 paragraph (2) letter b; and
  - b. transfer of all rights and liabilities from the former legal entity to the new legal entity has been completed in accordance with the official record referred to in Article 54 paragraph (1) letter d.
- (2) Conversion of the legal entity of the RB shall be announced to the public in the domicile of the RB in a local daily newspaper or on the notice board of the local Subdistrict office no later than 20 (twenty) days after the date of issuance of approval by Bank Indonesia.

### **CHAPTER IX**

#### **CLOSURE OF OFFICE**

#### Article 56

- (1) A Branch Office may be closed only with approval from Bank Indonesia.

(2) Application ...

- (2) Application for closure of Branch Office as referred to paragraph (1) shall be submitted to Bank Indonesia, enclosing the reasons for closure and settlement of liabilities to customers and other parties.
- (3) Approval or rejection of application for closure of Branch Office as referred to in paragraph (2) shall be issued no later than 15 (fifteen) days after:
  - a. receipt of the complete application; and
  - b. all liabilities have been settled, as confirmed by examination.
- (4) Closure of a Branch Office as referred to in paragraph (1) shall be announced to the public in the domicile of the RB office in a local daily newspaper or on the notice board of the local Subdistrict office no later than 10 (ten) days after the date of approval by Bank Indonesia.
- (5) Closing of business of Branch Office approved for closure as referred to in paragraph (3) shall be reported to Bank Indonesia no later than 10 (ten) days after the date of closure, enclosing evidence of announcement as referred to in paragraph (4).

#### Article 57

- (1) Any plan for closure of a Cash Unit and Outdoor Cash Service shall be reported to Bank Indonesia, enclosing the reasons for closure, no later than 30 (thirty) days prior to the closure.
- (2) The RB shall announce the planned closure of Cash Unit and Outdoor Cash Service to the public in a local daily newspaper or on the notice board of the local Subdistrict office no later than 10 (ten) days prior to the date of closure.

- (3) Closure of Cash Unit and Outdoor Cash Service of the RB as referred to in paragraph (1) shall be reported to Bank Indonesia no later than 10 (ten) days after the date of closure, enclosing evidence of announcement as referred to in paragraph (2).

#### Article 58

- (1) Any temporary closure of the head office and Branch Office other than an official holiday shall require approval from Bank Indonesia.
- (2) Application for temporary office closure as referred to in paragraph (1) shall be submitted stating the reasons for closure, period of closure, and the date at which the office shall reopen.
- (3) Approval or rejection of approval for temporary office closure shall be issued no later than 10 (ten) days after receipt of the complete application.
- (4) The RB shall announce the planned temporary office closure to the public in a local daily newspaper or on the notice board of the local Subdistrict office no later than 10 (ten) days prior to the date of closure, after obtaining approval from Bank Indonesia.
- (5) Temporary office closure as referred to in paragraph (1) shall not exceed 5 (five) working days within 1 (one) calendar year.
- (6) The RB shall report the re-opening of the office no later than 10 (ten) days after the date of opening.

**CHAPTER X**  
**CONVERSION OF BUSINESS**

Article 59

- (1) An RB may convert business to an SRB pursuant to a license granted by the Board of Governors of Bank Indonesia.
- (2) The provisions concerning issuance of a license for conversion of business of an RB to SRB as referred to in paragraph (1) are subject to the Bank Indonesia Regulation concerning RBs Based on Sharia Principles.

**CHAPTER XI**  
**CERTIFICATION INSTITUTIONS**

Article 60

- (1) A certification institution as referred to in Article 6 paragraph (1) letter c number 10 is an institution that regulates and prescribes a system for certification of members and candidates for Boards of Directors and that meets minimum requirements prescribed by Bank Indonesia.
- (2) The minimum requirements referred to in paragraph (1) are as follows:
  - a. has a vision and mission, most importantly for human resources development at RBs with the ultimate goal of building a sound, strong, and efficient RB industry;
  - b. has organs consisting of a certification board, national curriculum committee, and management;

c. possesses ...

- c. possesses competence and commitment to implement a human resources development policy for RBs; and
  - d. is not profit-oriented.
- (3) A certification institution as referred to in paragraph (1) may only conduct activities after obtaining a license from the competent agency, based on a recommendation from Bank Indonesia.
- (4) Bank Indonesia shall not issue a recommendation as referred to in paragraph (3) if the existence of the certification institution is deemed adequate.
- (5) Implementation provisions concerning certification institutions as referred to in paragraph (1) shall be stipulated further in a Circular Letter of Bank Indonesia.

## **CHAPTER XII**

### **SANCTIONS**

#### Article 61

- (1) Any RB failing to comply with the provisions of Article 4 paragraph (3), Article 12, Article 13, Article 14, Article 16 paragraph (1), Article 17 paragraph (1), Article 19, Article 20 paragraph (2), Article 24 paragraph (3), Article 25 paragraph (6), Article 26, Article 27 paragraph (1), Article 38 paragraph (1), Article 39 paragraph (1), Article 40 paragraph (1), Article 41, Article 42 paragraph (1), Article 46 paragraph (2), Article 48 paragraph (1), Article 49 paragraph (1) and paragraph (2), Article 51 paragraph (3), paragraph (4), and paragraph (6), Article 52 paragraph (1), Article 55, Article 56 paragraph (1) and paragraph (4), Article 57 paragraph (1) and paragraph (2) ...

paragraph (2), Article 58 paragraph (1) and paragraph (4), Article 65 paragraph (1) and paragraph (2), and Article 66 paragraph (2), 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, comprising:

- a. written warning; and/or
  - b. downgrading of rating.
- (2) Any RB failing to comply with the provisions of Article 11 paragraph (2), Article 16 paragraph (6), Article 17 paragraph (5), Article 18 paragraph (1), Article 20 paragraph (1), Article 28 paragraph (2), Article 29 paragraph (1) and paragraph (3), Article 37 paragraph (2), Article 39 paragraph (5), Article 40 paragraph (2), Article 48 paragraph (6), Article 49 paragraph (4), Article 50, Article 56 paragraph (5), Article 57 paragraph (3), and Article 58 paragraph (6) 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, comprising:
- a. written warning and a fine of Rp 100,000.00 (one hundred thousand rupiahs) for each late report;
  - b. written warning and a fine of Rp 250,000.00 (two hundred and fifty thousand rupiahs) if the RB fails to submit a report.
- (3) An RB shall be found not to have submitted a report as referred to in paragraph (2) letter b if the RB has not submitted the report in question within 30 (thirty) days of the deadline for submission of the report.

- (4) An RB failing to comply with the provisions in Article 65 paragraph (4) and paragraph (5) shall be liable to imposition of restrictions on scope of business comprising prohibitions on:
  - a. opening of Branch Office and Cash Unit;
  - b. change of address; and/or
  - c. conducting business as moneychanger.
  
- (5) Any RB failing to comply with the provisions in Article 66 paragraph (1) 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, comprising:
  - a. requirement to move domicile to another area insofar as the paid up capital requirement in the area of destination of the move is met; and/or
  - b. prohibition on opening any Cash Office and conducting business as moneychanger.
  
- (6) Any party failing to comply with the provisions of Article 3 paragraph (1), Article 8 paragraph (2), and Article 30 paragraph (2) shall be liable to criminal penalties in accordance with Article 46 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.
  
- (7) Members of the Board of Directors or Board of Commissioners failing to comply with the provisions as referred to in Article 24 paragraph (1) and paragraph (2), Article 25 paragraph (2), paragraph (3), and paragraph (4), Article 29 paragraph (2), and Article 65 paragraph (3), paragraph (6), and

paragraph (7) shall be prohibited from serving on the management of an RB.

- (8) Members of the Board of Directors failing to comply with the provisions in Article 63 paragraph (5) and Article 64 paragraph (2) shall be prohibited from serving on the management of an RB.

#### Article 62

- (1) Any member of the Board of Directors and/or Board of Commissioners barred from serving in management as referred to in Article 61 paragraph (7) and paragraph (8) shall be required to resign no later than 90 (ninety) days after the date of notification from Bank Indonesia.
- (2) Parties barred from serving as members of the Board of Directors and/or Board of Commissioners as referred to in paragraph (1) shall be barred from conducting any operational tasks for an RB and/or other activities with significant influence on the policy and financial condition of an RB.
- (3) If the parties referred to in paragraph (1) are unwilling to resign:
  - a. the RB shall convene a general meeting of shareholders or meeting of members no later than 90 (ninety) days after the expiration of the period referred to in paragraph (1) to dismiss the parties concerned;
  - b. Bank Indonesia shall not recognize any and all legal ties between Bank Indonesia and the RB represented by the parties concerned; and
  - c. all actions taken by these parties shall constitute the personal liability of the individuals concerned.

- (4) If a general meeting of shareholders or meeting of members as referred to in paragraph (3) letter a cannot be convened, Bank Indonesia may designate and appoint a temporary replacement pending appointment of permanent replacements by the general meeting of shareholders or meeting of members with approval from Bank Indonesia.
- (5) Shareholders failing to comply with the provisions as referred to in paragraph (3) letter a shall be liable to criminal penalties in accordance with Article 50 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

### **CHAPTER XIII**

#### **TRANSITIONAL PROVISIONS**

##### Article 63

- (1) Approval in principle for establishment of an RB issued by Bank Indonesia but which was not granted an operating license prior to the enactment of this Bank Indonesia Regulation shall remain valid.
- (2) Any application for approval in principle for establishment of an RB, application for opening of office, change of address, change of name and conversion of legal entity, conversion of business, and closure of office submitted to Bank Indonesia and pending the issue of approval or rejection shall be finalized under this Bank Indonesia Regulation.
- (3) Any application for conversion of business from an RB to SRB submitted to Bank Indonesia and pending approval or rejection shall be finalized under the Bank Indonesia Regulation concerning RBs Based on Sharia Principles.

(4) Any ...

- (4) Any candidate for the Board of Directors for a RB having obtained approval in principle as referred to in paragraph (1) and any candidate for the Board of Directors for an RB in the process of obtaining an operating license must be duly certified.
- (5) The requirement for certification as referred to in paragraph (4) shall be met no later than the deadline referred to in Article 64 paragraph (2).

#### Article 64

- (1) Fulfillment of the certification requirement for candidates for the Board of Directors as referred to in Article 6 paragraph (1) letter c number 10 is stipulated as follows:
  - a. after December 31, 2006, for at least 1 (one) candidate for the Board of Directors;
  - b. after December 31, 2008, for all candidates for the Board of Directors.
- (2) Fulfillment of the certification requirement for members of the Board of Directors as referred to in Article 23 is stipulated as follows:
  - a. at least 1 (one) member of the Board of Directors shall be certified no later than December 31, 2006;
  - b. the other members of the Board of Directors shall be certified no later than December 31, 2008.

Article 65

- (1) Any RB failing to comply with the provisions of Article 12 shall bring itself into compliance with these provisions no later than 6 (six) months commencing from the date of enactment of this Bank Indonesia Regulation.
- (2) Any RB failing to comply with the provisions of Article 13 and Article 19 shall bring itself into compliance with these provisions no later than 1 (one) year commencing from the date of enactment of this Bank Indonesia Regulation.
- (3) Members of the Board of Commissioners failing to comply with the provisions of Article 25 paragraph (2), paragraph (3), paragraph (4), and paragraph (5) shall bring themselves into compliance with these provisions no later than 1 (one) year commencing from the date of enactment of this Bank Indonesia Regulation.
- (4) Any RB that does not have the total number of members of the Board of Directors as referred to in Article 22 paragraph (1) shall bring itself into compliance with these provisions no later than December 31, 2006.
- (5) Any RB that does not have the total number of members of the Board of Commissioners as referred to in Article 25 paragraph (1) shall bring itself into compliance with these provisions no later than December 31, 2008.
- (6) Members of the Board of Directors not meeting the requirement for formal education as referred to in Article 22 paragraph (2) shall bring themselves into compliance with these provisions no later than December 31, 2008.
- (7) Members of the Board of Directors and Board of Commissioners failing to comply with the provisions concerning family ties as referred to in

Article 24 paragraph (1) shall bring themselves into compliance with these provisions no later than 1 (one) year commencing from the date of enactment of this Bank Indonesia Regulation.

#### Article 66

- (1) Any RB failing to meet the requirement for paid up capital as referred to in Article 4 paragraph (1) shall bring itself into compliance with these provisions no later than December 31, 2010, as follows:
  - a. at least 40% (forty percent) of paid up capital at December 31, 2006;
  - b. at least 70% (seventy percent) of paid up capital at December 31, 2008;
  - c. 100% (one hundred percent) of paid up capital at December 31, 2010.
- (2) RBs shall submit plans for fulfillment of paid up capital as referred to in paragraph (1) no later than December 31, 2004.

### **CHAPTER XIV**

#### **CONCLUDING PROVISIONS**

#### Article 67

This Bank Indonesia Regulation shall not apply in the case of RBs formerly established as Village Credit Institutions (BKD) pursuant to Staatsblad Number 357 of 1929 and Rijksblad Number 9 of 1937.

Article 68

Implementation provisions concerning RBs shall be stipulated further in a Circular Letter of Bank Indonesia.

Article 69

- (1) With the enactment of this Bank Indonesia Regulation, Decree of the Board of Managing Directors of Bank Indonesia Number 32/35/KEP/DIR dated May 12, 1999, concerning Rural Banks is revoked and declared no longer valid.
- (2) The provisions for implementation of Decree of the Board of Managing Directors of Bank Indonesia Number 32/35/KEP/DIR dated May 12, 1999, concerning Rural Banks, insofar as they are not contrary to this Bank Indonesia Regulation, are declared to remain valid until revoked, replaced, or renewed.

- 58 -

Article 70

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 80 OF  
2004  
DPBPR

ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER: 6/22/PBI/2004  
CONCERNING  
RURAL BANKS

**GENERAL REVIEW**

To promote national economic growth and support the dynamic expansion of business activity, it is essential to have a strong and resilient national banking system that includes a sound and efficient rural bank industry capable of serving the public and especially micro and small-scale entrepreneurs.

In keeping with the vision for building a sound, strong, and efficient national banking system for creation of financial system stability, the RB industry is in need of institutional strengthening.. The scope of this institutional strengthening includes but is not limited to ownership, capital resources, management, and office network expansion to enhance the service and competitiveness of RBs.

**ARTICLE BY ARTICLE**

Article 1

Self-explanatory.

Article 2 ...

Article 2

Self-explanatory.

Article 3

Self-explanatory.

Article 4

Self-explanatory.

Article 5

Self-explanatory.

Article 6

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Number 1

Self-explanatory.

Number 2

Self-explanatory.

Number 3

Self-explanatory.

Number 4 ...

Number 4

Self-explanatory.

Number 5

Self-explanatory.

Number 6

Self-explanatory.

Number 7

Self-explanatory.

Number 8

Self-explanatory.

Number 9

This provision is intended so that members of the Board of Directors do not engage in activities that may interfere with the performance of their tasks and responsibilities as Directors.

Number 10

Certification represents the standard for competence and expertise for members of the Board of Directors.

Number 11

Self-explanatory.

Number 12

Self-explanatory.

Number 13 ...

Number 13

Self-explanatory.

Number 14

This provision is intended to ensure members of the Board of Commissioners genuinely perform their functions in the supervision of the RB.

Number 15

Self-explanatory.

Letter d

Scope includes but is not limited to organizational chart, horizontal and vertical lines of responsibility, and the lowest position up to the level of Executive Officer.

Letter e

Self-explanatory.

Letter f

Self-explanatory.

Letter g

An example of inscription of information on payment of capital on a deposit slip is: “The Board of Governors of Bank Indonesia, qq. Mr. ‘A’ for establishment of PT BPR ‘XYZ’”.

Letter h ...

Letter h

If the proposed shareholder of an RB is incorporated as a legal entity, the personal statement shall be made and submitted by management authorized to represent that legal entity.

If the proposed shareholder of an RB is a Regional Government, the statement may be replaced by a decree of the Head of the Regional Government in accordance with the Regional Regulation stipulating the capital of the RB.

Paragraph (2)

Letter a

If there is no proposed Controlling Shareholder, the personal statement shall be submitted by a proposed shareholder representing other proposed shareholders with total share ownership of at least 51% (fifty-one percent).

Letter b

Number 1

Self-explanatory.

Number 2

Self-explanatory.

Number 3

Self-explanatory.

Number 4 ...

Number 4

An RB owned by a Regional Government may submit the Regional Budget for the current year specifying the budget for establishment of the RB, ratified by the local Regional Assembly.

Number 5

Self-explanatory.

Number 6

If there is no legal entity comprising a proposed Controlling Shareholder, the personal statement shall be submitted by management representing the legal entity concerned with ownership of at least 51% (fifty-one) percent of shares.

The statement from the management of a Regional Government legal entity shall be made by the Governor or Regent or Mayor or duly authorized person.

Number 7

Statements shall be submitted by parties who in the opinion of Bank Indonesia exercise control, whether directly or indirectly, over the entire business group.

Number 8

“Business group” is defined as:

- a. natural and legal persons;
- b. several natural persons; or
- c. several legal persons,

with management, ownership, or financial links.

Number 9

Self-explanatory.

Article 7

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

If necessary, Bank Indonesia may conduct examination for verification of the documents.

Letter b

If a proposed Controlling Shareholder is incorporated as a legal entity, interviews shall be conducted for members of the management of the legal entity or officers duly authorized to represent the legal entity.

If there is no proposed Controlling Shareholder, interviews shall be conducted for the proposed shareholders

collectively ...

collectively holding at least 51% (fifty-one percent) of shares.

If the RB is a part of the holdings of a business group, interview of the proposed Controlling Shareholder shall be conducted for parties who in the opinion of Bank Indonesia exercise control, whether directly or indirectly, of the entire business group.

Letter c

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 8

Self-explanatory.

Article 9

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e ...

Letter e

An example of inscription of information on payment of capital on a deposit slip is “Board of Governors of Bank Indonesia, q.q. Mr. ‘A’ for establishment of PT BPR ‘XYZ’”.

Letter f

If the shareholder is a Regional Government, the personal statement may be substituted by a decree of the Head of the Regional Government pursuant to a Regional Regulation specifying the capital of the RB.

Letter g

“Fixed assets and inventory” are defined as tangible assets obtained in serviceable or preconstructed form and used in operational activities and not intended for sale within the framework of normal activities.

The list of fixed assets and inventory shall include information on cost.

Article 10

Self-explanatory.

## Article 11

### Paragraph (1)

Opening for business shall be demonstrated, among others, by the operation of the RB office in mobilizing or channeling funds.

The operating license from Bank Indonesia shall be issued in the form of a decree.

### Paragraph (2)

Self-explanatory.

### Paragraph (3)

Self-explanatory.

## Article 12

The words “Bank Perkreditan Rakyat” or “BPR” shall be inscribed clearly, among others on the signboard, letterhead, publications used, savings books, deposit slips, and bookkeeping slips.

For example: PT Bank Perkreditan Rakyat XYZ, or PT BPR XYZ.

## Article 13

Self-explanatory.

Article 14

Self-explanatory.

Article 15

Self-explanatory.

Article 16

Self-explanatory.

Article 17

Paragraph (1)

Self-explanatory.

Paragraph (2)

With regard to issuance of approval, Bank Indonesia shall conduct administrative inquiries to ascertain that parties replacing others or new owners are not included in the list of bad debts and not under term of imposition of sanctions barring them from serving on the management of RBs, SRBs, and/or Commercial Banks as stipulated in the legal provisions concerning the fit and proper test for RBs.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 18

Paragraph (1)

In this paragraph, change of composition of ownership is change in amount of share ownership among existing shareholders without replacement or addition of new shareholders.

Paragraph (2)

The minutes of the general meeting of shareholders shall be submitted attaching evidence of report to the competent agency.

Paragraph (3)

Self-explanatory.

Article 19

Paragraph (1)

Self-explanatory.

Paragraph (2)

The value calculated for fixed assets and inventory shall be book value.

Article 20

Paragraph (1)

If the RB receives a letter of approval of amendment to the articles of association from the competent agency through a Notary Public, the report of change in authorized capital shall enclose a receipt for the letter from the Notary Public.

Paragraph (2)...

Paragraph (2)

Self-explanatory.

Article 21

Self-explanatory.

Article 22

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

“Banking operations” are defined as operations in funding and/or credit.

Article 23

Self-explanatory.

Article 24

Self-explanatory.

Article 25

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3) ...

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

“Commuting distance” is defined as the distance that can be covered on land and/or water in a maximum of 2 (two) hours under normal conditions.

Paragraph (6)

Self-explanatory.

Article 26

“Conflict of interest” is defined as the occurrence of any conflict of economic interest between an RB and the personal economic interests of the owners, members of the Board of Directors, members of the Board of Commissioners, Executive Officers, and/or other related parties.

a. Article 27

Self-explanatory.

Article 28

Self-explanatory.

Article 29

Self-explanatory.

Article 30

Self-explanatory.

Article 31

Paragraph (1)

Rating and the capital adequacy ratio (CAR) shall be based on the administration maintained by Bank Indonesia with reference to the latest report received by Bank Indonesia.

Establishment of a Branch Office by reason of merger or consolidation shall proceed with reference to the provisions governing merger, consolidation, and acquisition of RBs.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 32

Self-explanatory.

Article 33

Self-explanatory.

Article 34

Self-explanatory.

Article 35

Paragraph (1)

The effective period of approval in principle is intended so that the RB has time to put into place the infrastructure and facilities necessary for the operations of the Branch Office.

Paragraph (2)

Self-explanatory.

Article 36

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

If necessary, Bank Indonesia may conduct examination to assess the operational readiness of the Branch Office.

Article 37

Self-explanatory.

Article 38

Paragraph (1)

In this case, the supervising office may be the head office or a Branch Office.

Paragraph (2)

Fulfillment of the rating requirement shall be based on the administration maintained by Bank Indonesia.

Article 39

Self-explanatory.

Article 40

Paragraph (1)

The understanding of Outdoor Cash Service does not include any activities conducted for promotional purposes, activities of a permanent nature, and conducting of any cash activities.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 41

Self-explanatory.

Article 42

Self-explanatory.

Article 43

Self-explanatory.

Article 44

Paragraph (1)

Change of RB office address within the same regency or municipality does not require approval in principle.

Paragraph (2)

Self-explanatory.

Article 45

Self-explanatory.

Article 46

Self-explanatory.

Article 47

Evidence of office readiness includes but is not limited to permits from local government agencies in accordance with the applicable laws and regulations.

Article 48

Paragraph (1)

Self-explanatory.

Paragraph (2)

If necessary, Bank Indonesia may conduct on-site examination.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Self-explanatory.

Article 49

Self-explanatory.

Article 50

The provisions in this Article shall be effective specifically for moving of Outdoor Cash Services in the form of ATMs and Payment Points.

Article 51

Paragraph (1)

The applicable legal provisions include but are not limited to the provisions of Article 12 of this Bank Indonesia Regulation.

Paragraph (2) ....

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Approval of Bank Indonesia shall be issued in the form of a decree.

Article 52

Paragraph (1)

The applicable legal provisions include but are not limited to Act Number 1 of 1995 concerning Limited Liability Companies, Act Number 25 of 1992 concerning Cooperatives, and Act Number 5 of 1962 concerning Regional Government Enterprises.

Paragraph (2)

Self-explanatory.

Article 53

Self-explanatory.

Article 54

Self-explanatory.

Article 55

Paragraph (1)

Self-explanatory.

Paragraph (2)

Announcement of conversion of the legal entity of an RB shall also be made at Branch Offices, if any.

The approval of Bank Indonesia shall be issued in the form of decree.

Article 56

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Announcement shall be made at the head office and Branch Offices to be closed

Paragraph (5)

Self-explanatory.

Article 57

Self-explanatory.

Article 58

Self-explanatory.

Article 59

Self-explanatory.

Article 60

Self-explanatory.

Article 61

Self-explanatory.

Article 62

Self-explanatory.

Article 63

Self-explanatory.

Article 64

Self-explanatory.

Article 65

Self-explanatory.

Article 66

Paragraph (1)

To promote compliance with the paid up capital requirement, Bank Indonesia will encourage RBs to conduct merger, consolidation, or acquisition.

Paragraph (2)

Self-explanatory.

Article 67

Self-explanatory.

Article 68

Self-explanatory.

Article 69

Self-explanatory.

Article 70

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF  
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