

**LAW OF THE REPUBLIC OF INDONESIA
NUMBER 23 OF 1999
ON
BANK INDONESIA**

AS AMENDED BY:

LAW OF THE REPUBLIC OF INDONESIA NUMBER 3 OF 2004
LAW OF THE REPUBLIC OF INDONESIA NUMBER 6 OF 2009
LAW OF THE REPUBLIC OF INDONESIA NUMBER 4 OF 2023
ON DEVELOPING AND STRENGTHENING OF THE FINANCIAL
SECTOR

PARTIALLY REPEALED BY:

LAW OF THE REPUBLIC OF INDONESIA NUMBER 7 OF 2011 ON
THE CURRENCY
LAW OF THE REPUBLIC OF INDONESIA NUMBER 9 OF 2016 ON
THE PREVENTION AND MANAGEMENT OF FINANCIAL SYSTEM
CRISIS

Preface

Assalamualaikum warahmatullahi wabarakatuh,

Praise be to Allah SWT for all the blessings and guidance given to us all. As we have recognized, Law Number 4 of 2023 on Developing and Strengthening of The Financial Sector (UU P2SK) has been promulgated on 12 January 2023. UU P2SK is prepared to support and realize efforts to develop and strengthen financial sector in Indonesia in line with the increasingly complex and diverse financial service industry, rapidly moving, competitive, and integrated national and international economy; more developed financial system; and to strengthen regulatory and supervisory framework for financial service institutions, and therefore, it is required to have a new arrangement and adjustment to various regulations on financial sector.

As a consequence of UU P2SK promulgation, there is a change in Law Number 23 of 1999 on Bank Indonesia as amended several times and last by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (UU BI). To understand the amendment to UU BI as a consequence of UU P2SK promulgation and as an effort to facilitate easier overall understanding of UU BI, the Legal Department of Bank Indonesia prepares one book on UU BI consolidation, which is also complemented with information on several aspects in the form of relevant articles as contained in UU P2SK, namely in relation to the strengthening of Bank Indonesia's legal mandate in institutional aspect, industry in financial sector, and financial system stability, among others are aspects of intersecting powers across authorities, strengthening of coordination mechanism across authorities to maintain financial system stability, including Bank Indonesia's authority in connection with money market and foreign exchange market, activities of Conventional Banks and People's Credit Banks in payment system, technology innovation in financial sector, bankruptcy, as well as financial literacy, financial inclusion, and consumer protection.

To conclude, with the preparation and publication of this UU BI consolidation book, it is expected that the book may serve as one of the references to support performance of Bank Indonesia's duties. Thank you.

Wassalamu 'alaikum Warahmatullahi Wabarakaatuh.

Legal Department
Bank Indonesia

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*) it is the result of the first amendment through Law of the Republic of Indonesia Number 3 of 2004 on Amendment to Law Number 23 of 1999 on Bank Indonesia.

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***) it is the result of the third amendment through Law of the Republic of Indonesia Number 4 of 2023 on Developing and Strengthening of The Financial Sector.

****) it is repealed by Article 46 of Law of the Republic of Indonesia Number 7 of 2011 on Currency.

*****) it is repealed by Article 53 paragraph (1) point b of Law of the Republic of Indonesia Number 9 of 2016 on Prevention and Management of Financial System Crisis.

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NUMBER 23 OF 1999
ON
BANK INDONESIA

AS AMENDED BY:
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THE PREVENTION AND CONTROL OF FINANCIAL SYSTEM CRISIS

BY THE BLESSINGS OF ALMIGHTY GOD
THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

1. LAW NUMBER 23 OF 1999

- Considering :
- a. that in order to maintain the continuity of the implementation of the national development in order to establish a just and prosperous Indonesian society based on Pancasila and The 1945 Constitution of the Republic of Indonesia, the implementation of the economic development is aimed at the realization of a national economy which sides with the people economy, equitable, independent, reliable, just and able to compete in the international economic sphere;
 - b. that in order to support the realization of the national economy as mentioned above and in line with the challenges of a more complex economic development and establishment, a more progressive financial system and a more competitive and integrated international economy, the monetary policy shall be emphasized on efforts to maintain the stability of the rupiah value;
 - c. that in order to formulate and implement an effective and efficient monetary policy, a sound, transparent, reliable, and accountable financial system is needed which is supported by a smooth, expeditious, accurate and safe payment system, along with banking regulations and supervision based on the prudential principles;
 - d. that in order to assure the accomplishment of maintaining the stability of the rupiah value, it

is necessary to have an independent Central Bank;

- e. that in accordance with the abovementioned considerations, the Law Number 13 of 1968 on Central Bank is no longer appropriate and has to be replaced with a new Law on Bank Indonesia;

- Observing : 1. Article 5 paragraph (1), Article 20 paragraph (1), Article 23, and Article 33 of The 1945 Constitution of the Republic of Indonesia;
2. Chapter IV point A item 1a of the Decree of the People's Consultative Assembly of the Republic of Indonesia Number X/MPR/1998;
3. Article 3 of the Decree of the People's Consultative Assembly of the Republic of Indonesia Number XI/MPR/1998;
4. The Decree of the People's Consultative Assembly of the Republic of Indonesia Number XVI/MPR/1998;

With the Approval of
THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF
INDONESIA

HAS DECIDED:

To enact : LAW ON BANK INDONESIA.

2. LAW NUMBER 3 OF 2004*)

- Considering : a. that the national development implemented thus far represents an ongoing effort for sustainable development encompassing all aspects of life for achievement of national objectives pursuant to the Pancasila and the 1945 Constitution of the Republic of Indonesia;
- b. that to support the achievement of sustainable national development and in keeping with the increasing complexity of challenges of economic development and progress, the increasingly sophisticated financial system, and the mounting competitiveness and integration of the international economy, monetary policy must focus on maintenance of the stable value of the rupiah;
- c. that in relation to it, it is deemed necessary to institute the principle of equilibrium between the independence of Bank Indonesia in the discharge of its duties and powers and the supervision and responsibility for the performance of Bank Indonesia, and transparent accountability to the public;

- d. that based on the considerations in the point a, point b and point c above, it is deemed necessary to amend and enact improvements to Law of the Republic of Indonesia Number 23 of 1999 on Bank Indonesia;

Observing : 1. Article 5 paragraph (1), Article 20 paragraph (1), Article 20A paragraph (1), Article 23D, and Article 33 of the 1945 Constitution of the Republic of Indonesia;

2. Law on 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette Number 3843);

With the Joint approval of
THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF
INDONESIA
AND
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To enact : LAW ON AMENDMENT TO LAW NUMBER 23 OF 1999 ON BANK INDONESIA.

3. LAW NUMBER 6 OF 2009**)

Considering : a. that in respond to the global economic crisis which influences stability of the financial system including banking, it is necessary to take efforts to maintain public trust on banks so as to not bring about any short-term funding difficulty for Bank due to imbalances between inflows and outflows of funds;

b. that based on The Law Number 23 of 1999 on Bank Indonesia as amended by Law Number 3 of 2004, Bank Indonesia may provide credit or financing based on Sharia Principles for Bank to overcome short-term funding difficulty of Bank;

c. that regulation concerning criteria of collateral guaranteed by Bank to obtain credit or financing based on Sharia Principles from Bank Indonesia is not in line with the current economic condition so that the President has enacted Government Regulation in Lieu of Law Number 2 of 2008 on Second Amendment to Law Number 23 of 1999 on Bank Indonesia;

d. that amendment to provisions regulating credit and financing based on Sharia Principles from Bank Indonesia to banks to overcome short-term funding difficulties for Bank by stipulating

Government Regulation in Lieu of Law Number 2 of 2008 on Second Amendment to Law Number 23 of 1999 on Bank Indonesia is an appropriate measure to maintain public trust on banks;

- e. that based on the considerations as referred to in point a, point b, point c, and point d, it is deemed necessary to stipulate Government Regulation in Lieu of Law Number 2 of 2008 on Second Amendment to Law Number 23 of 1999 on Bank Indonesia into Law;

- Observing : 1. Article 5 paragraph (1), Article 20 paragraph (1), and Article 22 paragraph (1) and paragraph (2) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 7 of 1992 on Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Law Number 10 of 1998 on Amendment to Law Number 7 of 1992 on Banking (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to State Gazette of the Republic of Indonesia Number 3790);
3. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Law Number 3 of 2004 on Amendment to Law of the Republic of Indonesia Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

With the Joint approval of
THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF
INDONESIA
AND
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

- To enact : LAW ON STIPULATION OF GOVERNMENT REGULATION IN LIEU OF LAW NUMBER 2 OF 2008 ON SECOND AMENDMENT TO LAW NUMBER 23 OF 1999 ON BANK INDONESIA INTO LAW.

4. LAW NUMBER 4 OF 2023 ***)

- Considering : a. that to realize equitable, prosperous, and thriving Indonesian people under the Pancasila and the 1945 Constitution of the Republic of Indonesia, it is necessary for the state to realize national development supported by robust economy through more optimal development and strengthening of financial sector;
- b. that to support and realize development and strengthening of financial sector in Indonesia in line with development of increasingly complex and varied financial service industry; rapidly moving, competitive, and integrated national and international economy; more developed financial system; and to strengthen the regulatory and supervisory framework on financial service institutions, new arrangements and adjustments are required in various regulations on financial sector;
- c. that for the new arrangements and adjustments in various regulations on financial sector, the Law in financial sector may be amended by using omnibus method to align various regulations in various Laws into 1 (one) Law comprehensively;
- d. that based on the considerations as referred to in point a, point b, and point c, it is necessary to establish Law on Developing and Strengthening of The Financial Sector;

- Observing : 1. Article 20, Article 21, Article 23D, Article 33 and Article 34 the 1945 Constitution of the Republic of Indonesia;
2. Law Number 7 of 1992 on Banks (State Gazette of the Republic of Indonesia of 1992 Number 31, Supplement to State Gazette of the Republic of Indonesia Number 3472) as amended several times and last by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
3. Law Number 25 of 1992 on Cooperatives (State Gazette of the Republic of Indonesia of 1992 Number 116, Supplement to State Gazette of the Republic of Indonesia Number 3502) as amended by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238,

Supplement to State Gazette of the Republic of Indonesia Number 6841);

4. Law Number 8 of 1995 on Capital Market (State Gazette of the Republic of Indonesia of 1995 Number 64, Supplement to State Gazette of the Republic of Indonesia Number 3608);
5. Law Number 32 of 1997 on Commodities and Futures Trading (State Gazette of the Republic of Indonesia of 1997 Number 93, Supplement to State Gazette of the Republic of Indonesia Number 3720) as amended by Law Number 10 of 2011 on Amendment to Law Number 32 of 1997 on Commodities and Futures Trading (State Gazette of the Republic of Indonesia of 2011 Number 79, Supplement to State Gazette of the Republic of Indonesia Number 5232);
6. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended several times and last by Law Number 6 of 2009 on Enactment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
7. Law Number 24 of 2002 on Sovereign Debt Securities (State Gazette of the Republic of Indonesia of 2002 Number 110, Supplement to State Gazette of the Republic of Indonesia Number 4236);
8. Law Number 24 of 2004 on Indonesia Deposit Insurance Corporation (State Gazette of the Republic of Indonesia of 2004 Number 96, Supplement to State Gazette of the Republic of Indonesia Number 4420) as amended by Law Number 7 of 2009 on Establishment of Government Regulation in Lieu of Law Number 3 of 2008 on Amendment to Law Number 24 of 2004 on Indonesia Deposit Insurance Corporation (State Gazette of the Republic of Indonesia of 2009 Number 8, Supplement to State Gazette of the Republic of Indonesia Number 4963);
9. Law Number 40 of 2004 on National Social Security System (State Gazette of the Republic of Indonesia of 2004 Number 150, Supplement to State Gazette of the Republic of Indonesia Number 4456) as amended by

- Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
10. Law Number 21 of 2008 on Sharia Banks (State Gazette of the Republic of Indonesia of 2008 Number 94, Supplement to State Gazette of the Republic of Indonesia Number 4867) as amended by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
 11. Law Number 2 of 2009 on Indonesian Export Financing Institution (State Gazette of the Republic of Indonesia of 2009 Number 2, Supplement to State Gazette of the Republic of Indonesia Number 4957);
 12. Law Number 7 of 2011 on Currency (State Gazette of the Republic of Indonesia of 2011 Number 64, Supplement to State Gazette of the Republic of Indonesia Number 5223);
 13. Law Number 21 of 2011 on Financial Services Authority (State Gazette of the Republic of Indonesia of 2011 Number 111, Supplement to State Gazette of the Republic of Indonesia Number 5253);
 14. Law Number 1 of 2013 on Microfinance Institutions (State Gazette of the Republic of Indonesia of 2013 Number 12, Supplement to State Gazette of the Republic of Indonesia Number 5394);
 15. Law Number 40 of 2014 on Insurance (State Gazette of the Republic of Indonesia of 2014 Number 337, Supplement to State Gazette of the Republic of Indonesia Number 5618);
 16. Law Number 1 of 2016 on Guarantee (State Gazette of the Republic of Indonesia of 2016 Number 9, Supplement to State Gazette of the Republic of Indonesia Number 5835);
 17. Law Number 9 of 2016 on Prevention and Management of Financial System Crisis (State Gazette of the Republic of Indonesia of 2016 Number 70, Supplement to State Gazette of the Republic of Indonesia Number 5872);

With the Joint approval of

THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF
INDONESIA
AND
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To enact : LAW ON DEVELOPING AND STRENGTHENING
THE FINANCIAL SECTOR

Combination of Provisions of Law Number 23 of 1999, Law Number 3 of 2004, Law Number 6 of 2009, and Law Number 4 of 2023

Article I*)

A number of provisions in Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia Number 66, Supplement to the State Gazette Number 3843) are hereby amended as follows:

Article 1 **)

Government Regulation in Lieu of Law Number 2 of 2008 on Amendment to Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia Number 142 of 2008, Supplement to the State Gazette of the Republic Indonesia Number 4901) shall be stipulated into Law and enclosed it as an inseparable part of this Law.

Article 9 ***)

Several provisions of Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended several times and last by Law Number 6 of 2009 on Enactment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962) are amended as follows:

CHAPTER I
GENERAL PROVISIONS:

Article 1

In this Law:

1. Board of Governors means the top executive of Bank Indonesia;

2. Governor means the chair who acts concurrently as a member of the Board of Governors;
3. Senior Deputy Governor means the chair's deputy who acts concurrently as a member of the Board of Governors;
4. Deputy Governor means member of the Board of Governors;
5. Bank means Commercial Bank and People's Credit Bank as referred to in the applicable Law on banks;
6. Payment system means a system which includes a set of regulations, institution, and mechanism used for fund transfer to meet an obligation arising from an economic activity;
7. Financing under Sharia Principle means provision of money or bills equivalent thereto based on an approval or agreement between Bank Indonesia and a Bank which obliges the financed Bank to pay the money or bills after a certain period with some compensation or profit sharing;
8. Bank Indonesia Regulation means legal provisions determined by Bank Indonesia and binding on any individuals or entities and contained in the State Gazette of the Republic of Indonesia;
9. Regulation of Board of Governors means legal provisions determined by the Board of Governors containing internal rules, such as procedures for performance of duties and authorities of the Board of Governors, personnel, and Bank Indonesia organization;
10. Monetary Policy means a policy determined and adopted by Bank Indonesia to reach and maintain rupiah stability through, among others, control of money in circulation and or interest rates;
11. General Reserves mean funds coming from some surpluses of Bank Indonesia which may be used to face risks potentially arising from the performance of duties and authorities of Bank Indonesia;
12. Purpose Reserves mean funds coming from some surpluses of Bank Indonesia which may be used among others for replacement or

renewal of fixed assets and equipment necessary for performing duties and authorities of Bank Indonesia and for participation.

Article 2 ****)

Repealed.

Article 3

- (1) Rupiah currency shall not, in a certain amount, be brought outside or inside the custom territory of the Republic of Indonesia except with the approval of Bank Indonesia.
- (2) The implementation of the provision as referred to in paragraph (1) shall be prescribed by Bank Indonesia Regulation.

CHAPTER II

STATUS, DOMICILE, AND CAPITAL

Article 4 ***)

- (1) Bank Indonesia means the Central Bank of the Republic of Indonesia.
- (2) Bank Indonesia means a state institution independent in performing its duties and authorities, free from intervention of the Government and/or any other parties, except for certain matters expressly regulated under this Law.
- (3) Bank Indonesia means a legal entity under this Law.

Article 5

- (1) Bank Indonesia shall be located in the Capital of the Republic of Indonesia.
- (2) Bank Indonesia may have offices inside and outside the territory of the Republic of Indonesia.

Article 6

- (1) The capital of Bank Indonesia is stipulated at no less than Rp 2,000,000,000,000 (two trillion rupiahs).
- (2) The capital referred to in paragraph (1) must be increased so that it is no more than 10% (ten percent) of total monetary liabilities, using funds from General Reserves or proceeds from revaluation of assets. *)
- (3) The procedure for addition of capital from General Reserves or from proceeds from

revaluation of assets shall be stipulated in a Board of Governors Regulation . *)

CHAPTER III OBJECTIVE AND TASKS

Article 7 ***)

The objective of Bank Indonesia is to achieve rupiah stability, maintain Payment System stability, and participate in maintaining Financial System Stability to support sustainable economic growth.

Article 8 ***)

To achieve the objective as referred to in Article 7, Bank Indonesia has the following duties:

- a. to determine and implement monetary policy in a sustainable, consistent, and transparent manner;
- b. to regulate and maintain smooth Payment System; and
- c. to determine and implement macroprudential policy.

Article 9 ***)

- (1) Other parties are prohibited from making any interventions in any forms in the performance of Bank Indonesia's duties as referred to in Article 8, except for certain matters expressly regulated under this Law.
- (2) Bank Indonesia is required to refuse and/or ignore all forms of interventions from any parties in the performance of duties as referred to in Article 8.

CHAPTER IV THE TASK OF STIPULATING AND IMPLEMENTING THE MONETARY POLICY

Article 10 ***)

- (1) Bank Indonesia determines and implements the monetary policy as referred to in Article 8 point a by referring to the inflation target determined by the Government in coordination with Bank Indonesia.
- (2) In determining and implementing the monetary policy as referred to in Article 8 point a, Bank Indonesia has authority to:
 - a. manage interest rates;

- b. manage exchange rates;
 - c. manage liquidity;
 - d. manage foreign exchange flow;
 - e. manage the state's foreign reserves;
 - f. regulate, supervise, and develop Money Market and Foreign Exchange Market; and
 - g. determine and implement other monetary policies;
- (3) In order to exercise the authorities as referred to in paragraph (2), Bank Indonesia conducts the following:
- a. regulation, supervision, inspection, and sanction imposition;
 - b. policy communication in an accountable and transparent manner; and
 - c. policy coordination with the Government, the authority, and the relevant stakeholders.
- (4) In managing interest rates as referred to in paragraph (2) point a, Bank Indonesia:
- a. determines policy rates, interest rates on fund placement with Bank Indonesia and fund provision by Bank Indonesia, and other transaction rates with Bank Indonesia; and
 - b. affects market interest rates.
- (5) In managing the exchange rate as referred to in paragraph (2) point b, Bank Indonesia exercises its authority based on an exchange rate system determined in accordance with the laws and regulations.
- (6) In managing liquidity as referred to in paragraph (2) point c, Bank Indonesia maintains liquidity adequacy in Money Market, Foreign Exchange Market, Banks, and economy to support management of interest rates and exchange rates.
- (7) In order to manage the interest rates, exchange rates, and liquidity as referred to in paragraph (2) point a, point b, and point c, Bank Indonesia conducts monetary control by using the following methods:
- a. monetary operation in Money Market and Foreign Exchange Market; and
 - b. arrangement of minimum statutory reserves in Rupiah and foreign currencies.

- (8) The monetary control methods as referred to in paragraph (7) may also be implemented under Sharia Principle.
- (9) Further provisions for the monetary control as referred to in paragraph (7) and paragraph (8) shall be prescribed in Bank Indonesia Regulation.

Article 10A***)

- (1) In managing the foreign exchange flow as referred to in Article 10 paragraph (2) point d, Bank Indonesia may determine the following provisions:
 - a. foreign exchange flow reporting and risk management in relation to capital flow; and
 - b. receipt and/or use of foreign exchange by residents for management of issues in macroeconomic and Financial System stability.
- (2) Further provisions for the foreign exchange flow management as referred to in paragraph (1) shall be prescribed in Bank Indonesia Regulation.

Article 10B ***)

- (1) The regulation, supervision, and development of Money Market and Foreign Exchange Market by Bank Indonesia as referred to in Article 10 paragraph (2) point f include:
 - a. issuance of transaction products and mechanisms in Money Market and Foreign Exchange Market;
 - b. permits and conducts of market participants in Money Market and Foreign Exchange Market;
 - c. mechanism to establish reference price in Money Market and Foreign Exchange Market;
 - d. infrastructures of Money Market and Foreign Exchange Market; and
 - e. permits and activities of non-bank money changers.
- (2) The regulation, supervision, and development of Money Market and Foreign Exchange Market as referred to in paragraph (1) may also be conducted under Sharia Principle.
- (3) In conducting the regulation, supervision, and development of Money Market and Foreign Exchange Market as referred to in paragraph (1), Bank Indonesia coordinates with the

relevant authority and/or ministry/institution.

- (4) Further provisions for the regulation, supervision, and development of Money Market and Foreign Exchange Market as referred to in paragraph (1) and paragraph (2) shall be prescribed in Bank Indonesia Regulation.

Article 11 ***)

- (1) In addition to liquidity management to determine and implement monetary policy as referred to in Article 10 paragraph (6), Bank Indonesia manages liquidity to support economic growth.
- (2) The liquidity management by Bank Indonesia as referred to in paragraph (1) may be conducted through purchase or sale of sovereign securities and/or other quality securities in the secondary market, fund placement in a financial institution for Money Market development, minimum statutory reserves policy, monetary policy mix, and/or other policy instruments.
- (3) In conducting the liquidity management as referred to in paragraph (1), Bank Indonesia prioritizes achievement of Rupiah stability for the monetary policy as referred to in Article 8 by considering macroeconomic condition.
- (4) In conducting the liquidity management as referred to in paragraph (2), Bank Indonesia applies good governance.

Article 12

Bank Indonesia shall implement the exchange rate policy based on the stipulated exchange rate system.

Article 13

- (1) Bank Indonesia shall manage the foreign exchange reserves.
- (2) Bank Indonesia shall, in managing the foreign exchange reserves as referred to in paragraph (1), implement various foreign exchange transactions
- (3) Bank Indonesia may, in managing the foreign exchange reserves as referred to in paragraph (1), receive foreign borrowing.

Article 14 ***)

- (1) In performing the duties as referred to in Article 8, Bank Indonesia has authority to:
 - a. conduct a survey;
 - b. obtain data, information, reports, details, and/or explanation from the relevant parties; and
 - c. obtain data and information from and/or exchange data and information with the relevant authority and/or ministry/institution.
- (2) Bank Indonesia may process and disseminate data and/or information on performance of Bank Indonesia's duties through digital information system and/or any other mechanisms under the laws and regulations.
- (3) In conducting the survey as referred to in paragraph (1) point a and/or obtaining the data, information, reports, details, and/or explanation as referred to in paragraph (1) point b, any party is required to provide data, information, reports, details, and/or explanation according to the procedure determined by Bank Indonesia.
- (4) Further provisions for the survey and obtaining the data, information, reports, details, and/or explanation as referred to in paragraph (1) shall be prescribed in Bank Indonesia Regulation.

CHAPTER V

THE TASK OF REGULATING AND SAFEGUARDING
THE SMOOTHNESS OF THE PAYMENT SYSTEM

Article 15

- (1) Bank Indonesia shall, in regulating and safeguarding the smoothness of the payment system as referred to in Article 8 point b, be authorized:
 - a. to implement, and grant approval and license of, the arrangement of the payment system service;
 - b. to require the operator of the payment system service to submit reports on its activities;
 - c. to determine the use of payment instruments.

- (2) The exercise of the authority as referred to in paragraph (1) shall be prescribed by Bank Indonesia Regulation.

Article 16

Bank Indonesia shall be authorized to regulate the interbank clearing system both in rupiah and or foreign currencies.

Article 17

- (1) The arrangement of the interbank clearing system both in rupiah and or foreign currencies shall be conducted by Bank Indonesia or other parties upon the approval of Bank Indonesia.
- (2) The implementation of the provision as referred to in paragraph (1) shall be prescribed by Bank Indonesia Regulation.

Article 18

- (1) Bank Indonesia shall arrange the final settlement of interbank payment transaction both in rupiah and or foreign currencies.
- (2) The arrangement of the final settlement of the interbank payment transaction as referred to in paragraph (1) may be conducted by other parties upon the approval of Bank Indonesia.
- (3) The implementation as referred to in paragraph (1) and paragraph (2) shall be prescribed by Bank Indonesia Regulation.

Article 19 ****)

Repealed.

Article 20 ****)

Repealed.

Article 21 ****)

Repealed.

Article 22 ****)

Repealed.

Article 23 ****)

Repealed.

CHAPTER VI
THE TASK OF REGULATING AND SUPERVISING
BANKS

	Article 24 ***)
Deleted.	
	Article 25 ***)
Deleted.	
	Article 26 ***)
Deleted.	
	Article 27 ***)
Deleted.	
	Article 28 ***)
Deleted.	
	Article 29 ***)
Deleted.	
	Article 30 ***)
Deleted.	
	Article 31 ***)
Deleted.	
	Article 32 ***)
Deleted.	
	Article 33 ***)
Deleted.	
	Article 34 ***)
Deleted.	
	Article 35 ***)
Deleted.	

CHAPTER VIA ***)
DUTY TO DETERMINE AND IMPLEMENT
MACROPRUDENTIAL POLICY

Article 35A ***)

Bank Indonesia determines and implements macroprudential policy to maintain Financial System Stability by encouraging balanced, quality, and sustainable intermediation; mitigating and managing systemic risks; and increasing economic inclusion, Financial Inclusion and Sustainable Finance.

Article 35B ***)

- (1) In order to determine and implement the macroprudential policy as referred to in Article 8 point c, Bank Indonesia has authority to conduct:
 - a. macroprudential arrangements;
 - b. macroprudential supervision, including inspection and sanction imposition;
 - c. arrangement and development of inclusive financing and Sustainable Finance;
 - d. provision of funds for Banks to perform the function as a lender of the last resort;
 - e. reverse repo (repurchase agreement) and/or purchase of sovereign securities owned by Indonesia Deposit Insurance Corporation when it requires liquidity; and
 - f. coordination with the relevant authority.
- (2) The macroprudential policy as referred to in paragraph (1) point a until point d and point f is determined and applied against Banks, both carrying on their business in a conventional manner and under Sharia Principle, by observing assessment of overall Financial System and its correlation to the economic condition.
- (3) Further provisions for Bank Indonesia's authority to determine and implement the macroprudential policy as referred to in paragraph (1) shall be prescribed in Bank Indonesia Regulation.

CHAPTER VIB ***)
PROVISIONS FOR BANKRUPTCY

Article 35C ***)

Bank Indonesia is the only party authorized to file for bankruptcy and/or suspension of payment of indebtedness of a debtor which is a payment service provider and Payment System infrastructure operator, rupiah processing service provider, broker in Money Market, provider of trade facility, clearing facility for interest rate derivative transactions and over-the-counter exchange rate, or any other institutions granted with a license and/or decision by Bank Indonesia to the extent their dissolution and/or bankruptcy are unspecified otherwise from other laws and regulations.

Article 35D ***)

- (1) Against a debtor which is an electronic money issuer, bankruptcy excludes funds separated by the issuer to meet its obligation to a user and/or provider of goods and/or services in electronic money implementation.
- (2) The funds as referred to in paragraph (1) shall be fully used to meet an issuer's obligation to a user and/or provider of goods and/or services in electronic money implementation.

CHAPTER VII
THE BOARD OF GOVERNORS

Article 36

Bank Indonesia shall, in discharging its tasks, be presided by the Board of Governors.

Article 37

- (1) The Board of Governors shall consist of a Governor, a Senior Deputy Governor, and at least 4 (four) or at the maximum of 7 (seven) Deputy Governors.
- (2) The Board of Governors shall be presided by the Governor, with the Senior Deputy Governor being the Vice Governor.
- (3) In the absence of the Governor and the Senior Deputy Governor, the Governor or the Senior Deputy Governor shall appoint a Deputy Governor to preside the Board of Governors.

- (4) In the event that such appointment as regulated in paragraph (3) failed to take place for any reason, a Deputy Governor who has held the longest term of office shall accordingly act as the chairman of the Board of Governors.

Article 38

- (1) The Board of Governors shall perform the tasks and authority of Bank Indonesia as prescribed in this Act.
- (2) The division of duties and powers among Members of the Board of Governors in implementation of the provisions referred to in paragraph (1) shall be stipulated in a Board of Governors Regulation. *)
- (3) The code of conduct and procedure for discharge of the duties and powers of the Board of Governors shall be stipulated in a Board of Governors Regulation. *)
- (4) The performance of the Board of Governors and Members of the Board of Governors in the discharge of their duties and powers shall be assessed by the House of Representatives. *)

Article 38A ***)

- (1) The Board of Governors determine and enforce Bank Indonesia's code of ethics.
- (2) Further provisions for the code of ethics as referred to in paragraph (1) shall be prescribed in Regulation of Board of Governors.

Article 39

- (1) The Board of Governors shall represent Bank Indonesia before and outside the court.
- (2) The authority to represent as referred to in paragraph (1) shall be conducted by the Governor.
- (3) The Governor may delegate the authority to represent as referred to in paragraph (2) to the Senior Deputy Governor, and or to one or several Deputy Governors, or one or several of Bank Indonesia's employees, and or other parties especially appointed for that purpose.
- (4) The delegation of such authority as referred to in paragraph (3) may be provided with a substitution right.

Article 40 ***)

To be eligible for appointment as a member of Board of Governors, the relevant candidate shall meet the following requirements:

- a. shall be an Indonesian citizen;
- b. shall have high integrity, manners, and morals;
- c. shall have expertise and experience in economy, finance, banking, or law; and
- d. shall not be the management and/or member of a political party during the candidacy.

Article 41 ***)

- (1) Governor, Senior Deputy Governor, and Deputy Governor are proposed and appointed by the President with the approval of DPR.
- (2) A Deputy Governor candidate is proposed by the President based on the Governor's recommendation.
- (3) For each position of Governor and Senior Deputy Governor as referred to in paragraph (1), the President proposes 3 (three) candidates at the maximum to DPR.
- (4) For each position of Deputy Governor as referred to in paragraph (1), the President proposes at least 2 (two) candidates to DPR.
- (5) The President's proposal to DPR as referred to in paragraph (2) and paragraph (3) is submitted at least 3 (three) months prior to the end of the term of office of the Governor, Senior Deputy Governor, and Deputy Governor.
- (6) DPR will approve or refuse Governor, Senior Deputy Governor, and Deputy Governor candidates at least 1 (one) month as from the proposal is received.
- (7) In the event that the Governor, Senior Deputy Governor, or Deputy Governor candidates as referred to in paragraph (3) and paragraph (4) are refused by DPR, the President is required to submit a new candidate.
- (8) In the event that the candidate proposed for the second time by the President as referred to in paragraph (3) and paragraph (4) is refused by DPR, the President shall re-appoint the Governor, Senior Deputy Governor, or Deputy Governor for the same term of office, or with the approval of DPR, appoint a Senior Deputy Governor or Deputy Governor for a higher position in the structure of the Board of

Governors by observing the provisions for term of office of members of Board of Governors and replacement of members of Board of Governors whose term of office has ended.

- (9) A member of Board of Governors is appointed for a 5 (five)-year term of office and may be re-appointed for the same position for the next 1 (one) term of office.
- (10) Replacement of a member of Board of Governors whose term of office has ended is conducted annually for 2 (two) members at the maximum.

Article 42

- (1) The Governor, Senior Deputy Governor, and Deputy Governors prior to his/her appointment is required to take an oath or vow in accordance with his/her religion before the Chief Justice of the Supreme Court.
- (2) The oath or vow as referred to in paragraph (1) shall be read as follows.
 “I swear/promise that I, to become a Governor/a Senior Deputy Governor/a Deputy Governor of Bank Indonesia shall, directly or indirectly under any name and for any reason, not give or promise to give anything to anybody. I swear/promise that I shall, in conducting or refraining from conducting something during this term of office, not receive, directly or indirectly from anybody, any promise or gift in any form. I swear/promise that I will implement the tasks and obligation of a Governor/a Senior Deputy Governor/a Deputy Governor of Bank Indonesia with my best effort and with full responsibility. I swear/promise that I shall be loyal to the state, constitution, and the state guideline”.

Article 43

- (1) The meeting of the Board of Governors shall be held:
 - a. at least once in a month in order to stipulate the general monetary policy which may be attended by one minister or more representing the Government with a right to speak without any voting right;
 - b. at least once in a week in order to evaluate the implementation of the monetary policy as referred to in point a

or to adopt other principle and strategic policies.

- (2) The meeting of the Board of Governors shall be lawful if attended by at least more than half of the member of the Board of Governors.
- (3) The decision making of the meeting of the Board of Governors as referred to in paragraph (1) shall be taken through a deliberation to reach an agreement. If such a consensus cannot be reached, the Governor shall adopt the final decision.
- (4) In a state of emergency and the meeting of the Board of Governors cannot be held since the number of the member of the Board of Governors attended in the meeting does not fulfil the provision as referred to in paragraph (2), the Governor or at least 2 (two) member of the Board of Governors may prescribe a policy and or adopt a decision.
- (5) The policy and or the decision of the Governor or a Deputy Governor as referred to in paragraph (4), shall be reported at the latest at the following meeting of the Board of Governors.
- (6) The guideline in the conduct of the meeting of the Board of Governors shall be prescribed by the Board of Governors Regulation.

Article 44

- (1) The Board of Governors shall appoint and discharge the employees of Bank Indonesia.
- (2) The Board of Governors shall prescribe regulations concerning employment, wages system, reward, retirement and elderly allowance, as well as other income of the employees of Bank Indonesia.
- (3) The implementation of such provision as referred to in paragraph (1) and paragraph (2) shall be prescribed by the Board of Governors Regulation.

Article 45

The Governor, Senior Deputy Governor, Deputy Governors, and or an official of Bank Indonesia shall not be punished for any decisions or policy he/she has made in line with his/her tasks and authority as prescribed in this Law, provided that it has been conducted with good faith.

Article 46

- (1) A consanguinity relationship up to the third degree and a relationship between parents-in-law among the members of the Board of Governors shall be prohibited.
- (2) In the event that after the appointment, it is proved that the relationship as referred to in paragraph (1) exists or occurs between the members of the Board of Governors, one of those members shall, within 7 (seven) working days after such relationship is proved to be existed or occurred, resign from his/her office.
- (3) In the event that one of the members of the Board of Governors as referred to in paragraph (2) is not willing to resign, the President shall decide that both members resign from their office.

Article 47 ***)

- (1) Any members of Board of Governors, both individually and collectively, are prohibited from:
 - a. having any direct or indirect interests in any company;
 - b. holding a consecutive position in any other institution, except their position obliges them to hold such position; and
 - c. becoming the management and/or member of a political party.
- (2) In the event that any Member of Board of Governors commits 1 (one) or more prohibitions as referred to in paragraph (1), the member of Board of Governors is required to resign from their position.

Article 48 *)

- (1) A member of the Board of Governors may not be dismissed during his or her term of office, unless the person:
 - a. resigns;
 - b. is convicted of a criminal act;
 - c. is unable to attend in person for a period of 3 (three) consecutive months without reasonable cause;
 - d. is declared bankrupt or unable to settle liabilities to creditors; or
 - e. is permanently incapacitated
- (2) A member of the Board of Governors recommended for dismissal as referred to in

paragraph (1) point c and point d shall be entitled to a hearing.

- (3) Dismissal of a member of the Board of Governors as referred to in paragraph (1) shall be enacted in a Presidential Decree.

Article 49

In the event that a member of the Board of Governors is presumed to commit a crime, a prior written approval of the President shall be obtained in order to summon, to hold a hearing, and to conduct an investigation.

Article 50

- (1) In the event of any vacancy of the office of the Governor, Senior Deputy Governor, and or Deputy Governor caused by any reasons as referred to in Article 46 paragraph (2) and paragraph (3), Article 47 paragraph (2), and Article 48, the President shall appoint a new Governor, Senior Deputy Governor, and or Deputy Governor in accordance with Article 41 paragraph (1), paragraph (2), paragraph (3), paragraph (4), and paragraph (5) for the rest of the term of office of such office.
- (2) In the event that vacancy of the office of the Governor as referred to in paragraph (1) has not been occupied, the Senior Deputy Governor shall implement the tasks of the Governor as an acting Governor.
- (3) In the event that the Senior Deputy Governor as referred to in paragraph (2) is also prevented from occupying such office, a Deputy Governor who has held the longest term of office shall implement the tasks of the Governor as an acting Governor.

Article 51

- (1) Salary, other income and facilities of the Governor, Senior Deputy Governor and Deputy Governor shall be stipulated by the Board of Governors.
- (2) The amount of such salary and other income of the Governor as referred to in paragraph (1), shall be determined at the maximum 2 (two) times the salary and other income of an employee of the highest rank in Bank Indonesia.
- (3) The implementation of provision as referred to in paragraph (1) and paragraph (2) shall be

prescribed by the Board of Governors Regulation.

CHAPTER VIII RELATIONSHIP WITH THE GOVERNMENT

Article 52 *)

- (1) Bank Indonesia shall act as the Government cashier.
- (2) In performing the function referred to in paragraph (1), Bank Indonesia shall pay interest on the Government cash balance in accordance with laws and regulations.

Article 53

Bank Indonesia may, for and on behalf of the Government, receive foreign borrowing, administer, as well as settle the claim and financial liabilities of the Government toward foreign parties.

Article 54

- (1) The Government shall request Bank Indonesia's opinion and or invite Bank Indonesia in a cabinet meeting which discusses economic, banking, and financial matters related to the tasks of Bank Indonesia or other matters within the authority of Bank Indonesia.
- (2) Bank Indonesia shall be required to provide the Government with opinions and recommendations on the State Budget and other policies relevant to the duties and powers of Bank Indonesia. *)

Article 55

- (1) The Government shall, in the event that the Government will issue the state debt securities, hold a prior consultation with Bank Indonesia.
- (2) The Government shall, before issuing the state debt securities as referred to in paragraph (1), consult with the House of Representatives.
- (3) Bank Indonesia may assist the issuance of the state debt securities issued by the Government as referred to in paragraph (1).
- (4) Bank Indonesia is prohibited from buying government securities as referred to in paragraph (1) in the primary market for its

own account, except in the case of short-term government securities needed by Bank Indonesia for monetary control operations; *)

- (5) Repealed. *****)

Article 56

- (1) Bank Indonesia shall not provide any credit to the Government.
- (2) In the event that Bank Indonesia violates the provision as referred to in paragraph (1), the agreement to extend credit to the Government shall be null and void.

CHAPTER IX INTERNATIONAL RELATIONS

Article 57

- (1) Bank Indonesia may cooperate with other Central Banks and international organizations and entities.
- (2) In the event that it is required that a member of an international entity and or multilateral entity as referred to in paragraph (1) shall be a state, Bank Indonesia may act as a member for and on behalf of the state of the Republic of Indonesia.

CHAPTER X ACCOUNTABILITY AND BUDGET

Article 58 ***)

- (1) In implementation of this Law, Bank Indonesia is required to prioritize good governance and professional principle.
- (2) Bank Indonesia is required to submit to the President and DPR an institutional performance report in writing on implementation of this Law.
- (3) The report submitted to the President and DPR as referred to in paragraph (2) consists of quarterly report and annual report.
- (4) The quarterly report and annual report submitted by Bank Indonesia as referred to in paragraph (3) are evaluated by DPR and used for annual evaluation of performance of the Board of Governors, members of Board of Governors, and Bank Indonesia.
- (5) In the event that DPR requires an explanation of matters related to the report as referred to

- in paragraph (2), Bank Indonesia is required to submit such explanation orally and/or in writing.
- (6) Parts of the quarterly report and annual report as referred to in paragraph (3) are openly published through mass media by specifying the summary in the Official Gazette.
 - (7) In the beginning of every budgeting year, Bank Indonesia is required to publish information openly through mass media containing:
 - a. evaluation of implementation of Bank Indonesia's policy in the previous year; and
 - b. planned Bank Indonesia's policy and target determination for the following year.
 - (8) Bank Indonesia prepares and submits an annual financial report to the President and DPR.
 - (9) Bank Indonesia:
 - a. completes preparation of the annual financial report as referred to in paragraph (8) not later than 30 (thirty) days after a budgeting year ends; and
 - b. submits the financial report to the Audit Board of the Republic of Indonesia for auditing not later than 7 (seven) days upon completion of the annual financial report.
 - (10) The Audit Board of the Republic of Indonesia submits an audit result to DPR no later than 90 (ninety) days as from the audit commencement as referred to in paragraph (9) point b.
 - (11) Bank Indonesia is required to announce publicly its annual financial report through mass media.
 - (12) Further provisions for the form and structure of the institutional performance report as referred to in paragraph (2) and annual financial report as referred to in paragraph (8) shall be prescribed in Regulation of the Board of Governors.

Article 58A ***)

- (1) By this Law, the Supervisory Board of Bank Indonesia is established.
- (2) The Supervisory Board of Bank Indonesia as referred to in paragraph (1) functions to

support DPR to perform a supervisory function in a certain field against Bank Indonesia to increase the institutional performance, accountability, independence, transparency, and credibility of Bank Indonesia.

- (3) In performing the function as referred to in paragraph (2), the Supervisory Board of Bank Indonesia has the following duties to support DPR:
 - a. prepare an institutional performance report of Bank Indonesia;
 - b. conduct monitoring to increase the institutional accountability, independence, transparency, and credibility of Bank Indonesia; and
 - c. prepare a performance report.
- (4) To perform the duties as referred to in paragraph (3), the Supervisory Board of Bank Indonesia has authority to:
 - a. request an explanation of matters related to the governance of institutional duties and authorities of Bank Indonesia;
 - b. receive copies of quarterly and annual institutional performance reports from Bank Indonesia;
 - c. review the governance of institutional duties and authorities of Bank Indonesia;
 - d. request documents necessary for the review as referred to in point c related to the governance of institutional duties and authorities of Bank Indonesia;
 - e. receive copies of annual financial reports from Bank Indonesia;
 - f. review the operational budget of Bank Indonesia;
 - g. receive reports from the public and industries on Bank Indonesia as an institution; and
 - h. request explanation and responses from Bank Indonesia's Board of Governors in relation to the review as referred to in point c and point f in a joint meeting with the Supervisory Board of Bank Indonesia.
- (5) The authorities as referred to in paragraph (4) exclude:
 - a. attending a meeting of Bank Indonesia's Board of Governors;
 - b. expressing an opinion to represent Bank Indonesia; and

- c. providing information on performance of the duties as referred to in paragraph (3) both directly and indirectly to the public.
- (6) The Supervisory Board of Bank Indonesia prepares the duty performance report as referred to in paragraph (3) to DPR quarterly or at any time when required.
- (7) Budget for the Supervisory Board of Bank Indonesia comes from the operational budget of Bank Indonesia.
- (8) Provisions for organization, work procedure, and budget of the Supervisory Board of Bank Indonesia shall be prescribed in Bank Indonesia Regulation after consultation with DPR.

Article 58B ***)

- (1) The Supervisory Board of Bank Indonesia has at least 5 (five) members and is led by 1 (one) chairman selected from and by the members.
- (2) The members of the Supervisory Board of Bank Indonesia as referred to paragraph (1) consist of representatives of the Government, academicians, and community.
- (3) Members of the Supervisory Board of Bank Indonesia hold their term of office for 5 (five) years and may be re-elected for the next 1 (one) term of office.
- (4) To be eligible for appointment as a member of the Supervisory Board of Bank Indonesia as referred to in paragraph (1), a candidate shall meet the following requirements:
 - a. shall be an Indonesian citizen;
 - b. shall be physically and mentally healthy;
 - c. shall have high integrity and morality;
 - d. shall not be an executive of a political party during the candidacy;
 - e. shall have expertise and experience in monetary, Payment System, macroprudential, banking, Financial System, organization and management, information system, and/or legal aspects;
 - f. shall not have any bloodline relationship to the third degree and/or in-law relationship with any members of Bank Indonesia's Board of Governors;
 - g. shall have never been imprisoned by a legal and binding court decision for committing any crime; and

- h. shall have never been declared bankrupt or become an executive of any LJK (financial service provider/company) who makes the LJK (financial service provider/company) bankrupt or liquidated by a legal and binding court decision.

Article 58C ***)

- (1) Members of the Supervisory Board of Bank Indonesia as referred to in Article 58B paragraph (1) are selected and elected by the DPR.
- (2) The Supervisory Board of Bank Indonesia notifies DPR, with a copy to the President, of the approaching end of the term of office of its members not later than 6 (six) months prior to such end of term of office.
- (3) DPR starts selection of members of the Supervisory Board of Bank Indonesia from the date of receipt of such notice from the Supervisory Board of Bank Indonesia as referred to in paragraph (2) and shall complete the selection of new members 1 (one) month at the maximum prior to the end of the term of office of the old members.
- (4) The selection and determination of the member candidates of the Supervisory Board of Bank Indonesia as referred to in paragraph (1) are implemented by a selection committee established by the DPR.
- (5) Members of the Supervisory Board of Bank Indonesia selected as referred to in paragraph (1) are determined by a Presidential Decree.
- (6) Members of the Supervisory Board of Bank Indonesia may not have any direct and indirect conflicts of interest with their duties and authorities.
- (7) A member of the Supervisory Board of Bank Indonesia will be dismissed if any of the following applies:
 - a. the member passes away;
 - b. the member is permanently unavailable;
 - c. the member's term of office ends and the member is not re-elected;
 - d. the member resigns;
 - e. the member is imprisoned by a legal and permanent court decision for committing a crime;

- f. the member fails to be physically present for 3 (three) months consecutively for no valid reasons;
 - g. the member fails to perform or is negligent in performing their functions, duties, and authorities under the laws and regulations; and/or
 - h. the member no longer meets one of the requirements as referred to in Article 58B paragraph (4).
- (8) The dismissal of members of the Supervisory Board of Bank Indonesia as referred to in paragraph (7) is determined by a Presidential Decree.
 - (9) In the event that any member of the Supervisory Board of Bank Indonesia is dismissed for reasons as referred to in paragraph (7), selection of replacement members will be conducted by the selection mechanism as specified in this Law.
 - (10) The replacement member of the Supervisory Board of Bank Indonesia as referred to in paragraph (9) is appointed to hold the position of the replaced member and to continue the remaining term of office.
 - (11) Replacement of the member of the Supervisory Board of Bank Indonesia as referred to in paragraph (9) will not take place if the remaining term of office of the dismissed member is less than 1 (one) year.

Article 59

The Audit Board of Republic Indonesia may conduct special examination on Bank Indonesia at the request of the House of Representatives if deemed necessary.

Article 60 ***)

- (1) The budgeting year of Bank Indonesia is a calendar year.
- (2) Not later than 30 (thirty) days prior to the budgeting year commencement, the Board of Governors determines the annual budget of Bank Indonesia.
- (3) The annual budget as referred to in paragraph (1) includes:
 - a. budget for operational activities; and
 - b. budget for monetary, Payment System, and macroprudential policies.
- (4) The budget for operational activities as referred to in paragraph (3) point a and

evaluation of the current year's budget implementation is submitted to DPR for their approval.

- (5) DPR's approval process as referred to in paragraph (4) is conducted by the DPR's commission overseeing finance, banking, and development planning.
- (6) The budget for monetary, Payment System, and macroprudential policies as referred to in paragraph (3) point b is required to be reported exclusively to DPR.

Article 61 ***)

Deleted.

Article 62 *)

- (1) The surplus from the proceeds of Bank Indonesia operations will be divided as follows:
 - a. 30% (thirty percent) for Special Reserves;
 - b. the remainder to be reinvested as General Reserves so that the sum of capital and General Reserves becomes 10% (ten percent) of total monetary liabilities as referred to in Article 6 paragraph (2).
- (2) In the event of risks in discharging the duties and powers of Bank Indonesia resulting in the capital of Bank Indonesia diminishing to less than Rp 2,000,000,000,000 (two trillion rupiah), all or part of the Bank Indonesia surplus for current year as referred to in paragraph (1) is to be allocated to General Reserves to cover these risks.
- (3) In the event that after the measures referred to in paragraph (1) the capital of Bank Indonesia is still less than Rp 2,000,000,000,000 (two trillion rupiah), the Government shall be required to cover the deficit after approval from the House of Representatives.
- (4) Any remaining surplus after subtraction by the allocated funds as referred to in paragraph (1) shall be transferred to the Government.

Article 63

Bank Indonesia shall make a condensed weekly balance sheet which shall be publicized in the State Gazette of the Republic of Indonesia.

Article 64

- (1) Bank Indonesia may only conduct an equity participation in any legal entities or any other entities deemed necessary in the implementation of the tasks of Bank Indonesia upon the approval of the House of Representatives.
- (2) The funds required for such investment as referred to in paragraph (1) may only be obtained from the Special Purpose Reserves.

Article 64A ***)

- (1) Bank Indonesia has authority to manage Bank Indonesia's assets, including to apply write-off and haircut of assets in the form of receivables and other assets.
- (2) Write-off and haircut of assets in the form of receivables and other assets are implemented with good governance.
- (3) Further provisions for the management of Bank Indonesia's assets as referred to in paragraph (1) shall be prescribed in Regulation of the Board of Governors after consultation with DPR.

CHAPTER XA ***)
INFORMATION CONFIDENTIALITY

Article 64B ***)

- (1) Any Person who holds or has held a position as:
 - a. member of the Board of Governors; or
 - b. official or employee of Bank Indonesia, may not use or disclose any confidential information to any other parties, except for performance of their functions, duties, and authorities by Bank Indonesia's decision or as obliged by the Law.
- (2) Any Person who acts for and on behalf of Bank Indonesia or is employed in Bank Indonesia may not use or disclose any confidential information to any other parties, except for performance of their functions, duties, and authorities by Bank Indonesia's decision or as obliged by the Law.
- (3) Any Person who knows confidential information because of their position, profession, being under supervision, and any other relationships with Bank Indonesia, may not use or disclose any confidential

information to any other parties, except for performance of their functions, duties, and authorities by Bank Indonesia's decision or as obliged by the Law.

- (4) Any violation of the provisions as referred to in paragraph (1) until paragraph (3) may be subject to administrative sanctions and/or any other sanctions under the laws and regulations.
- 5) Further provisions for the information confidentiality, use and disclosure as referred to in paragraph (1) until paragraph (3) shall be prescribed in Regulation of the Board of Governors.

CHAPTER XI

CRIMINAL PROVISIONS AND ADMINISTRATIVE SANCTIONS

Article 65¹

Whoever willfully violates the provision as referred to in Article 2 paragraph (3), shall be subject to a confinement for a minimum of 1 (one) month and a maximum of 3 (three) months and a fine for a minimum of Rp2.000.000,00 (two million rupiah) and a maximum of Rp6.000.000,00 (six million rupiah).

Article 66²

Whoever willfully violates the provision as referred to in Article 2 paragraph (4), shall be subject to an imprisonment for a minimum of 1 (one) year and a maximum of 3 (three) years, and a fine for a minimum of Rp1.000.000.000,00 (one billion rupiah) and a maximum of Rp3.000.000.000,00 (three billion rupiah).

Article 67

Whoever intervenes the implementation of the tasks of Bank Indonesia as referred to in Article 9 paragraph (1), shall be subject to an imprisonment for a minimum of 2 (two) years and a maximum of 5 (five) years and a fine of a minimum of Rp2.000.000.000,00 (two billion rupiah) and a

¹ The provisions of Article 65 and Article 66 basically is ineffective considering:

- a. The provisions of Article 2 which is referenced in both articles are repealed by Law on Currency;
- b. Based on Article 44 Law on Currency is regulated that at the time when Law on Currency comes into force, the existing laws and regulations is remained effective to the extent not contrary to the provisions of the Law on Currency;
- c. Substance of Article 65 and Article 66 has regulated in Article 33 Law on Currency with the different details of the regulation, so that in accordance with Article 44 Law on Currency, Article 65 and Article 65 becomes ineffective.

² *Ibid.*

maximum of Rp5.000.000.000,00 (five billion rupiah).

Article 68

The member of the Board of Governors and/or an official of Bank Indonesia who violates the provision of Article 9 paragraph (2), shall be subject to an imprisonment for a minimum of 2 (two) years and a maximum of 5 (five) years and a fine of a minimum of Rp2.000.000.000,00 (two billion rupiah) and a maximum of Rp5.000.000.000,00 (five billion rupiah).

Article 69

Any entity which does not comply with the obligation as referred to in Article 14 paragraph (3) shall be subject to a fine of a maximum of Rp50.000.000,00 (fifty million rupiah).

Article 70

- (1) Any violation to the provision as referred to in Article 55 paragraph (4) shall be subject to an imprisonment for a minimum of 1 (one) year and a maximum of 3 (three) years, and a fine for a minimum of Rp6.000.000.000,00 (six billion rupiah) and a maximum of Rp15.000.000.000,00 (fifteen billion rupiah).
- (2) A prosecution for the violation as referred to in paragraph (1), shall be conducted against those who give the instruction, commit the action, or act as the leader in such action, or, against all of those who conduct the abovementioned actions.

Article 71

- (1) The Governor, Senior Deputy Governor, Deputy Governor, employees of Bank Indonesia, or other parties assigned or approved by Bank Indonesia to perform a certain task who illegally disclose any confidential information and other data which is obtained due to his/her position, shall be subject to an imprisonment of a minimum of 1 (one) year and to a maximum of 3 (three) years and a fine for a minimum of Rp1.000.000.000,00 (one billion rupiah) and a maximum of Rp3.000.000.000,00 (three billion rupiah).
- (2) In the event that such violation as referred to in paragraph (1) is conducted by an entity, such entity shall be subject to a fine of a minimum of Rp3.000.000.000,00 (three billion

rupiah) and a maximum of Rp6.000.000.000,00 (six billion rupiah).

- (3) The confidential information and other data as referred to in paragraph (1) shall be prescribed by the Board of Governor Regulation.

Article 72

- (1) Without prejudice to the criminal provision as referred to in Article 65, Article 66³, Article 67, Article 68, Article 69, Article 70, and Article 71, the Board of Governors may impose an administrative sanction on Bank Indonesia's employees and other parties who do not perform his/her obligation in accordance with this Law.
- (2) The administrative sanction as referred to in paragraph (1) may be in the form of:
 - a. a fine; or
 - b. a warning; or
 - c. a revocation or an annulment of a business license by a competent institution if the violation is conducted by business entity; or
 - d. an imposition of a disciplinary sanction for employee.
- (3) Further provision on the administrative sanction shall be prescribed by Bank Indonesia Regulation or the Board of Governors Regulation.

CHAPTER XII

TRANSITIONAL PROVISIONS

Article 73

All assets and liabilities of Bank Indonesia under Law Number 13 of 1968 on Central Bank become assets and liabilities of Bank Indonesia under this Law.

Article 74

- (1) The Liquidity Credit of Bank Indonesia extended under the program credit which is still outstanding and has not reached the maturity period, which has been approved but has not been disbursed, shall be transferred based on an agreement to a State Owned Enterprise designated by the Government

³ *Ibid.*

within 6 (six) months since the effective date of this law.

- (2) The State-Owned Enterprise as referred to in paragraph (1) may manage the funds obtained from the installment payment and or the pay off of the principal debt and the interest of the credit liquidity up to the expiration of such credit liquidity term.
- (3) Interest subsidy of such credit liquidity within the management of the State-Owned Enterprise as referred to in paragraph (2) shall remain in the account of the Government.

Article 75

- (1) With the coming into force of this Law, the Managing Directors who have been appointed based on Law Number 13 of 1968 on Central Bank shall be discharged and reappointed as members of the Board of Governors under the following arrangement:
 - a. The Governor and a Deputy Governor shall be reappointed for 4 (four) years of the first term of office;
 - b. 2 (two) Deputy Governors shall be reappointed for 1 (one) year of the first term of office;
 - c. 2 (two) Deputy Governors shall be reappointed for 2 (two) years of the first term of office;
 - d. 2 (two) Deputy Governors shall be reappointed for 3 (three) years of the first term of office.
- (2) At the latest 3 (three) weeks since the effectiveness of this Law, the President shall propose a candidate of Senior Deputy Governor in accordance with Article 40 and Article 41 for the first term of office for 5 (five) years.
- (3) The member of the Board of Governors as referred to in paragraph (1) point b, point c, and point d shall be approved by the House of Representatives upon the nomination of the Governor.

Article 76

- (1) The provision which prohibits Bank Indonesia to purchase for itself the state debt securities as referred to in Article 55 paragraph (4) shall be effective at latest January 1, 2000, except for the financing of banking restructuring.

- (2) Bank Indonesia may, for any claims on the state debt securities which have been directly purchased by Bank Indonesia and still have not reached the maturity period, extend the term of the claims at a maximum of 10 (ten) years since the maturity date if it is deemed necessary by the Government upon the approval of the House of Representatives.
- (3) The Government shall, in the event that the term of the claims has to be extended as referred to in paragraph (2), propose the application of the term extension of such claims at the latest 30 (thirty) days prior to the due date of such claims.

Article 77 *)

Within a period of no more than 5 (five) years after the promulgation of this Law, Bank Indonesia shall be required to relinquish all equity participation in legal entities or other entities that are not complying with the provisions regulated in Article 64 paragraph (1).

Article 77A *)⁴

The provisions concerning currency as referred to in Article 2, Article 19, Article 20, Article 21, Article 22, and Article 23 of this Law are declared to remain valid until stipulated further in a separate Law.

Article 78

- (1) With the coming into force of this Law, Law Number 13 of 1968 on Central Bank and other implementing regulations which are in contrary with this law shall be no longer valid.
- (2) The implementation regulation of Law Number 13 of 1968 on Central Bank and other implementation regulations shall, as long as they have not been renewed and are not in contrary with this Law, remain in force.

CHAPTER XIII

⁴ Article 46 Law on Currency has repealed Article 2, Article 19, Article 20, Article 21, Article 22, and Article 23.

CLOSING PROVISIONS

Article 79

This law comes into force on the date of its enactment.

In order that every person may know hereof, it is ordered to promulgate this Law by its placement in the State Gazette of the Republic of Indonesia.

Article II dan Article III Law Number 3 Of 2004 *)

Article II

1. Insofar as the Law referred to in Article 11 paragraph (5) has not been adopted into law, regulation of the matters as referred to in Article 11 paragraph (5) shall be set out in a Memorandum of Understanding between the Government and Bank Indonesia.
2. The Memorandum of Understanding as referred to in paragraph (1) shall be signed by the Government and Bank Indonesia not later than the end of February 2004.
3. As long as the settlement of Bank Indonesia Liquidity Support is not completed, Special Reserves shall be set at 10% (ten percents).
4. Insofar as there are no laws and regulations regulating that the Bank Indonesia surplus is subject to income tax, pursuant to this Law the Bank Indonesia surplus shall not be subject to income tax.

Article III

This Law shall become effective on the date of its enactment.

For public knowledge, it is ordered that this Law be promulgated in the State Gazette of the Republic of Indonesia.

Article 2 Law Number 6 of 2009**)

Article 2

This Act shall come into force on the date of its enactment.

For the public to be informed, it is ordered that this Law be promulgated in the State Gazette of the Republic of Indonesia.

Article 341 Law Number 4 On 2023 ***)

Article 341

This law come into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this law by its placement in State Gazette of the Republic of Indonesia.

I. Enactment and Promulgation of Law No. 23 of 1999

Executed in Jakarta

On 17 May 1999

PRESIDENT OF THE REPUBLIC OF INDONESIA

signed

BACHARUDDIN JUSUF HABIBIE

Enacted in Jakarta

On 17 May 1999

MINISTER OF STATE SECRETARY OF
THE REPUBLIC OF INDONESIA

PROF. DR. H. MULADI, SH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 1999
NUMBER 66

II. Enactment and Promulgation of Law Number 3 of 2004*)

Ratified in Jakarta on the date of 15 January 2004
THE PRESIDENT OF THE REPUBLIC OF INDONESIA
(signed)
MEGAWATI SOEKARNOPUTRI

Enacted in Jakarta on the date of 15 January 2004
MINISTRY OF THE STATE SECRETARY
OF THE REPUBLIC OF INDONESIA
(signed)
BAMBANG KESOWO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 7
OF 2004

III. Enactment and Promulgation of Law Number 6 of 2009**)

Enacted in Jakarta
dated January 13, 2009
THE PRESIDENT OF THE REPUBLIC OF INDONESIA,
(signed)
DR. H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta
on the dated January 13, 2009
THE MINISTER OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA,
(signed)
ANDI MATTALATTA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER
7 OF 2009

IV. Enactment and Promulgation Law Number 4 of 2023 ***)

Enacted in Jakarta
dated 12 January 2023

PRESIDENT OF THE REPUBLIC
OF INDONESIA

Signed

JOKO WIDODO

Promulgated in Jakarta
Dated 12 January 2023

MINISTRY OF STATE SECRETARY
OF THE REPUBLIC OF INDONESIA,

Signed

PRATIKNO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2023
NUMBER 4

ELUCIDATION
OF
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 23 OF 1999
ON
BANK INDONESIA

AS AMENDED BY:
LAW OF THE REPUBLIC OF INDONESIA NUMBER 3 OF 2004
LAW OF THE REPUBLIC OF INDONESIA NUMBER 6 OF 2009
LAW OF THE REPUBLIC OF INDONESIA NOMOR 4 OF 2023
ON DEVELOPING AND STRENGTHENING OF THE FINANCIAL
SECTOR

PARTIALLY REPEALED BY:
LAW OF THE REPUBLIC OF INDONESIA NUMBER 7 OF 2011 ON
THE CURRENCY
LAW OF THE REPUBLIC OF INDONESIA NUMBER 9 OF 2016
ON THE PREVENTION AND MANAGEMENT OF FINANCIAL
SYSTEM CRISIS

LAW NUMBER 23 OF 1999

I. GENERAL

The Indonesian national development aimed at creating a just and prosperous society based on Pancasila and the 1945 Constitution of the Republic of Indonesia has attained progress in various areas including economic and monetary fields, as reflected in a relatively high economic growth and manageable inflation rate. Nevertheless, there remained some weaknesses in the Indonesian economic structure and system that prompted deviations in the form of, among other things, imprudence and deceitful banking practices in managing funds, which was worsened by the inadequacy of legal instruments, weaknesses of legal enforcement along with undemocratic political system which, among other things, led to a distortion that causes deviations from the practice of market economy which in turn weakened the national economy.

On the other hand, the international economy has undergone rapid and fundamental changes toward a global economic system characterized by increasing world financial market integration which facilitates capital movements coupled with greater competition. While free capital flows provide an advantage to accelerate national economic growth, it also increases the vulnerability of the national economy. Accordingly, a solution should be sought which will simultaneously place a solid foundation of the economy through an appropriate development strategy in to develop an equitable people economy, which is independent, reliable, just, and open so as to be competitive in the international economy.

In order to develop a solid economy, it calls for reorientation of the national economic and monetary policies. Monetary policy, which is one of the most important policies in national economic

development, should focus on the effort to create and maintain the monetary stability. Under the Law Number 13 of 1968, the formulation of monetary policy has so far been conducted by the Monetary Board, while Bank Indonesia's status and role is to assist the Government in implementing the said policy.

The status and role of Bank Indonesia based on the abovementioned Law is deemed no longer appropriate in view of the recent and future development challenges and the dynamics of the national and international development. The said Law should therefore be replaced with a new Law which provides a more appropriate status, objective, and tasks for Bank Indonesia as a monetary authority.

Under this Law, Bank Indonesia has a single objective, namely, to reach and to maintain the stability of the value of rupiah. The stability of rupiah and exchange rate is in part a prerequisite for the attainment of sustainable economic growth, which will in turn raise the people's welfare. The reorientation of Bank Indonesia's objective constitutes part of the policy to restore and reform the national economy in order to cope with the economic crisis currently prevailing in Indonesia. This will simultaneously lay a solid foundation for the implementation and the development of Indonesian economy in the midst of the world economy with increasing competition and integration. On the contrary, failure to maintain the stability of rupiah as reflected in increased prices is undesirable since it will lower the real income of the people and undermine the competitiveness of the national economy in the world economy. The objective of Bank Indonesia to reach and maintain the stability of rupiah value should be supported by three main pillars, namely prudent monetary policy, expeditious and appropriate payment system, and sound banking and financial system.

In formulating and implementing the monetary policy, Bank Indonesia is authorized to set monetary targets and conduct a monetary management in a manner prescribed in this Law. In this regard, Bank Indonesia implements exchange rate policy in accordance with the prescribed exchange rate system, manages international reserves in order to meet foreign liabilities, maintains the sustainability of the balance of payment and may also receive foreign loan. Government foreign borrowing, intended to strengthen the national economy, should only be contracted upon the approval of the House of Representatives. On the other hand, foreign borrowing of the private sector shall be its own responsibility and monitored by Bank Indonesia functionally and in a transparent manner.

In order to achieve the monetary targets, Bank Indonesia also assumes the function of a lender of last resort and extends program credit which has been approved but pending disbursement. In assuming the function of lender of last resort, Bank Indonesia merely assists Banks to cope with a mismatch arising from credit risk or financing risk based on Syariah Principles, management risk, and market risk. In accordance with its status as an independent monetary authority, Bank Indonesia shall no longer assume the task of extending credit program.

In anticipation of the development of banking which is based on Syariah Principle, the task and function of Bank Indonesia needs to accommodate the Syariah Principles.

According to the 1945 Constitution of the Republic of Indonesia, Bank Indonesia has been designated as an institution which have an authority to issue and regulate the circulation of rupiah currency as a legal tender. Since the smoothness of the payment system is essential in the implementation of the monetary policy, Bank Indonesia has been vested with authority to regulate and safeguard the smoothness of the payment system. To ensure effective discharge of the task, it is necessary that Bank Indonesia be vested with a broad authority and responsibility to regulate and to implement the clearing activity and fund transfer services, as well as the final settlement of the interbank payment transactions. In addition, Bank Indonesia has also been given the authority and responsibility related to the supervision on the payment system services so as to provide the general public an efficient, expeditious, appropriate, and safe Payment system services.

In discharging the task of regulating and supervising Banks, Bank Indonesia is authorized to prescribe a regulation and license for banking entities and activities as well as to impose sanction on Bank in accordance with the prevailing regulations. Bank Indonesia's task in regulating Banks also covers, among other things, setting the priority of loans extended to the economically weak entrepreneurs and cooperatives. The authority vested to Bank Indonesia is also intended to overcome the economic crisis promptly aimed at stabilizing rupiah exchange rate at a reasonable rate. This is in line with the stipulation as stated in Chapter IV point A item 1 a of the Decree of the People's Consultative Assembly of the Republic of Indonesia Number X/MPR/1998. As stipulated in the Decree of the People's Consultative Assembly of the Republic of Indonesia, Bank Indonesia as a monetary authority is required to build a strong and independent institutional system in managing and utilizing efficiently the international reserves. To ensure management of a sound national finance, Bank Indonesia as a central bank should be independent, free from intervention of the Government and other parties, while it is subject to supervision and is accountable for its performance. The status of Bank Indonesia as an independent state institution is outside the Government administration as stipulated in this law. This independence brings about a logical legal consequence that Bank Indonesia also holds the authority to regulate or make/issue a regulation which constitutes an implementation of this Law which extends to the entire society and the state territory of Indonesia. In this regard, Bank Indonesia as an independent state institution may issue a regulation with an administration sanction.

The Board of Governors shall, in exercising its tasks and function, avoid corruption, collusion and nepotism practices as mandated in article 3 of the Decree of the People's Consultative Assembly Number XI/MPR/1998. For the purpose of policy coordination between the monetary authority and fiscal authority as well as with the real sector, the meeting of the Board of Governors may be attended by a Minister or a government official. The Governor, on

the other hand, may also attend a cabinet meeting. The aforementioned coordination shows that the existence of the Monetary Board is no longer necessary.

To assure that the independence given to Bank Indonesia is implemented with full responsibility, Bank Indonesia is required to be transparent and accountable in prescribing its policy and open for supervision by the public. Such transparency and public accountability principle is implemented by submitting a policy proposal of the following years and an evaluation on the implementation of the monetary policy of the previous year as well as the development of the economic, financial, and banking conditions to the President and the House of Representatives. Information related to the economic, monetary, and banking development shall be issued periodically and openly.

LAW OF THE REPUBLIC OF INDONESIA NUMBER 3 OF 2004 *)

I. GENERAL

The sustainability of national development requires adjustments on monetary policies emphasizing on the aim to reach and maintain stability of the rupiah, supported by three pillars, namely prudent monetary policy, a fast, accurate, and secure payment system, and a sound and efficient banking and financial systems. The mechanism to formulate these monetary policies must be compatible with the formulation of policies in fiscal management and the private sector.

The growing competitiveness and integration of the international financial system have resulted in a global economy that eases capital movement accompanied by increasingly tight competition. The movement of capital and the increase of competition are not only able to foster the economic growth but also potential to endanger the national economy.

To overcome the abovementioned challenges, it is necessary to make adjustments to the monetary policymaking mechanism and conduct institutional restructuring of Bank Indonesia as the agency responsible for the monetary policies authority. These measures are necessary to strengthen the accountability, transparency, and credibility of Bank Indonesia without diminishing its independence as a state institution.

In regard to institutional restructuring, a Supervisory Body is to be established to assist the House of Representatives in supervising the specific areas of Bank Indonesia activities. The establishment of the Supervisory Body is part of the efforts to strengthen the accountability, transparency, and credibility of Bank Indonesia. In discharging its duties, the Supervisory Body shall not assess the performance of the Board of Governors, nor participate in decision making, nor provide an assessment of policies in the payment system, bank regulation and supervision, and areas that represent the establishment and implementation of monetary policy. The Supervisory Body shall report on the performance of its duties to the House of Representatives.

In regard to the implementation of the duties of Bank Indonesia, the function as Lender of the Last Resort (LoLR) has so far been

performed by Bank Indonesia by providing loans facilities to banks experiencing short-term funding difficulties guaranteed by high quality and marketable collateral. This is felt to be extremely limited and does not extend to a LoLR function that can be used in resolving the emergencies or crisis. To this end, this Law enables Bank Indonesia to provide emergency financing, with funding borne by the government, in the event that a bank experiences financial difficulties with systemic impact and potential to cause a crisis endangering the financial system. The mechanism adopts the concept of the Indonesia Financial Safety Net to be stipulated in a separate Law.

Concerning the formulation of the State Budget, the Law obliges Bank Indonesia to provide the Government with opinions and recommendations on the State Budget and other policies pertaining to the duties and powers of Bank Indonesia. The purpose of these obligations is for the formulation of the State Budget to take more careful account of monetary aspects pertaining to various fiscal policies.

According to Law Number 23 of 1999, the bank supervision of Bank Indonesia is temporary. Notwithstanding, due to the expiration of the mandate to establish the supervisory board for financial services sector no later than December 31, 2002, this Law reiterates that bank supervision will be conducted by an independent supervisory board for financial services sector to be established no later than December 31, 2010. The postponement of the deadline for the establishment of the board takes into account the readiness of human resources and infrastructures of the board receiving the transfer of bank supervision authority from Bank Indonesia.

In view of the abovementioned considerations, with emphasis on improved coordination between formulation of monetary policies and fiscal and private sector policies, and to fulfill the principle of equilibrium between the independence conferred on Bank Indonesia in the discharge of its duties and powers with the supervision and responsibility for its performance that must meet transparent standards of accountability to the public, it is deemed necessary to make adjustments by amending and improving of Law Number 23 of 1999 on Bank Indonesia.

LAW OF THE REPUBLIC OF INDONESIA NUMBER 6 OF 2009**)

I. GENERAL

The current global financial crisis affects several countries including Indonesia due to interdependency of global financial system. As a respond to the global financial crisis, the Government of Indonesia has taken various anticipative and responsive measures in curbing impacts of the global financial crisis for a sustainable national financial system.

The function of the Lender of the Last Resort (LoLR) has been implemented by Bank Indonesia through provision of credit facility for banks experiencing short-term funding difficulty which is guaranteed by high quality and liquid collateral.

However, regulation on the criteria of collateral has not been in line with the current economic condition.

One of the efforts in maintaining the public trust on banks in order not to bring about short-term funding difficulties for bank due to imbalances of inflows and outflows of funds is to change the criteria of collateral to be guaranteed by Bank to obtain credit or financing based on Sharia Principles from Bank Indonesia. The Government considered the need of change of criteria a state of emergency so that the President stipulated Government Regulation in Lieu of Law Number 2 of 2008 on Second Amendment to Law Number 23 of 1999 on Bank Indonesia.

The stipulation of Government Regulation in Lieu of Law Number 2 of 2008 on Second Amendment to Law Number 23 of 1999 on Bank Indonesia by the President in compliance with Article 22 paragraph (1) of the 1945 Constitution of the Republic of Indonesia to meet very urgent need and any critical circumstances in emergency is an appropriate measure to maintain the public trust on banks in facing the global financial crisis. Therefore, Government Regulation in Lieu of Law Number 2 of 2008 on Second Amendment to Law Number 23 of 1999 on Bank Indonesia requires approval of the House of Representatives to be stipulated as Law referring to Article 22 paragraph (2) of the 1945 Constitution of the Republic of Indonesia.

LAW OF THE REPUBLIC OF INDONESIA NUMBER 4 OF 2023 ***)

I. GENERAL

Reform in financial sector has great urgency in increasing the role of financial sector intermediation and strengthening national financial system resilience. Deep, innovative, efficient, inclusive, reliable, strong, and stable financial sector will support a robust, balanced, inclusive, and sustainable economic growth which is highly required to realize equitable, prosperous, and thriving Indonesian people under the Pancasila and the 1945 Constitution of the Republic of Indonesia.

Currently, Indonesia's financial sector still faces many fundamental issues. Proportion of assets in national financial sector is not yet equal. Banking sector, as one of short-term financing sources, remains extremely dominant compared to other financial sectors. Portion of assets in non-bank financial industry as a long-term fund source, which is expected to be able to support development financing, is still relatively small. This condition indicates that fund collection by the financial industry is still relatively limited, while national financial market deepening has relatively great potentials.

In banking sector, fundamental issues are reflected among others from high interest rates on loans and a gap between the number of accounts and savings of small and big customers. The issues are also reflected from low capitalization of stock

market and national bonds compared to other countries as well as limited financial instruments for investments and risk management (hedging), particularly for complex and high-risk financial products. On the other hand, Indonesia's financial sector also faces challenges from the emergence of complex and high-risk financial instruments like crypto as well as poor governance evaluation and lenient law enforcement in financial sector in various latest assessments.

In addition to fundamental issues, financial sector also faces various external challenges such as technology disruptions and new financial risks in relation to climate change and geopolitical situation. Human resources in financial sector also fall behind in terms of quantity and quality. With the various issues and challenges, a reform is required in financial sector. This financial sector reform is expected to be able to deepen and increase efficiency of Indonesia's financial sector through expansion of outreach, products, and basis of investors, long-term investment promotion, competition increase to support efficiency, strengthening of risk mitigation, and increasing protection for investors and Consumers. This financial sector reform is the continuation of a comprehensive reform like in the real sector through Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation, in tax sector through Law Number 7 of 2021 on Harmonization of Tax Regulations, and in financial balance through Law Number 1 of 2022 on Financial Relationship between Central Government and Regional Government.

From regulation aspect, regulatory framework in financial sector is spread in various Laws which are already old, and therefore, they have not functioned optimally to accommodate arrangement and supervision of the latest activities, products, and development in the quickly and rapidly developing financial industry. Therefore, to realize complete financial sector reform efforts, it is necessary to have a legal basis corresponding to the latest financial industry development through improvement of comprehensive and integrated laws and regulations in 1 (one) law on financial sector by using omnibus method through Law on Developing and Strengthening of The Financial Sector.

This Law reforms financial sector by regulating institution and Financial System Stability as well as industrial development and strengthening. Therefore, this Law regulates strengthening of supervisory and regulatory relationship between institutions in financial sector to realize Financial System Stability, herein between Financial Services Authority, Bank Indonesia, Indonesia Deposit Insurance Corporation, and Ministry of Finance. One of the forums is Financial System Stability Committee in macroprudential and microprudential supervision mechanism in financial system safety net. Thereafter, the institution authorized as financial sector regulator and supervisor is strengthened to maintain stability of financial sector industry and increase public trust.

Strengthening of financial system safety net in the framework of Financial System Stability Committee is

extremely required to ensure tackling of bank issues and maintain Financial System Stability. Optimum tackling of bank issues, strengthening of coordination between institutions, and strengthening of institutional authority in financial sector to prevent bank failure which may harm financial system are the targets to be achieved through this Law. It is conducted through strengthening and improvement of coordination and information exchange mechanism as well as governance, so that decisions in financial sector issues may be made more effectively.

This Law also strengthens each financial sector regulator and supervisor. The role of Bank Indonesia is strengthened by confirming that Bank Indonesia has an objective among others to maintain Financial System Stability to support sustainable economic growth. Bank Indonesia is tasked to determine and implement monetary policy in a sustainable, consistent, and transparent manner, regulate and maintain smooth payment system, and determine and implement macroprudential policy.

Afterwards, Financial Services Authority is strengthened by confirming the authority of the Chair of Board of Commissioners of Financial Services Authority to lead an integrated supervision, and the Executive Commissioner reports their duty performance to the Chair. To increase check and balance function, a supervisory board is established in the Financial Services Authority.

In addition, this Law also affirms the mandate of the Financial Services Authority to conduct integrated regulation and supervision as well as financial conglomeration. This Law also adds the authority of the Financial Services Authority to regulate and supervise cooperatives engaged in financial sector, digital asset activity, Technology Innovation in Financial Sector (ITSK), strengthening of educational function, Consumer Protection and supervision of market conduct, aiming to make national financial sector stronger and more developed.

Indonesia Deposit Insurance Corporation as one of the institutions supporting economic stability through its role in banking industry is also strengthened in this Law. In addition to strengthen the authority of Indonesia Deposit Insurance Corporation in performing a function of deposit insurance and bank resolution, Indonesia Deposit Insurance Corporation is also given a new mandate to administer insurance policy guarantee program which will be accompanied by increasing supervisory and regulatory functions by an insurance supervisory authority.

This Law also regulates address of issues in banking as a very vital sector in Indonesia. This is applied by regulating the role and authority of KSSK, Bank Indonesia, Financial Services Authority, and Indonesia Deposit Insurance Corporation. Strengthening of the role and authority is achieved through strengthening of instruments to prevent and address bank issues such as bank recovery and resolution plan, regulation of short-term liquidity loans or sharia short-term liquidity financing, fund placement by Indonesia Deposit

Insurance Corporation, and confirmation of the role of Indonesia Deposit Insurance Corporation as a resolution institution with a mandate as a risk minimizer, and strengthening of macroprudential-microprudential and macroprudential-microprudential-resolution coordination.

Financial industry strengthening becomes part of the scope of this Law. Bank consolidation process aims to increase competitiveness in banking sector, strengthen digital bank regulation and information technology utilization by banks, and strengthen the role of People's Economy Bank and Sharia People's Economy Bank in driving regional economy and development of Micro, Small, and Medium Enterprises. Regulation of banks is also directed to expansion of business activities of conventional and sharia banks to drive national economy. Bank supervision is also strengthened to banks which are part of Financial Conglomeration.

In insurance sector, strengthening is applied by expanding the scope of insurance, strengthen market conduct of insurance businesses, and affirm spin-off policy on sharia business units. In addition to increase regulation on governance of insurance Joint Venture, insurance policy guarantee program also shapes the backbone of financial sector strengthening in insurance which is expected to serve as a tool to increase public trust in insurance and to maintain insurance industry stability in Indonesia.

Regulation in Capital Market, Money Market, and Foreign Exchange Market is directed to promote the application of same activity, same risk, and same regulation principle for financial instrument transactions, expansion of access and competitiveness among others through interoperable market infrastructures, carbon stock exchange, and regulation of special purpose vehicle to increase financial instrument variations, and trustee for deepening and increasing participation of financial participants, as well as increased regulation on information transparency and good governance.

Then, regulation of Pension Fund industry aims to increase old age protection for the community, especially workers, increase literacy, boost public trust in pension program implementation, and accelerate accumulation of long-term fund source as the main source of development financing.

Regulation in financial reporting sector is directed to mandatory submission of financial reports under the laws and regulations, regulation on financial regulation standard, establishment of independent standard committee, formation of a joint platform for financial reports, and obligation to prepare and submit sustainable reports.

In other financial service industry, regulation includes financing service business, cooperatives engaged in financial sector, and microfinance institutions. The regulation is principle-based, thereby creating level playing field, increasing Consumer Protection, strengthening supervision of cooperatives engaged in financial sector, and strengthening financing support ecosystem.

Then, this Law also achieves its establishment objective by regulating the increasing role of financial sector in sustainable activity financing and strengthening of human resource quality in financial sector. Meanwhile, increase in financial literacy and inclusion is required to provide space for people to better understand financial sector and support better economic life. This Law also regulates efforts to support Micro, Small, and Medium Enterprises including facilitating financing access by applying prudential principles.

Types of violations and crimes in financial sector also becomes a vital substance in this Law. It is conducted to give protection for financial sector activities, including parties involved therein. To maintain order and give a deterrent effect, conviction mechanism is required to punish perpetrators by determining such action as an economic crime. Criminal provisions in this Law are not limited only to crimes by individuals but also corporations. In responding to the development of economic crimes in financial sector, law enforcement may take a form other than criminal sanctions; it needs to prioritize restorative justice.

To support smooth implementation of this Law and to ensure the implementation is in line with the purpose and objective as referred to in CHAPTER II, consultation with or approval of the DPR is needed for some regulations which pose impacts on the public. Such arrangement is conducted by permanent organs in DPR, namely a commission charged with duties and authorities in finance, banking, and development planning as a form of DPR's role and function according to governance and without prejudice to independency of financial sector authority under the laws and regulations.

It is expected that establishment of Law on Developing and Strengthening of The Financial Sector will give positive contribution and support inclusive and sustainable economic growth towards prosperous, developed, dignified, and reliable Indonesia.

II. ARTICLE BY ARTICLE

Combined Elucidation of Law Number 23 of 1999, Law Number 3 of 2004, Law Number 6 of 2009 and Law Number 4 of 2023

Article 1

Sufficiently clear.

Article 2 ****)

Repealed.

Article 3

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The main substances of the provision which will be prescribed by Bank Indonesia Regulation comprises among other things:

- a. a prescription of the amount of rupiah currency which may be brought outside and inside the territory of Indonesia;
- b. a procedure of obtaining an approval to bring rupiah currency outside and inside the territory of Indonesia;
- c. administrative sanctions on any violation of the provision concerning a transfer of rupiah currency from or to other countries without any approval.

Article 4 ***)

Paragraph (1)

Sufficiently Clear.

Paragraph (2)

The term “intervention” means all forms of intimidation, threat, coercion, and solicitation from another party which directly or indirectly may affect Bank Indonesia’s policy and duty performance.

The term “other parties” mean all parties outside Bank Indonesia, including the Government and/or other institutions.

This provision aims to make Bank Indonesia perform its duties and authorities effectively.

Includes certain matters among others for prevention and management of Financial System Crisis or national economy.

Government intervention excludes among others when Bank Indonesia coordinates with the Government to mitigate crisis impacts and accelerate national economic recovery and maintain Financial System Stability.

Intervention by other parties excludes among others when cooperation is made between Bank Indonesia and another party or provision of technical support by another party at the request of Bank Indonesia to support performance of Bank Indonesia’s duties.

Paragraph (3)

Bank Indonesia is stated as a legal entity by this Law and it aims to clarify its authority in management of its own assets separate from the State Budget. In addition, Bank Indonesia as a public legal entity has an authority to

issue regulations and impose sanctions within its limit of authority.

Article 5

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term “*offices inside and outside the territory of the Republic of Indonesia*” means branch offices of Bank Indonesia in the regions or representative offices of Bank Indonesia overseas.

Bank Indonesia conduct its activities in such offices in accordance with its tasks and authority.

Article 6

Paragraph (1)

The capital of Bank Indonesia as referred to in this paragraph originates from assets separated from the state assets, which is the total of capital, General Reserves, Special Purpose Reserves and part of the profit that has not been distributed in accordance with Law Number 13 of 1968 on Central Bank before this Law comes into force.

Paragraph (2)

The term “Monetary liabilities” means the liability of Bank Indonesia to the public, banks, and the Government, consisting of currency in circulation, loan balances owned by banks, the Government, and other parties recorded at Bank Indonesia, and the securities issued by Bank Indonesia. *)

Paragraph (3)

The scope of the key provisions to be stipulated in the Board of Governors Regulation includes but is not limited to:

- a. Accounting treatment for Bank Indonesia capital.
- b. Requirements and procedure for assets revaluation.
- c. Requirements for capital addition from General Reserves or assets revaluation. *)

Article 7 ***)

The term “rupiah stability” means stability of prices of goods and services as well as rupiah exchange rates.

Development of prices of goods and services in general is measured from low and stable inflation.

Meanwhile, stability of rupiah exchange rates is measured from the stability of rupiah exchange rates against other countries' currencies.

Stability of rupiah in terms of low and stable inflation and exchange rate stability is very important to achieve sustainable economic growth. Stability of rupiah exchange rates is required and constitutes inseparable part of efforts to support achievement of low and stable inflation.

The term "Payment System stability" means stability of system including a set of rules, institutions, and mechanisms used to implement fund transfer to meet an obligation arising from an economic activity.

Payment System stability is reflected from implementation of fast, easy, affordable, safe, and reliable Payment System as well as availability of quality and reliable rupiah notes by observing expansion of access and Consumer Protection.

Payment System stability is very vital to support stability of rupiah and financial system and to boost economic and financial inclusion to achieve sustainable economic growth.

To maintain the Financial System Stability, Bank Indonesia synergizes and coordinates with other financial authorities to realize a national financial system resilient to internal and external fluctuations, thereby allowing to perform intermediary function and other financial services effectively to contribute to national economic growth.

The term "sustainable economic growth" means economy which grows according to its capacity and inclusive, thereby the economy is stable, balanced, and resilient to global and domestic fluctuations.

Article 8 ***)

Performance of this duty correlates and supports one another to achieve the objective of Bank Indonesia. To achieve rupiah stability, maintain Payment System stability, and maintain Financial System Stability to support sustainable economic growth, Bank Indonesia uses policy mix which consists of monetary policy, Payment System policy, and macroprudential policy in a dynamic and integrated manner. Through a strong synergy of the 3 (three) policies, economy will not only grow stable but also inclusive and supportive of sustainable economy.

Central bank's objective in monetary sector may only be achieved if Financial System and Payment System Stability is maintained. In this matter, the role of monetary policy in affecting the real sector will be

transmitted through effective financial system and Payment System so that effectiveness of monetary policy implementation highly requires effective and stable financial system as well as fast, easy, efficient, safe, and reliable Payment System by observing access expansion, national interest, and Consumer Protection.

On the other hand, macro risks in finance and economy may be minimized with stable monetary condition. Financial System Stability and Payment System are closely related. Financial System Stability may be achieved if it is supported by a stable Payment System so that Financial System may work effectively and efficiently, and vice versa.

To maintain Financial System Stability, Bank Indonesia conducts macroprudential regulation and supervision to promote balanced, quality, and sustainable intermediary function, to mitigate and manage systemic risks, and to increase economic inclusion, Financial Inclusion, and sustainable finance.

Article 9 ***)

Paragraph (1)

The term “other parties” mean all parties outside Bank Indonesia including the Government and/or other institutions.

This provision aims to make Bank Indonesia perform its duties and authorities effectively.

Includes certain matters among others for prevention and management of Financial System Crisis or national economy.

Government intervention excludes among others when Bank Indonesia coordinates with the Government to mitigate crisis impacts and accelerate national economic recovery and maintain Financial System Stability.

Intervention by other parties excludes among others when cooperation is made between Bank Indonesia and another party or provision of technical support by another party at the request of Bank Indonesia to support performance of Bank Indonesia’s duties.

Paragraph (2)

Sufficiently clear.

Article 10 ***)

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Point a

Sufficiently clear.

Point b

The term “affect market interest rates” means an effort by Bank Indonesia to ensure policy rate is transmissible to market interest rate.

Paragraph (5)

Exchange rate management aims to maintain exchange rate development to make it stable and in line with the economy’s fundamental condition, so that it constitutes an inseparable part of efforts to support low and stable inflation.

Paragraph (6)

Bank Indonesia maintains liquidity supply and demand in Money Market, Bank, and economy among others through monetary operation instruments, development and deepening of Money Market, and regulation of minimum statutory reserves.

Paragraph (7)

Point a

Bank Indonesia’s monetary operation may be conducted through:

- a. issuance of Bank Indonesia’s securities;
- b. purchase and sale of sovereign securities and other high-quality securities sold outright in the secondary market;
- c. repurchase agreement and/or reverse repurchase of sovereign securities and other high-quality securities;
- d. placement and provision of short-term funds to and from Bank Indonesia in Rupiah and foreign currencies (term deposit, deposit facility, and lending facility);
- e. purchase and sale of foreign currencies; and

f. other transactions in Money Market and Foreign Exchange Market.

Point b
Sufficiently clear.

Paragraph (8)
Sufficiently clear.

Paragraph (9)
Sufficiently clear.

Article 10A ***)

Paragraph (1)
Point a
Regulation of risk management in relation to capital flow includes among others regulation of external debts.
Point b
Regulation of receipt and/or use of foreign exchange for residents includes among others repatriation, transfer, and/or conversion of foreign exchange.

Paragraph (2)
Sufficiently clear.

Article 10B ***)

Sufficiently clear.

Article 11 ***)

Paragraph (1)
Liquidity management aims to maintain balance between liquidity supply and demand according to economic capacity. Liquidity is managed by adding or reducing liquidity in financial sector when the economy is contracted or expanded, thereby supporting sustainable economic growth.

Paragraph (2)
The term “other quality securities” mean securities with high rating under the laws and regulations specified by Bank Indonesia. Purchase or sale of sovereign securities and/or other quality securities in the secondary market may be conducted outright and/or under repurchase agreement to support sustainable economic growth.

Fund placement in a financial institution for Money Market development is conducted in the form of Bank Indonesia’s capital participation in a financial institution established by the

Government for asset securitization to expand access to financing sources for the economy.

Regulation of minimum statutory reserves and credit or financing aims to manage liquidity so that it is in line with the economy's needs.

Monetary and macroprudential policy mix is conducted as a liquidity management effort to support sustainable economic growth through increasing balanced and quality intermediary function, maintaining Financial System resilience, and increasing economic inclusion and Financial Inclusion.

Paragraph (3)

The term "macroeconomic condition" means overall or aggregate economic condition reflected in development of economic indicators, among others including inflation, Rupiah exchange rate, asset price, credit growth, economic growth, manpower, and payment balance. This instrument aims as an effort to support sustainable economic growth in a normal Financial System condition.

Paragraph (4)

Sufficiently clear.

Article 12

Bank Indonesia implements the exchange rate policy based on the exchange rate policy prescribed in accordance with the adopted exchange rate system which, among other things, are:

- a. in a fixed exchange rate system, in the form of devaluation or revaluation against foreign currencies;
- b. in a floating exchange rate system, in the form of market intervention;
- c. in a managed floating rate system, in the form of fixing the daily exchange rate and the width of the intervention band.

The regulation of such policies is intended to achieve the objective of Bank Indonesia as referred to in this Law.

Article 13

Paragraph (1)

The term "foreign exchange reserves" means the official foreign exchange reserves under Bank Indonesia's possession, which is recorded as assets in the balance sheet of Bank Indonesia in the form of, among other things, gold, foreign banknotes and other claims in foreign exchange against foreign parties as a means of international payment.

Bank Indonesia shall seek to maintain the level of foreign exchange reserves which is deemed sufficient by Bank Indonesia for the implementation of monetary policy.

Paragraph (2)

The management of foreign exchange reserves by Bank Indonesia is conducted through various types of transactions namely sales, purchase, and or placement of foreign exchange, gold, and securities through a cash and forward payment, including providing loan. The management and maintenance of foreign exchange reserves is based on the security principle, liquidity, and profitability. The purpose of managing and maintaining the foreign exchange reserves constitutes an integral part of the effort to maintain exchange rate stability.

Paragraph (3)

Foreign borrowing received by Bank Indonesia in this paragraph is foreign borrowing received on behalf of and under the responsibility of Bank Indonesia as a legal entity.

This loan shall merely be used in the management of foreign exchange in strengthening the balance of payment position as part of the implementation of monetary policy. In this regard, this loan shall not be part of the State Budget. The amount of such loan shall be adjusted to the capacity of Bank Indonesia to repay its debt. The implementation of such loan may be monitored by the House of Representatives through the audit result conducted by the Audit Board of the Republic of Indonesia.

Article 14 ***)

Paragraph (1)

Point a

Sufficiently clear.

Point b

If required, Bank Indonesia may request data and/or information from a parent company, subsidiary, and party with business and/or financial relationship.

Point c

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Paragraph (5)
Sufficiently clear.

Article 15

Paragraph (1)

Point a

Payment system services which may be implemented by Bank Indonesia among other things is a fund transfer service in a large amount. A prior approval on the arrangement of payment system services is intended to ensure that the payment system services operated by other parties meet the requirements, especially security and efficiency.

Point b

The obligation to submit a report shall prevail on any provider of the payment system services. This is meant that Bank Indonesia may monitor the provision of the payment system. Information obtained in the provision of such payment system is also needed in supporting the implementation of Bank Indonesia's tasks as referred to in Article 8.

Point c

The determination of the use of the payment instrument is intended to ensure that the payment instrument meets the security requirement. Included in this authority is the restriction on the use of certain payment instruments for prudential consideration.

In implementing the authority as referred to in paragraph (1), Bank Indonesia may conduct an examination against the payment system services provider.

Paragraph (2)

The main substances of the provision which will be prescribed in Bank Indonesia Regulation comprises:

- a. the type of the arrangement of the payment system services which needs Bank Indonesia's approval and the procedure of granting the approval by Bank Indonesia;
- b. coverage of the authority and responsibility of the payment system services provider

- including the responsibility related to risk management;
- c. the security and efficiency requirements in the provision of payment system services;
- d. the payment system providers which are responsible for submitting reports on their activities;
- e. the type of reports on their activities which have to be submitted to Bank Indonesia and reporting procedure;
- f. the type of payment instruments which may be used by the society including electronic payment instrument such as ATM card, debit card, credit card, prepayment card, and electronic money;
- g. the security requirements of the payment instrument;
- h. the administrative sanction in the form of a fine for violations of the provisions as referred to in point a, point d and point f.

Article 16

The term “*interbank clearing*” means the interbank exchange of electronic financial papers or data on behalf of a Bank and customers which will be settled within a certain period. The electronic financial papers or data are non-cash payment instruments stipulated by the prevailing regulations or other provisions commonly used in a payment transaction.

An interbank clearing system covers domestic and cross border clearing system. The cross border clearing system covers among other things :

- a. the prescription of requirements which have to be fulfilled by Bank Indonesia or a Bank as a member of a regional or international clearing system;
- b. the regulation concerning the agreement between Bank Indonesia or other institutions as the provider of payment system and Central Banks and or payment system provider of other countries related to the clearing implementation and final settlement of interbank payment transactions.

Article 17

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The main substances of the provisions which will be prescribed by Bank Indonesia Regulation cover among other things:

- a. the type of clearing arrangement which may be conducted by other parties;
- b. the requirements and legal form of other parties which may provide the clearing;

- c. the procedure of granting the approval to other parties which may provide the clearing.

Article 18

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The approval of Bank Indonesia granted to other parties may be conducted based on a request or an application of such parties or may take the form of an assignment given by Bank Indonesia. Such approval is granted only in the event Bank Indonesia cannot provide such activities in a certain region.

Paragraph (3)

The main substance of the provision which will be prescribed by Bank Indonesia Regulation covers among other things :

- a. the requirement for other parties which may provide the final settlement of interbank payment transactions;
- b. the procedure of granting an approval to other parties which will provide the final settlement of interbank payment transactions;
- c. the mechanism to minimize the risk arising out of the failure of a Bank to meet its liability in the final settlement of interbank payment transactions.

Article 19 ****)

Repealed.

Article 20 ****)

Repealed.

Article 21 ****)

Repealed.

Article 22 ****)

Repealed.

Article 23 ****)

Repealed.

Article 24 ***)

Deleted.

Article 25 ***)

Deleted.

Article 26 ***)

Deleted.

Article 27 ***)

Deleted.

Article 28 ***)

Deleted.

Article 29 ***)

Deleted.

Article 30 ***)

Deleted.

Article 31 ***)

Deleted.

Article 32 ***)

Deleted.

Article 33 ***)

Deleted.

Article 34 ***)

Deleted.

Article 35 ***)

Deleted.

Article 35A ***)

Sufficiently clear.

Article 35B ***)

Paragraph (1)

Point a

Macroprudential regulation is conducted among others by using policy instrument to boost:

- a. balanced, quality, and sustainable domestic financing growth rate;
- b. maintained systemic risk level; and
- c. financing level of economic inclusion, Financial Inclusion, and Sustainable Finance.

Point b

Macroprudential supervision is conducted through macroprudential surveillance of financial system and/or audit of banks and/or other parties to ensure implementation of macroprudential policy. For banks supervision, Bank Indonesia coordinates with Financial Services Authority.

For macroprudential supervision, Bank Indonesia imposes administrative sanctions on any violation of macroprudential regulation.

Point c

Regulation and development of inclusive financing and Sustainable Finance are conducted through inclusive financial policy and a policy to support development of Micro, Small, and Medium Enterprises, and other inclusive targets in coordination with the relevant ministry/institution and authority.

Point d

Fund provision to perform function as a lender of the last resort is conducted among others through extension of short-term liquidity loan or short-term liquidity financing under Sharia Principle.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 35C ***)

Sufficiently clear.

Article 35D ***)

Sufficiently clear.

Article 36

Sufficiently clear.

Article 37

Paragraph (1)

The number of members on the Board of Governors shall be adjusted after transfer of the bank supervision function to the supervisory board for the financial services sector, with consideration for efficiency.*)

Paragraph (2)

In the absence of the Governor, the task of the Governor shall be delegated to the Senior Deputy Governor through the signing of an official report of delegation of authority.

Paragraph (3)

The term “*absence*” means if the Governor:

- a. is on leave;
- b. is ill and must take a rest for a minimum of 6 (six) working days in consecutively;
- c. is on tour of duty to within the country or overseas for a minimum of 6 (six) working days;
- d. is temporarily discharged because he/she has to undergo an investigation in a criminal case.

Paragraph (4)

The term “*Deputy Governor who has held the longest term of office*” means a Deputy Governor who is at the first rank of all Deputy Governors of the Board of Governors which rank is based on the letter of appointment of such Deputy Governor as a Deputy Governor.

Article 38

Paragraph (1)

The Board of Governors may, in implementing its tasks, prescribe the organization of Bank Indonesia along with its apparatus.

Paragraph (2) dan Paragraph (3) *)

The key provisions to be stipulated in a Board of Governors Regulation to include but are not limited to:

- a. division of duties among the Board of Governors;
- b. delegation of authority;
- c. Code of ethics of the Board of Governors.

Paragraph (4)

Sufficiently clear. *)

Article 38A ***)

Sufficiently clear.

Article 39

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The term *other parties* means an entity or a person outside Bank Indonesia which has a certain capacity and provide its/his/her services to represent the Governor in, among other things, a judicial proceeding before a court of justice.

Things that may be delegated are the tasks of Bank Indonesia implementation of which is the responsibility of the Board of Governors, but due to its nature such tasks may be implemented by an official of Bank Indonesia or other bodies, for example, expert witness, the provision or circulation of small denomination money in areas where an office of Bank Indonesia does not exist.

A delegation of authority to a party who is competent to exercise the tasks that has been authorized is generally conducted directly.

Paragraph (4)

The term “*substitution right*” means a right of a person who receives an authority to appoint one person or more to replace him/her in implementing the tasks of the person who gives such authority without losing his right as the receiver of such authority.

Article 40 ***)

Point a

The term “Indonesian citizen” means a person who under the applicable laws and regulations is stated as an Indonesian citizen.

Point b

Sufficiently clear.

Point c

The term “have expertise” means an individual mastering a field by educational background, knowledge, and experience required to support their performance of duties.

The term “have experience” means the individual’s career background is either in economy, finance, banking, or law especially related to the duties of a Central Bank.

Point d

Sufficiently clear.

Article 41 ***)

Sufficiently clear.

Article 42

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 43

Paragraph (1)

Point a and point b

The meeting of the Board of Governors is the highest forum of the decision making in prescribing Bank Indonesia's principal and strategic policies, for example a broad monetary policy. The meaning of principal and strategic policies is Bank Indonesia's policies which bring a broad impact inside or outside Bank Indonesia. Other strategic and principal policies are, among other things, policies on the regulation and maintenance of the smoothness of the payment system, as well as on the regulation and supervision of Banks. Other matters do not need to be discussed in the Board of Governors meeting, rather they will be prescribed in a sector meeting presided by each Deputy Governor in accordance with his/her authority, or in a limited inter-sector meeting attended by the related member of the Board of Governors, with the requirement that the decision made in such a meeting will be reported at the weekly meeting of the Board of Governors for information.

Paragraph (2)

The meeting of the Board of Governors may be conducted by using the communication technology, for example through a teleconference. This will enable members of the Board of Governors to attend the meeting of the Board of Governors without any obligation of attending the meeting physically together at the same meeting room.

Paragraph (3)

The term *Governor* in this paragraph includes the Senior Deputy Governor or a Deputy Governor who acts as a chairman of the meeting to replace the Governor who for any reason is prevented from attending the meeting.

Paragraph (4)

The term “*state of emergency*” means a critical situation and condition which has to be overcome through certain measures or otherwise it will bring a negative impact on Bank Indonesia or on the implementation of tasks assigned to Bank Indonesia by this Law.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Article 44

Paragraph (1)

The meaning of *appointment* includes any placement and mutation followed by or without any promotion.

Paragraph (2)

In prescribing an employment regulation of Bank Indonesia, the Board of Governors shall take into account any prevailing regulation related to such matter as long as it does not reduce the independence of Bank Indonesia.

Paragraph (3)

The main substances of the provision which will be prescribed by the Board of Governors Regulation covers among other things:

- a. the appointment and the discharge of an employee;
- b. the employment regulation;
- c. the system of salary, reward, retirement and elderly allowance, as well as other income.

Article 45

This provision is intended to provide a legal protection of personal responsibility of the member of the Board of Governors and or of officials of Bank Indonesia who has, with good faith based on his/her authority, made a decision

which is difficult but has to be taken in the implementation of his/her tasks and authority.

The decision making may be deemed as having been conducted based on good intention if it is:

- a. conducted without any intention of making any profit for himself/herself, his/her family, group, and or conducted through any action which is not indicated as corruption, collusion, and nepotism;
- b. conducted based on a deep analysis and has a positive impact;
- c. conducted based on a preventive measure which will be taken should any decision made is apparently inappropriate;
- d. completed by a monitoring system.

The term "*an official of Bank Indonesia*" means an employee of Bank Indonesia who is, based on a decree of the Board of Governors, appointed for a certain office, and granted a right to make a decision within the limit of his/her authority.

Article 46

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 47 ***)

Paragraph (1)

Point a

The term "having any direct interest in a company" means when an individual holds a position as the management of a company or runs their own goods or services trading business.

The term "having any indirect interest" means when an individual has an interest through share ownership in a company above 25% (twenty-five percent).

Point b

Considering members of the Board of Governors have very strategic duties in monetary, Payment System, and macroprudential sectors, it is reasonable if they are more professional and loyal in performance of their duties. Concurrent positions include as an executive of a

political party and any other institution or organization which may affect their performance and professionalism in relation to their duties and authorities as members of the Board of Governors of Bank Indonesia. However, based on the correlation of duties and positions, members of the Board of Governors ex-officio may hold a concurrent position in a certain institution among others in International Monetary Fund (IMF), World Bank, and Institute of Indonesian Bankers.

Point c

Sufficiently clear.

Paragraph (2)

In the event that a Senior Deputy Governor and/or Deputy Governor who is found to have violated is unwilling to resign, the Governor will propose to the President to request the Senior Deputy Governor and/or Deputy Governor to resign. If the Governor commits the violation, the President will request the Governor to resign.

Article 48 *)

Paragraph (1)

Point a

The resignation as referred to in this article shall be tendered voluntarily by the party concerned or shall be effective by virtue of the provisions as referred to in Article 46 paragraph (2) or Article 47 paragraph (2).

Point b

The dismissal due to conviction of a felony as referred to in this article shall be proven by a court decision with permanent legal force.

Point c

Without reasonable cause as referred to in this article is a case in which a member of the Board of Governors is physically absent without notification to the Board of Governors.

Point d

Bankruptcy and inability to settle liabilities shall be based on a court decision with permanent legal force.

Point e

The term “permanently incapacitated” means deceased, physically and/or mentally disabled so that the person concerned is unable to discharge his or her duties properly, or loss of Indonesian nationality.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 49

Sufficiently clear.

Article 50

Paragraph (1)

The Governor, Senior Deputy Governor, and or Deputy Governor who has been appointed in order to occupy the vacant office may be reappointed for one subsequent term of office at the maximum.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The term “*prevented from occupying such office*” means if the Governor and/or the Senior Deputy Governor :

- a. is on leave;
- b. is ill and must take a rest for a minimum of 6 (six) working days consecutively;
- c. is on tour of duty to a region within the country or overseas for a minimum of 6 (six) working days;
- d. is temporarily discharged because he/she has to undergo an investigation in a criminal case.

The term “*a Deputy Governor who has held the longest term of office*” means a Deputy Governor who is at the first rank of all Deputy Governors of the Board of Governors which rank is based on the letter of appointment of such Deputy Governor as a Deputy Governor.

Article 51

Paragraph (1)

Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Article 52 *)

Paragraph (1)
As cashier for the Government, Bank Indonesia shall in essence administer all Government accounts. The administration shall be conducted in accordance with an agreement between Bank Indonesia and the Government.

Paragraph (2)
The term “*Laws and regulations*” means the law regulating the state treasury.

Article 53

Foreign borrowing in the interest of the Government shall be received by Bank Indonesia only upon the Government's request. Bank Indonesia may act for and on behalf of the Government in accordance with this Law.

The term “*settle the claim and financial liabilities of the Government toward foreign parties.*” means that Bank Indonesia shall make a payment of the Government's liabilities which shall be debited to the Government's account with Bank Indonesia based on an agreement between the Government and the lender.

Article 54

Sufficiently clear. *)

Article 55

Paragraph (1)
This consultation is needed in order that the state debt securities are issued timely, and such issuance does not cause a negative impact on monetary policy, hence the debt securities may be sold with terms acceptable to the market and advantageous to the Government.

Paragraph (2)
The consultation with the House of Representatives will be held with the commission which oversees the State Budget.

Paragraph (3)
If the revenue of the state derived from tax, profit of state companies, and other sources falls short of total state expenditure, the deficit will

be financed by funds derived from the public, either in the form of domestic debt or foreign borrowing obtained through the issuance of state debt securities. Bank Indonesia may only purchase the state debt securities indirectly or in the secondary market.

Paragraph (4)

The term “*short-term government securities needed by Bank Indonesia for monetary control operations*” means short-term government securities with a term of no more than 1 (one) year.*)

Paragraph (5) *****)

Repealed.

Article 56

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The nullification as referred to in this paragraph may be requested by the House of Representatives and or the public to the Supreme Court.

Article 57

Paragraph (1)

Cooperation between Bank Indonesia and international institutions including multilateral institutions is conducted in conjunction with the implementation of the tasks as referred to in Article 8.

The cooperation is for example in the fields of:

- a. collective intervention to stabilize foreign exchange market;
- b. settlement of cross border transaction;
- c. correspondence;
- d. exchange of information concerning matters related to Central Bank's tasks, including banking supervision;
- e. training/research on monetary and payment system areas.

Paragraph (2)

The membership of Bank Indonesia in a multilateral institution is based on the authority granted by the President as the head of state.

Article 58 ***)

Paragraph (1)

The term “*good governance*” means management with accountability, transparency, openness, legal basis, and misuse of authority.

The term “*professional*” means to carry on work with deep expertise, knowledge, and integrity in directing and underlying actions.

Paragraph (2)

Institutional performance report includes report on performance of functions, duties, and authorities of Bank Indonesia, report on program performance and key performance indicators of Bank Indonesia, report on achievement of performance of the Board of Governors and members of the Board of Governors, report on annual budget implementation of Bank Indonesia and any other reports which may show accountable performance of Bank Indonesia’s institution.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Parts of the report submitted are report on performance of functions, duties, and authorities of Bank Indonesia, report on program performance and key performance indicators of Bank Indonesia, report on achievement of performance of Bank Indonesia and any other reports which may show accountable performance of Bank Indonesia to the public.

Paragraph (7)

In addition to function to reflect transparency function, information publication aims to make people understand monetary policy direction which may be used as one of the important considerations in business planning of market participants.

Paragraph (8)

Sufficiently clear.

Paragraph (9)

In performing its duty to audit Bank Indonesia's financial report, the Audit Board of the Republic of Indonesia may use the service of an internationally reputed public accountant.

Paragraph (10)

Sufficiently clear.

Paragraph (11)

Sufficiently clear.

Paragraph (12)

Sufficiently clear.

Article 58A ***)

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term "*institutional*" means support of organization, resources, governance, and operational budget implementation to support achievement of Bank Indonesia's objective. Therefore, the institution does not include determination and implementation of monetary, payment system, and macroprudential policy.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Paragraph (8)

The term "DPR" means a permanent the House of Representatives' organ, namely the commission overseeing finance, banking, and development planning.

Article 58B ***)

Sufficiently clear.

Article 58C ***)

Paragraph (1)

Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
Sufficiently clear.

Paragraph (5)
Sufficiently clear.

Paragraph (6)
Conflict of interests includes when a member of the Supervisory Board of Bank Indonesia is an executive and/or owner of a financial service institution both directly and indirectly.

Paragraph (7)
Point a
Sufficiently clear.

Point b
The term “*permanently unavailable*” means physical disability and/or mental disability which makes it impossible for the relevant person to properly perform their duties; otherwise, the person will forfeit their citizenship.

Point c
Sufficiently clear.

Point d
Sufficiently clear.

Point e
Sufficiently clear.

Point f
Sufficiently clear.

Point g
Sufficiently clear.

Point h
Sufficiently clear.

Paragraph (8)
Sufficiently clear.

Paragraph (9)
Sufficiently clear.

Paragraph (10)
Sufficiently clear.

Paragraph (11)
Sufficiently clear.

Article 59

The special examination conducted upon the request of the House of Representatives on Bank Indonesia is to enable the House of Representatives to further understand a certain matter or activity related to financial management and budget implementation by Bank Indonesia.

Article 60 ***)

Paragraph (1)
Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
If, after 31 December, approval is not obtained, the budget to be used is from the previous year's budget.

Point a
Sufficiently clear.

Point b
Determination of classification of budget use for monetary, Payment System, and macroprudential policy is agreed jointly between Bank Indonesia and DPR which is discussed in an exclusive and closed manner. DPR herein means the House of representatives' permanent organ, namely a commission overseeing finance, banking, and development planning.

Paragraph (4)
Sufficiently clear.

Paragraph (5)
Sufficiently clear.

Paragraph (6)
Sufficiently clear.

Article 61 ***)

Deleted.

Article 62 ***)

Paragraph (1)

General reserves are used to increase the capital or cover the deficit of Bank Indonesia.

Purpose reserves are used for reimbursement cost and/or renewal of fixed assets, procurement of required organs, development of human resources and organization, and increase in technology quality in performing Bank Indonesia's duties and authorities to be submitted to the House for approval. DPR herein means DPR's permanent organ, namely a commission overseeing finance, banking, and development planning.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

In the event that the capital included in general reserves has increased 10% (ten percent) of monetary obligation, the remaining surplus which is the Government's portion must first be used to pay the Government's obligation to Bank Indonesia.

Article 63

The publication of the weekly condensed balance sheet in the State Gazette of the Republic of Indonesia serves an official dissemination of the condensed balance sheet to the public.

Article 64

Paragraph (1)

The provision of this paragraph is to limit the equity participation of Bank Indonesia in a legal entity or other certain entities.

The meaning of a *legal entity or other entities* which is necessary in the implementation of the tasks of Bank Indonesia are among other things a clearing house, rating agency, and deposit guaranty institution.

The equity participation in an entity other than a legal entity or other entities as referred above may only be conducted upon the approval of the House of Representatives.

Paragraph (2)
Sufficiently clear.

Article 64A ***)

Paragraph (1)
Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Regulation of the Board of Governors must at least include mechanism and criteria/requirements for management of Bank Indonesia's assets.

The term "DPR" means the House of Representatives' permanent organ, namely a commission overseeing finance, banking, and development planning.

Article 64B ***)
Sufficiently clear.

Article 65
Sufficiently clear.

Article 66
Sufficiently clear.

Article 67
Sufficiently clear.

Article 68
Sufficiently clear.

Article 69
The meaning of *any entity* in this provision covers all entities, for example a legal entity, partnership, foundation, association, or other entities which are determined as respondents in a survey.

Article 70
Paragraph (1)
Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Article 71
Paragraph (1)
The term confidential in this paragraph means official secret.

The term “*other parties who perform a certain task*” means parties who have been assigned or approved by Bank Indonesia to perform the tasks as referred to, among other things, in Article 14 paragraph (2), Article 17 paragraph (1), Article 18 paragraph (2), Article 30 paragraph (1), Article 32 paragraph (3), and Article 39 paragraph (3).

The term *illegally* means that if a person or an entity willfully commit an action which is contrary to the prevailing regulations.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The main substances of the provision which will be prescribed in the Board of Governor Regulation covers among other things:

- a. the type of information and other data categorized as confidential, among other things individual information and data obtained through a survey and an individual data of a Bank which is a clearing member;
- b. the treatment on information and other data categorized as confidential;
- c. the procedure of the disclosure of information and other data categorized as confidential;
- d. the official authorized to disclose the information and other data categorized as confidential.

Article 72

Paragraph (1)

The authority of the Board of Governor to regulate the administrative sanction as regulated in this article shall prevail on any violation of the provisions stipulated in this Law and the implementation regulation of this law namely Bank Indonesia Regulation and the Board of Governor Regulation.

The term *other parties* means a person or an entity as regulated in this Law among other things as referred to in Article 2 paragraph (4), Article 9 paragraph (1), Article 14 paragraph (3), Article 17 paragraph (1), Article 18 paragraph (2), Article 28 paragraph (1) and paragraph (2), and Article 29 paragraph (3), Article 30 paragraph (1), Article 32 paragraph (3), Article 39 paragraph (3) and parties who has been assigned in the implementation regulation of this Law.

Paragraph (2)

Point a

The term “*fine*” means an obligation to pay a certain amount of money as a result of a failure to meet the provision of this Law.

Point b

Sufficiently clear.

Point c

The revocation or annulment of a business license of a business entity shall be conducted by a competent agency upon the request of Bank Indonesia.

The term “*business entity*” means a business entity assigned or approved by Bank Indonesia to implement the tasks of Bank Indonesia as referred to in Article 14 paragraph (2), Article 17 paragraph (1), Article 18 paragraph (2), Article 30 paragraph (1), Article 32 paragraph (3), Article 39 paragraph (3) and other business entities assigned by this Law.

Point d

The disciplinary sanction may only be imposed on Bank Indonesia's employees based on the employment disciplinary regulation regulated by the Board of Governors Regulation.

Paragraph (3)

Further regulation on administrative sanction prevails on other parties other than the employee of Bank Indonesia shall be prescribed by Bank Indonesia Regulation, while administrative sanction which will be imposed on employees of Bank Indonesia shall be regulated by the Board of Governors Regulation. The main substances of the provision which will be prescribed by Bank Indonesia Regulation covers among other things :

- a. the type of violation which may be subject to an administrative sanction;
- b. the amount of administrative sanction in the form of a fine;
- c. the procedure of the imposition of administrative sanction.

The main substances which will be regulated by the Board of Governor Regulation covers among other things:

- a. the type of violation which may be subject to an administrative sanction;

- b. the type of the employee's disciplinary sanction;
- c. the procedure of the imposition of the employment disciplinary sanction.

Article 73

The transfer of the assets and liabilities of Bank Indonesia as referred to in this article shall be implemented since the coming into effect of this law.

Article 74

Paragraph (1)

With the coming into force of this Law, Bank Indonesia shall no longer extend any liquidity credit under the program credit.

The State-Owned Company designated by the Government is a State-Owned Company with a sound financial condition.

The transfer of credit as referred to in this paragraph also includes the transfer of channeling loan which funds derived from foreign parties and technical assistance given in the extension of program credit.

Considering that the channeling loan and the technical assistance involves other institutions/ parties outside Bank Indonesia, the time limit of the transfer of the channeling loan and the technical assistance to the State Owned Company shall be determined upon an agreement of the parties concerned.

The tasks and authority of the State-Owned Company assigned by the Government are among other things :

- a. to conduct the payment of any liabilities payable to Bank Indonesia;
- b. to channel and administer the program credit;
- c. to seek funding sources for the continuity of the implementation of the program credit.

Paragraph (2)

The Credit Liquidity of Bank Indonesia (KLBI) under the program credit covers various schemes which respectively have its own requirements either on its terms or interest rate. In this regard, a period of KLBI means a period of each scheme of the said KLBI.

As long as such KLBI has not been repaid to Bank Indonesia, the Bank shall pay the principal amount and the interest in accordance with the agreement with the State-Owned Company.

The State-Owned Company shall pay the principal amount and the interest of KLBI owed to Bank Indonesia at the maturity date of each scheme of such KLBI.

Paragraph (3)

The term *interest subsidy* means a subsidy with the amount equal to the difference between the market interest rate and the interest rate of the Liquidity Credit of Bank Indonesia.

Article 75

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 76

Paragraph (1)

The exemption for the financing of banking restructuring is intended to ease the burden of the State Budget which is basically intended to ease the burden of the people.

Paragraph (2)

An extension of the period of the state debt securities is needed should the state financial condition is insufficient to settle the liabilities to Bank Indonesia.

The claims on the state debt securities which has been directly purchased by Bank Indonesia are conducted within the framework of :

- a. the implementation of program credit;
- b. the payment of various liabilities in the implementation of the State Budget;
- c. the Government guaranty program on liabilities of Commercial Banks and Rural Banks;
- d. banking recapitalization.

As regard to the above four points, point c and point d are related to the banking restructuring program, where the major part of the claims is the liabilities of the Government Banks.

The settlement of the claims on the state debt securities directly purchased by Bank Indonesia should have been accomplished prior to the maturity date of such debt securities. This settlement will only be achieved if:

- a. the related agency such as the Indonesian Bank Restructuring Agency, Ministry of Finance, and so forth succeeds in optimally protect the people's money (the State Budget) or minimize the burden of the people;
- b. the success of the national economic recovery.

In the event that the conditions as stated in point a and point b have been achieved, a provision for the extension of credit maturity is not needed. However, in anticipation of any unexpected condition, it is necessary to prepare a legal basis for the extension of the maturity date.

Paragraph (3)

The term “*day*” in this paragraph means the calendar day.

Article 77

Sufficiently clear. *)

Article 77A

Sufficiently clear. *)

Article 78

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 79

Sufficiently clear.

Elucidation to Transitional and Closing Provision of Law Number 3 of 2004 *)

Article II

Sufficiently clear.

Article III

Sufficiently clear.

Elucidation to Law Number 6 of 2009 **)

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Elucidation to Closing Provision of Law Number 4 of 2023 ***)

Article 341

Sufficiently clear.

Elucidation to Law Number 23 of 1999

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC
OF INDONESIA NUMBER 3843

Elucidation to Law Number 3 of 2004 *)

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC
OF INDONESIA NUMBER 4357

Elucidation to Law Number 6 of 2009 **)

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC
OF INDONESIA NUMBER 4962

Elucidation to Law Number 4 of 2023***)

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC
OF INDONESIA NUMBER 6845

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 4 OF 2023
ON
DEVELOPING AND STRENGTHENING OF THE FINANCIAL
SECTOR

BY THE BLESSINGS OF ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Considering :
- a. that to realize equitable, prosperous, and thriving Indonesian people under the Pancasila and the 1945 Constitution of the Republic of Indonesia, it is necessary for the state to realize national development supported by robust economy through more optimal development and strengthening of financial sector;
 - b. that to support and realize development and strengthening of financial sector in Indonesia in line with development of increasingly complex and varied financial service industry; rapidly moving, competitive, and integrated national and international economy; more developed financial system; and to strengthen the regulatory and supervisory framework on financial service institutions, new arrangements and adjustments are required in various regulations on financial sector;
 - c. that for the new arrangements and adjustments in various regulations on financial sector, the Law in financial sector may be amended by using omnibus method to align various regulations in various Laws into 1 (one) Law comprehensively;
 - d. that based on the considerations as referred to in point a, point b, and point c, it is necessary to establish Law on Developing and Strengthening of The Financial Sector;

- Observing :
- 1. Article 20, Article 21, Article 23D, Article 33 and Article 34 the 1945 Constitution of the Republic of Indonesia;
 - 2. Law Number 7 of 1992 on Banks (State Gazette of the Republic of Indonesia of 1992 Number 31, Supplement to State Gazette of the Republic of Indonesia Number 3472) as amended several times and last by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State

- Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
3. Law Number 25 of 1992 on Cooperatives (State Gazette of the Republic of Indonesia of 1992 Number 116, Supplement to State Gazette of the Republic of Indonesia Number 3502) as amended by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
 4. Law Number 8 of 1995 on Capital Market (State Gazette of the Republic of Indonesia of 1995 Number 64, Supplement to State Gazette of the Republic of Indonesia Number 3608);
 5. Law Number 32 of 1997 on Commodities and Futures Trading (State Gazette of the Republic of Indonesia of 1997 Number 93, Supplement to State Gazette of the Republic of Indonesia Number 3720) as amended by Law Number 10 of 2011 on Amendment to Law Number 32 of 1997 on Commodities and Futures Trading (State Gazette of the Republic of Indonesia of 2011 Number 79, Supplement to State Gazette of the Republic of Indonesia Number 5232);
 6. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended several times and last by Law Number 6 of 2009 on Enactment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
 7. Law Number 24 of 2002 on Sovereign Debt Securities (State Gazette of the Republic of Indonesia of 2002 Number 110, Supplement to State Gazette of the Republic of Indonesia Number 4236);
 8. Law Number 24 of 2004 on Indonesia Deposit Insurance Corporation (State Gazette of the Republic of Indonesia of 2004 Number 96, Supplement to State Gazette of the Republic of Indonesia Number 4420) as amended by Law Number 7 of 2009 on Establishment of Government Regulation in

- Lieu of Law Number 3 of 2008 on Amendment to Law Number 24 of 2004 on Indonesia Deposit Insurance Corporation (State Gazette of the Republic of Indonesia of 2009 Number 8, Supplement to State Gazette of the Republic of Indonesia Number 4963);
9. Law Number 40 of 2004 on National Social Security System (State Gazette of the Republic of Indonesia of 2004 Number 150, Supplement to State Gazette of the Republic of Indonesia Number 4456) as amended by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
 10. Law Number 21 of 2008 on Sharia Banks (State Gazette of the Republic of Indonesia of 2008 Number 94, Supplement to State Gazette of the Republic of Indonesia Number 4867) as amended by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
 11. Law Number 2 of 2009 on Indonesian Export Financing Institution (State Gazette of the Republic of Indonesia of 2009 Number 2, Supplement to State Gazette of the Republic of Indonesia Number 4957);
 12. Law Number 7 of 2011 on Currencies (State Gazette of the Republic of Indonesia of 2011 Number 64, Supplement to State Gazette of the Republic of Indonesia Number 5223);
 13. Law Number 21 of 2011 on Financial Services Authority (State Gazette of the Republic of Indonesia of 2011 Number 111, Supplement to State Gazette of the Republic of Indonesia Number 5253);
 14. Law Number 1 of 2013 on Microfinance Institutions (State Gazette of the Republic of Indonesia of 2013 Number 12, Supplement to State Gazette of the Republic of Indonesia Number 5394);
 15. Law Number 40 of 2014 on Insurance (State Gazette of the Republic of Indonesia of 2014 Number 337, Supplement to State Gazette of the Republic of Indonesia Number 5618);
 16. Law Number 1 of 2016 on Guarantee (State Gazette of the Republic of Indonesia of 2016 Number 9, Supplement to State Gazette of

the Republic of Indonesia Number 5835);

17. Law Number 9 of 2016 on Prevention and Management of Financial System Crisis (State Gazette of the Republic of Indonesia of 2016 Number 70, Supplement to State Gazette of the Republic of Indonesia Number 5872);

With the Joint approval of
THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF
INDONESIA
AND
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To enact : LAW ON DEVELOPING AND STRENGTHENING THE
FINANCIAL SECTOR

CHAPTER I GENERAL PROVISIONS

...

CHAPTER II PRINCIPLES, PURPOSES, OBJECTIVES AND SCOPE

...

CHAPTER III INSTITUTIONAL

Part One

General

...

Part Two

Financial Sector Stability Committee

...

Part Three

The Indonesia Deposit Insurance Corporation

...

Part Four

The Financial Services Authority

...

Part Five
Bank Indonesia

Article 9

Several provisions of Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended several times and last by Law Number 6 of 2009 on Enactment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962) are amended as follows:

1. Provisions of Article 4 are amended; therefore, they read as follows:

Article 4

- (1) Bank Indonesia means the Central Bank of the Republic of Indonesia.
 - (2) Bank Indonesia means a state institution independent in performing its duties and authorities, free from intervention of the Government and/or any other parties, except for certain matters expressly specified under this Law.
 - (3) Bank Indonesia means a legal entity under this Law.
2. Provisions of Article 7 are amended; therefore, they read as follows:

Article 7

The objective of Bank Indonesia is to achieve rupiah stability, maintain Payment System stability, and participate in maintaining Financial System Stability to support sustainable economic growth.

3. Provisions of Article 8 are amended; therefore, they read as follows:

Article 8

To achieve the objective as referred to in Article 7, Bank Indonesia has the following duties:

- a. to determine and implement monetary policy in a sustainable, consistent, and transparent manner;
 - b. to regulate and maintain smooth Payment System; and
 - to determine and implement macroprudential policy.
4. Provisions of Article 9 is amended; therefore, they read as follows:

Article 9

- (1) Other parties are prohibited from making any interventions in any forms in the performance of Bank Indonesia's duties as referred to in Article 8, except for certain matters expressly regulated under this Law.
 - (2) Bank Indonesia is required to refuse and/or ignore all forms of interventions from any parties in the performance of duties as referred to in Article 8.
5. Provisions of Article 10 is amended; therefore, they read as follows:

Article 10

- (1) Bank Indonesia determines and implements the monetary policy as referred to in Article 8 point a by referring to the inflation target determined by the Government in coordination with Bank Indonesia.
- (2) In determining and implementing the monetary policy as referred to in Article 8 point a, Bank Indonesia is authorized to:
 - a. manage interest rates;
 - b. manage exchange rates;
 - c. manage liquidity;
 - d. manage foreign exchange flow;
 - e. manage the state's foreign reserves;
 - f. regulate, supervise, and develop Money Market and Foreign Exchange Market; and
 - g. determine and implement other monetary policies;
- (3) In order to exercise the authorities as referred to in paragraph (2), Bank Indonesia conducts the following:

- a. regulation, supervision, inspection, and sanction imposition;
 - b. policy communication in an accountable and transparent manner; and
 - c. policy coordination with the Government, the authority, and the relevant stakeholders.
 - (4) In managing interest rates as referred to in paragraph (2) point a, Bank Indonesia:
 - a. determines policy rates, interest rates on fund placement with Bank Indonesia and fund provision by Bank Indonesia, and other transaction rates with Bank Indonesia; and
 - b. affect market rates.
 - (5) In managing the exchange rate as referred to in paragraph (2) point b, Bank Indonesia exercises its authority based on an exchange rate system determined in accordance with the laws and regulations.
 - (6) In managing liquidity as referred to in paragraph (2) point c, Bank Indonesia maintains liquidity adequacy in Money Market, Foreign Exchange Market, Banks, and economy to support management of interest rates and exchange rates.
 - (7) In order to manage the interest rates, exchange rates, and liquidity as referred to in paragraph (2) point a, point b, and point c, Bank Indonesia conducts monetary control by using the following methods:
 - a. monetary operation in Money Market and Foreign Exchange Market; and
 - b. arrangement of minimum statutory reserves in Rupiah and foreign currencies.
 - (8) The monetary control methods as referred to in paragraph (7) may also be implemented under Sharia Principle.
 - (9) Further provisions for the monetary control as referred to in paragraph (7) and paragraph (8) are regulated in Bank Indonesia Regulation.
6. Between Article 10 and Article 11, 2 (two) articles are inserted, namely Article 10A and Article 10B; therefore, they read as follows:

Article 10A

- (1) In managing the foreign exchange flow as referred to in Article 10 paragraph (2) point d, Bank Indonesia may determine the following provisions:
 - a. foreign exchange flow reporting and risk management in relation to capital flow; and
 - b. receipt and/or use of foreign exchange by residents for management of issues in macroeconomic and Financial System stability.
- (2) Further provisions for the foreign exchange flow management as referred to in paragraph (1) are regulated in Bank Indonesia Regulation.

Article 10B

- (1) The regulation, supervision, and development of Money Market and Foreign Exchange Market by Bank Indonesia as referred to in Article 10 paragraph (2) point f include:
 - a. issuance of transaction products and mechanisms in Money Market and Foreign Exchange Market;
 - b. permits and conducts of market participants in Money Market and Foreign Exchange Market;
 - c. mechanism to establish reference price in Money Market and Foreign Exchange Market;
 - d. infrastructures of Money Market and Foreign Exchange Market; and
 - e. permits and activities of non-bank money changers.
- (2) The regulation, supervision, and development of Money Market and Foreign Exchange Market as referred to in paragraph (1) may also be conducted under Sharia Principle.
- (3) In conducting the regulation, supervision, and development of Money Market and Foreign Exchange Market as referred to in paragraph (1), Bank Indonesia coordinates with the relevant authority and/or ministry/institution.

- (4) Further provisions for the regulation, supervision, and development of Money Market and Foreign Exchange Market as referred to in paragraph (1) and paragraph (2) are regulated in Bank Indonesia Regulation.
7. Provisions of Article 11 are amended; therefore, they read as follows:

Article 11

- (1) In addition to liquidity management to determine and implement monetary policy as referred to in Article 10 paragraph (6), Bank Indonesia manages liquidity to support economic growth.
 - (2) The liquidity management by Bank Indonesia as referred to in paragraph (1) may be conducted through purchase or sale of sovereign securities and/or other quality securities in the secondary market, fund placement in a financial institution for Money Market development, minimum statutory reserves policy, monetary policy mix, and/or other policy instruments.
 - (3) In conducting the liquidity management as referred to in paragraph (1), Bank Indonesia prioritizes achievement of Rupiah stability for the monetary policy as referred to in Article 8 by considering macroeconomic condition.
 - (4) In conducting the liquidity management as referred to in paragraph (2), Bank Indonesia applies good governance.
8. Provisions of Article 14 are amended; therefore, they read as follows:

Article 14

- (1) In performing the duties as referred to in Article 8, Bank Indonesia has authority to:
 - a. conduct a survey;
 - b. obtain data, information, reports, details, and/or explanation from the relevant parties; and
 - c. obtain data and information from and/or exchange data and information with the relevant authority and/or ministry/institution.
- (2) Bank Indonesia may process and disseminate data and/or information on performance of Bank Indonesia's duties

through digital information system and/or any other mechanisms under the laws and regulations.

- (3) In conducting the survey as referred to in paragraph (1) point a and/or obtaining the data, information, reports, details, and/or explanation as referred to in paragraph (1) point b, any party is required to provide data, information, reports, details, and/or explanation according to the procedure determined by Bank Indonesia.
- (4) Further provisions for the survey and obtaining the data, information, reports, details, and/or explanation as referred to in paragraph (1) are regulated in Bank Indonesia Regulation.

9. Article 24 is deleted.

10. Article 25 is deleted.

11. Article 26 is deleted.

12. Article 27 is deleted.

13. Article 28 is deleted.

14. Article 29 is deleted.

15. Article 30 is deleted.

16. Article 31 is deleted.

17. Article 32 is deleted.

18. Article 33 is deleted.

19. Article 34 is deleted.

20. Article 35 is deleted.

21. Between Chapter VI and Chapter VII, 1 (one) chapter is inserted, namely Chapter VIA; therefore, it reads as follows:

CHAPTER VIA
DUTY TO DETERMINE AND IMPLEMENT
MACROPRUDENTIAL POLICY

22. Between Article 35 and Article 36, 2 (two) new articles are inserted, namely Article 35A and Article 35B; therefore they read as follows:

Article 35A

Bank Indonesia determines and implements macroprudential policy to maintain Financial System Stability by encouraging balanced, quality, and sustainable intermediation; mitigating and managing systemic risks; and increasing economic inclusion, Financial Inclusion, and Sustainable Finance.

Article 35B

- (1) In order to determine and implement the macroprudential policy as referred to in Article 8 point c, Bank Indonesia has authority to conduct:
 - a. macroprudential arrangements;
 - b. macroprudential supervision, including inspection and sanction imposition;
 - c. arrangement and development of inclusive financing and Sustainable Finance;
 - d. provision of funds for Banks to perform the function as a lender of the last resort;
 - e. reverse repo (repurchase agreement) and/or purchase of sovereign securities owned by Indonesia Deposit Insurance Corporation when it requires liquidity; and
 - f. coordination with the relevant authority.
- (2) The macroprudential policy as referred to in paragraph (1) point a until point d and point f is determined and applied against Banks, both carrying on their business in a conventional manner and under Sharia Principle, by observing assessment of overall Financial System and its correlation to the economic condition.
- (3) Further provisions for Bank Indonesia's authority to determine and implement the

macroprudential policy as referred to in paragraph (1) are regulated in Bank Indonesia Regulation.

23. Between Chapter VIA and Chapter VII, 1 (one) chapter is inserted, namely Chapter VIB; therefore, it reads as follows:

CHAPTER VIB PROVISIONS FOR BANKRUPTCY

24. Between Article 35B and Article 36, 2 (two) articles are inserted, namely Article 35C and Article 35D; therefore, they read as follows:

Article 35C

Bank Indonesia is the only party authorized to file for bankruptcy and/or suspension of payment of indebtedness of a debtor which is a payment service provider and Payment System infrastructure operator, rupiah processing service provider, broker in Money Market, provider of trade facility, clearing facility for interest rate derivative transactions and over-the-counter exchange rate, or any other institutions granted with a license and/or decision by Bank Indonesia to the extent their dissolution and/or bankruptcy are unspecified otherwise from other laws and regulations.

Article 35D

- (1) Against a debtor which is an electronic money issuer, bankruptcy excludes funds separated by the issuer to meet its obligation to a user and/or provider of goods and/or services in electronic money implementation.
- (2) The funds as referred to in paragraph (1) must be fully used to meet an issuer's obligation to a user and/or provider of goods and/or services in electronic money implementation.

25. Between Article 38 and Article 39, 1 (one) article is inserted, namely Article 38A; therefore, it reads as follows:

Article 38A

- (1) The Board of Governors determine and enforce Bank Indonesia's code of ethics.

- (2) Further provisions for the code of ethics as referred to in paragraph (1) are regulated in Regulation of Board of Governors.

26. Provisions of Article 40 are amended; therefore, they read as follows:

Article 40

To be eligible for appointment as a member of Board of Governors, the relevant candidate must meet the following requirements:

- a. must be an Indonesian citizen;
- b. must have high integrity, manners, and morals;
- c. must have expertise and experience in economy, finance, banking, or law; and
- d. must not be the management and/or member of a political party during the candidacy.

27. Provisions of Article 41 are amended; therefore, they read as follows:

Article 41

- (1) Governor, Senior Deputy Governor, and Deputy Governor are proposed and appointed by the President with the approval of DPR.
- (2) A Deputy Governor candidate is proposed by the President based on the Governor's recommendation.
- (3) For each position of Governor and Senior Deputy Governor as referred to in paragraph (1), the President proposes 3 (three) candidates at the maximum to DPR.
- (4) For each position of Deputy Governor as referred to in paragraph (1), the President proposes at least 2 (two) candidates to DPR.
- (5) The President's proposal to DPR as referred to in paragraph (2) and paragraph (3) is submitted at least 3 (three) months prior to the end of the term of office of the Governor, Senior Deputy Governor, and Deputy Governor.
- (6) DPR will approve or refuse Governor, Senior Deputy Governor, and Deputy Governor candidates at least 1 (one) month as from the proposal is received.
- (7) In the event that the Governor, Senior Deputy Governor, or Deputy Governor candidates as referred to in paragraph (3)

and paragraph (4) are refused by DPR, the President is required to submit a new candidate.

- (8) In the event that the candidate proposed for the second time by the President as referred to in paragraph (3) and paragraph (4) is refused by DPR, the President must re-appoint the Governor, Senior Deputy Governor, or Deputy Governor for the same term of office, or with the approval of DPR, appoint a Senior Deputy Governor or Deputy Governor for a higher position in the structure of the Board of Governors by observing the provisions for term of office of members of Board of Governors and replacement of members of Board of Governors whose term of office has ended.
- (9) A member of Board of Governors is appointed for a 5 (five)-year term of office and may be re-appointed for the same position for the next 1 (one) term of office.
- (10) Replacement of a member of Board of Governors whose term of office has ended is conducted annually for 2 (two) members at the maximum.

28. Provisions of Article 47 are amended; therefore, they read as follows:

Article 47

- (1) Any members of Board of Governors, both individually and collectively, are prohibited from:
 - a. having any direct or indirect interests in any company;
 - b. holding a consecutive position in any other institution, except their position obliges them to hold such position; and
 - c. becoming the management and/or member of a political party.
- (2) In the event that any Member of Board of Governors commits 1 (one) or more prohibitions as referred to in paragraph (1), the member of Board of Governors is required to resign from their position.

29. Provisions of Article 58 are amended; therefore, they read as follows:

Article 58

- (1) In implementation of this Law, Bank Indonesia is required to prioritize good governance and professional principle.
- (2) Bank Indonesia is required to submit to the President and DPR an institutional performance report in writing on implementation of this Law.
- (3) The report submitted to the President and DPR as referred to in paragraph (2) consists of quarterly report and annual report.
- (4) The quarterly report and annual report submitted by Bank Indonesia as referred to in paragraph (3) are evaluated by DPR and used for annual evaluation of performance of the Board of Governors, members of Board of Governors and Bank Indonesia.
- (5) In the event that DPR requires an explanation of matters related to the report as referred to in paragraph (2), Bank Indonesia is required to submit such explanation orally and/or in writing.
- (6) Parts of the quarterly report and annual report as referred to in paragraph (3) are openly published through mass media by specifying the summary in the Official Gazette.
- (7) In the beginning of every budgeting year, Bank Indonesia is required to publish information openly through mass media containing:
 - a. evaluation of implementation of Bank Indonesia's policy in the previous year; and
 - b. planned Bank Indonesia's policy and target determination for the following year.
- (8) Bank Indonesia prepares and submits an annual financial report to the President and DPR.
- (9) Bank Indonesia:
 - a. completes preparation of the annual financial report as referred to in paragraph (8) not later than 30 (thirty) days after a budgeting year ends; and
 - b. submits the financial report to the Audit Board of the Republic of Indonesia for auditing not later than 7 (seven) days

upon completion of the annual financial report.

- (10) The Audit Board of the Republic of Indonesia submits an audit result to DPR no later than 90 (ninety) days as from the audit commencement as referred to in paragraph (9) point b.
- (11) Bank Indonesia is required to announce publicly its annual financial report through mass media.
- (12) Further provisions for the form and structure of the institutional performance report as referred to in paragraph (2) and annual financial report as referred to in paragraph (8) are regulated in Regulation of the Board of Governors.

30. Provisions of Article 58A are amended; therefore, they read as follows:

Article 58A

- (1) By this Law, the Supervisory Board of Bank Indonesia is established.
- (2) The Supervisory Board of Bank Indonesia as referred to in paragraph (1) functions to support DPR to perform a supervisory function in a certain field against Bank Indonesia to increase the institutional performance, accountability, independence, transparency, and credibility of Bank Indonesia.
- (3) In performing the function as referred to in paragraph (2), the Supervisory Board of Bank Indonesia has the following duties to support DPR:
 - a. prepare an institutional performance report of Bank Indonesia;
 - b. conduct monitoring to increase the institutional accountability, independence, transparency, and credibility of Bank Indonesia; and
 - c. prepare a performance report.
- (4) To perform the duties as referred to in paragraph (3), the Supervisory Board of Bank Indonesia has authority to:
 - a. request an explanation of matters related to the governance of institutional duties and authorities of Bank Indonesia;

- b. receive copies of quarterly and annual institutional performance reports from Bank Indonesia;
 - c. review the governance of institutional duties and authorities of Bank Indonesia;
 - d. request documents necessary for the review as referred to in point c related to the governance of institutional duties and authorities of Bank Indonesia;
 - e. receive copies of annual financial reports from Bank Indonesia;
 - f. review the operational budget of Bank Indonesia;
 - g. receive reports from the public and industries on Bank Indonesia as an institution; and
 - h. request explanation and responses from Bank Indonesia's Board of Governors in relation to the review as referred to in point c and point f in a joint meeting with the Supervisory Board of Bank Indonesia.
- (5) The authorities as referred to in paragraph (4) exclude:
- a. attending a meeting of Bank Indonesia's Board of Governors;
 - b. expressing an opinion to represent Bank Indonesia; and
 - c. providing information on performance of the duties as referred to in paragraph (3) both directly and indirectly to the public.
- (6) The Supervisory Board of Bank Indonesia prepares the duty performance report as referred to in paragraph (3) to DPR quarterly or at anytime when required.
- (7) Budget for the Supervisory Board of Bank Indonesia comes from the operational budget of Bank Indonesia.
- (8) Provisions for organization, work procedure, and budget of the Supervisory Board of Bank Indonesia are regulated in Bank Indonesia Regulation after consultation with DPR.

31. Between Article 58A and Article 59, 2 (two) articles are inserted, namely Article 58B and Article 58C; therefore, they read as follows:

Article 58B

- (1) The Supervisory Board of Bank Indonesia has at least 5 (five) members

- and is led by 1 (one) chairman selected from and by the members.
- (2) The members of the Supervisory Board of Bank Indonesia as referred to paragraph (1) consist of representatives of the Government, academicians and community.
 - (3) Members of the Supervisory Board of Bank Indonesia hold their term of office for 5 (five) years and may be re-elected for the next 1 (one) term of office.
 - (4) To be eligible for appointment as a member of the Supervisory Board of Bank Indonesia as referred to in paragraph (1), a candidate must meet the following requirements:
 - a. must be an Indonesian citizen;
 - b. must be physically and mentally healthy;
 - c. must have high integrity and morality;
 - d. must not be an executive of a political party during the candidacy;
 - e. must have expertise and experience in monetary, Payment System, macroprudential, banking, Financial System, organization and management, information system, and/or legal aspects;
 - f. must not have any bloodline relationship to the third degree and/or in-law relationship with any members of Bank Indonesia's Board of Governors;
 - g. must have never been imprisoned by a legal and binding court decision for committing any crime; and
 - h. must have never been declared bankrupt or become an executive of any financial service provider/company who makes the financial service provider/company bankrupt or liquidated by a legal and binding court decision.

Article 58C

- (1) Members of the Supervisory Board of Bank Indonesia as referred to in Article 58B paragraph (1) are selected and elected by DPR.
- (2) The Supervisory Board of Bank Indonesia notifies DPR, with a copy to the President, of the approaching end of the term of

- office of its members no later than 6 (six) months prior to such end of term of office.
- (3) DPR starts selection of members of the Supervisory Board of Bank Indonesia from the date of receipt of such notice from the Supervisory Board of Bank Indonesia as referred to in paragraph (2) and must complete the selection of new members 1 (one) month at the maximum prior to the end of the term of office of the old members.
 - (4) The selection and determination of the member candidates of the Supervisory Board of Bank Indonesia as referred to in paragraph (1) are implemented by a selection committee established by DPR.
 - (5) Members of the Supervisory Board of Bank Indonesia selected as referred to in paragraph (1) are determined by a Presidential Decree.
 - (6) Members of the Supervisory Board of Bank Indonesia may not have any direct and indirect conflicts of interest with their duties and authorities.
 - (7) A member of the Supervisory Board of Bank Indonesia will be dismissed if any of the following applies:
 - a. the member passes away;
 - b. the member is permanently unavailable;
 - c. the member's term of office ends, and the member is not re-elected;
 - d. the member resigns;
 - e. the member is imprisoned by a legal and permanent court decision for committing a crime;
 - f. the member fails to be physically present for 3 (three) months consecutively for no valid reasons;
 - g. the member fails to perform or is negligent in performing their functions, duties, and authorities under the laws and regulations; and/or
 - h. the member no longer meets one of the requirements as referred to in Article 58B paragraph (4).
 - (8) The dismissal of members of the Supervisory Board of Bank Indonesia as referred to in paragraph (7) is determined by a Presidential Decree.
 - (9) In the event that any member of the Supervisory Board of Bank Indonesia is dismissed for reasons as referred to in paragraph (7), selection of replacement members will be conducted by the

selection mechanism as specified in this Law.

- (10) The replacement member of the Supervisory Board of Bank Indonesia as referred to in paragraph (9) is appointed to hold the position of the replaced member and to continue the remaining term of office.
- (11) Replacement of the member of the Supervisory Board of Bank Indonesia as referred to in paragraph (9) will not take place if the remaining term of office of the dismissed member is less than 1 (one) year.

32. Provisions of Article 60 are amended; therefore, they read as follows:

Article 60

Article 60 ***)

- (1) The budgeting year of Bank Indonesia is a calendar year.
- (2) Not later than 30 (thirty) days prior to the budgeting year commencement, the Board of Governors determines the annual budget of Bank Indonesia.
- (3) The annual budget as referred to in paragraph (1) includes:
 - a. budget for operational activities; and
 - b. budget for monetary, Payment System, and macroprudential policies.
- (4) The budget for operational activities as referred to in paragraph (3) point a and evaluation of the current year's budget implementation is submitted to DPR for their approval.
- (5) DPR's approval process as referred to in paragraph (4) is conducted by the DPR's commission overseeing finance, banking, and development planning.
- (6) The budget for monetary, Payment System, and macroprudential policies as referred to in paragraph (3) point b is required to be reported exclusively to DPR.

33. Article 61 is deleted.

34. Elucidation of Article 62 is amended as referred to in the elucidation.

35. Between Article 64 and Article 65, 1 (one) article is inserted, namely Article 64; therefore, it reads as follows:

Article 64A

- (1) Bank Indonesia has authority to manage Bank Indonesia's assets, including to apply write-off and haircut of assets in the form of receivables and other assets.
 - (2) Write-off and haircut of assets in the form of receivables and other assets are implemented with good governance.
 - (3) Further provisions for the management of Bank Indonesia's assets as referred to in paragraph (1) are regulated in Regulation of the Board of Governors after consultation with DPR.
36. Between Chapter X and Chapter XI, 1 (one) chapter is inserted, namely Chapter XA; therefore, it reads as follows:

CHAPTER XA
INFORMATION CONFIDENTIALITY

37. Between Article 64A and Article 65, 1 (one) article is inserted, namely Article 64B; therefore, it reads as follows:

Article 64B

- (1) Any Person who holds or has held a position as:
 - a. member of the Board of Governors; or
 - b. official or employee of Bank Indonesia,
 may not use or disclose any confidential information to any other parties, except for performance of their functions, duties, and authorities by Bank Indonesia's decision or as obliged by the Law.
- (2) Any Person who acts for and on behalf of Bank Indonesia or is employed in Bank Indonesia may not use or disclose any confidential information to any other parties, except for performance of their functions, duties, and authorities by Bank Indonesia's decision or as obliged by the Law.
- (3) Any Person who knows confidential information because of their position, profession, being under supervision, and any other relationships with Bank Indonesia, may not use or disclose any confidential information to any other

parties, except for performance of their functions, duties, and authorities by Bank Indonesia's decision or as obliged by the Law.

- (4) Any violation of the provisions as referred to in paragraph (1) until paragraph (3) may be subject to administrative sanctions and/or any other sanctions under the laws and regulations.
- 5) Further provisions for the information confidentiality, use and disclosure as referred to in paragraph (1) until paragraph (3) are regulated in Regulation of the Board of Governors.

Part Six

Digital Rupiah

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Part Seven

Financial Sector Development

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Part Eight

Control of Money Laundering Crimes and/or Terrorism Financing Crimes

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CHAPTER IV

BANKING

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CHAPTER V

CAPITAL MARKET, MONEY MARKET AND FOREIGN EXCHANGE MARKET

...

CHAPTER VI

INSURANCE

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CHAPTER VII

MUTUAL COMPANY INSURANCE

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CHAPTER VIII
POLICY GUARANTEE PROGRAM

...

CHAPTER IX
GUARANTEE

...

CHAPTER X
FINANCING SERVICE BUSINESS

...

CHAPTER XI
THE BUSINESS OF BULLION

...

CHAPTER XII
PENSION FUND, OLD AGE SECURITY PROGRAM AND
PENSION PROGRAM

...

CHAPTER XIII
COOPERATIVE IN THE FINANCIAL SERVICES
SECTOR

...

CHAPTER XIV
MICROFINANCE INSTITUTIONS

...

CHAPTER XV
FINANCIAL CONGLOMERATE

...

CHAPTER XVI
FINANCIAL SECTOR TECHNOLOGY INNOVATION

...

CHAPTER XVII
IMPLEMENTATION OF SUSTAINABLE FINANCE

...

CHAPTER XVIII
FINANCIAL LITERACY, FINANCIAL INCLUSION AND
CONSUMER PROTECTION

...

CHAPTER XIX
ACCESS TO FINANCING FOR MICRO, SMALL AND
MEDIUM ENTERPRISES

...

CHAPTER XX
HUMAN RESOURCES

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CHAPTER XXI
FINANCIAL SYSTEM STABILITY

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CHAPTER XXII
INDONESIAN EXPORT
FINANCING INSTITUTION

...

CHAPTER XXIII
ADMINISTRATIVE SANCTIONS

...

CHAPTER XXIV
CRIMINAL PROVISIONS

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CHAPTER XXV
MISCELLANEOUS PROVISIONS

...

CHAPTER XXVI
TRANSITIONAL PROVISIONS

...

CHAPTER XXVII
CLOSING PROVISIONS

Article 326

At the time when this Law comes into force, all laws and regulations which are implementing provisions of:

- a. Law Number 7 of 1992 on Bank (State Gazette of the Republic of Indonesia of 1992 Number 31, Supplement to State Gazette of the Republic of Indonesia Number 3472) as amended several times and last by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
- b. Law Number 11 of 1992 on Pension Fund (State Gazette of the Republic of Indonesia of 1992 Number 37, Supplement to State Gazette of the Republic of Indonesia Number 3477);
- c. Law Number 25 of 1992 on Cooperatives (State Gazette of the Republic of Indonesia of 1992 Number 116, Supplement to State Gazette of the Republic of Indonesia Number 3502) as amended by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
- d. Law Number 8 of 1995 on Capital Market (State Gazette of the Republic of Indonesia of 1995 Number 64, Supplement to State Gazette of the Republic of Indonesia Number 3608);
- e. Law Number 32 of 1997 on Commodities and Futures Trading (State Gazette of the Republic of Indonesia of 1997 Number 93, Supplement to State Gazette of the Republic of Indonesia Number 3720) as amended by Law Number 10 of 2011 on Amendment to Law Number 32 of 1997 on Commodities and Futures Trading (State Gazette of the Republic of Indonesia of 2011 Number 79, Supplement to State Gazette of the Republic of Indonesia Number 5232);
- f. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended several times and last by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (State Gazette of the Republic of Indonesia of

- 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
- g. Law Number 24 of 2002 on Sovereign Securities (State Gazette of the Republic of Indonesia of 2002 Number 110, Supplement to State Gazette of the Republic of Indonesia Number 4236);
 - h. Law Number 24 of 2004 on Indonesia Deposit Insurance Corporation (State Gazette of the Republic of Indonesia of 2004 Number 96, Supplement to State Gazette of the Republic of Indonesia Number 4420) as amended by Law Number 7 of 2009 on Establishment of Government Regulation in Lieu of Law Number 3 of 2008 on Amendment to Law Number 24 of 2004 on Indonesia Deposit Insurance Corporation as a Law (State Gazette of the Republic of Indonesia of 2009 Number 8, Supplement to State Gazette of the Republic of Indonesia Number 4963);
 - i. Law Number 40 of 2004 on National Social Security System (State Gazette of the Republic of Indonesia of 2004 Number 150, Supplement to State Gazette of the Republic of Indonesia Number 4456) as amended by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
 - j. Law Number 21 of 2008 on Sharia Banks (State Gazette of the Republic of Indonesia of 2008 Number 94, Supplement to State Gazette of the Republic of Indonesia Number 4867) as amended by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (State Gazette of the Republic of Indonesia of 2022 Number 238, Supplement to State Gazette of the Republic of Indonesia Number 6841);
 - k. Law Number 2 of 2009 on Indonesian Export Financing Institution (State Gazette of the Republic of Indonesia of 2009 Number 2, Supplement to State Gazette of the Republic of Indonesia Number 4957);
 - l. Law Number 7 of 2011 on Currencies (State Gazette of the Republic of Indonesia of 2011 Number 64, Supplement to State Gazette of the Republic of Indonesia Number 5223);
 - m. Law Number 21 of 2011 on Financial Services Authority (State Gazette of the Republic of Indonesia of 2011 Number 111, Supplement to State Gazette of the Republic of Indonesia Number 5253);
 - n. Law Number 1 of 2013 on Microfinance Institutions (State Gazette of the Republic of Indonesia of 2013 Number 12, Supplement to State Gazette of the Republic of Indonesia Number 5394);

- o. Law Number 40 of 2014 on Insurance (State Gazette of the Republic of Indonesia of 2014 Number 337, Supplement to State Gazette of the Republic of Indonesia Number 5618);
 - p. Law Number 1 of 2016 on Guarantee (State Gazette of the Republic of Indonesia of 2016 Number 9, Supplement to State Gazette of the Republic of Indonesia Number 5835); and
 - q. Law Number 9 of 2016 on Prevention and Management of Financial System Crisis (State Gazette of the Republic of Indonesia of 2016 Number 70, Supplement to State Gazette of the Republic of Indonesia Number 5872),
- are declared to remain effective to the extent not contrary to the provisions of this Law.

Article 327

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Article 328

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Article 329

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Article 330

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Article 331

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Article 332

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Article 333

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Article 334

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Article 335

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Article 336

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Article 337

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Article 338

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Article 339

- (1) Implementing regulation of this Law is determined within 2 (two) years at the maximum as from the promulgation hereof.
- (2) The Regulation of Board of Commissioners of Indonesia Deposit Insurance Corporation as referred to in Article 63 paragraph (5) in Article 7 point 37 of this Law is determined within 6 (six) months at the maximum as from the promulgation hereof.

Article 340

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Article 341

This law come into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this law by its placement in State Gazette of the Republic of Indonesia.

Enacted in Jakarta
dated 12 January 2023

PRESIDENT OF THE REPUBLIC
OF INDONESIA

Signed

JOKO WIDODO

Promulgated in Jakarta
Dated 12 January 2023

MINISTRY OF THE STATE OF SECRETARIAT
OF THE REPUBLIC OF INDONESIA,

Signed

PRATIKNO

ELUCIDATION
OF
LAW NUMBER 4 OF 2023
ON
DEVELOPING AND STRENGTHENING OF THE FINANCIAL
SECTOR

I. GENERAL

Reform in financial sector has great urgency in increasing the role of financial sector intermediation and strengthening national financial system resilience. Deep, innovative, efficient, inclusive, reliable, strong, and stable financial sector will support a robust, balanced, inclusive, and sustainable economic growth which is highly required to realize equitable, prosperous, and thriving Indonesian people under the Pancasila and the 1945 Constitution of the Republic of Indonesia.

Currently, Indonesia's financial sector still faces many fundamental issues. Proportion of assets in national financial sector is not yet equal. Banking sector, as one of short-term financing sources, remains extremely dominant compared to other financial sectors. Portion of assets in non-bank financial industry as a long-term fund source, which is expected to be able to support development financing, is still relatively small. This condition indicates that fund collection by the financial industry is still relatively limited, while national financial market deepening has relatively great potentials.

In banking sector, fundamental issues are reflected among others from high interest rates on loans and a gap between the number of accounts and savings of small and big customers. The issues are also reflected from low capitalization of stock market and national bonds compared to other countries as well as limited financial instruments for investments and risk management (hedging), particularly for complex and high-risk financial products. On the other hand, Indonesia's financial sector also faces challenges from the emergence of complex and high-risk financial instruments like crypto as well as poor governance evaluation and lenient law enforcement in financial sector in various latest assessments.

In addition to fundamental issues, financial sector also faces various external challenges such as technology disruptions and new financial risks in relation to climate change and geopolitical situation. Human resources in financial sector also fall behind in terms of quantity and quality. With the various issues and challenges, a reform is required in financial sector. This financial sector reform is expected to be able to deepen and increase efficiency of Indonesia's financial sector through expansion of outreach, products, and basis of investors, long-term investment promotion, competition increase to support efficiency, strengthening of risk mitigation, and increasing protection for investors and Consumers. This financial sector reform is the continuation of a comprehensive reform like in the real sector through Government Regulation in Lieu of Law Number 2 of

2022 on Job Creation, in tax sector through Law Number 7 of 2021 on Harmonization of Tax Regulations, and in financial balance through Law Number 1 of 2022 on Financial Relationship between Central Government and Regional Government.

From regulation aspect, regulatory framework in financial sector is spread in various Laws which are already old, and therefore, they have not functioned optimally to accommodate arrangement and supervision of the latest activities, products, and development in the quickly and rapidly developing financial industry. Therefore, to realize complete financial sector reform efforts, it is necessary to have a legal basis corresponding to the latest financial industry development through improvement of comprehensive and integrated laws and regulations in 1 (one) law on financial sector by using omnibus method through Law on Developing and Strengthening of The Financial Sector.

This Law reforms financial sector by regulating institution and Financial System Stability as well as industrial development and strengthening. Therefore, this Law regulates strengthening of supervisory and regulatory relationship between institutions in financial sector to realize Financial System Stability, herein between Financial Services Authority, Bank Indonesia, Indonesia Deposit Insurance Corporation, and Ministry of Finance. One of the forums is Financial System Stability Committee in macroprudential and microprudential supervision mechanism in financial system safety net. Thereafter, the institution authorized as financial sector regulator and supervisor is strengthened to maintain stability of financial sector industry and increase public trust.

Strengthening of financial system safety net in the framework of Financial System Stability Committee is extremely required to ensure tackling of bank issues and maintain Financial System Stability. Optimum tackling of bank issues, strengthening of coordination between institutions, and strengthening of institutional authority in financial sector to prevent bank failure which may harm financial system are the targets to be achieved through this Law. It is conducted through strengthening and improvement of coordination and information exchange mechanism as well as governance, so that decisions in financial sector issues may be made more effectively.

This Law also strengthens each financial sector regulator and supervisor. The role of Bank Indonesia is strengthened by confirming that Bank Indonesia has an objective among others to maintain Financial System Stability to support sustainable economic growth. Bank Indonesia is tasked to determine and implement monetary policy in a sustainable, consistent, and transparent manner, regulate and maintain smooth payment system, and determine and implement macroprudential policy.

Afterwards, Financial Services Authority is strengthened by confirming the authority of the Chair of Board of Commissioners of Financial Services Authority to lead an integrated supervision, and the Executive Commissioner

reports their duty performance to the Chair. To increase check and balance function, a supervisory board is established in the Financial Services Authority.

In addition, this Law also affirms the mandate of the Financial Services Authority to conduct integrated regulation and supervision as well as financial conglomeration. This Law also adds the authority of the Financial Services Authority to regulate and supervise cooperatives engaged in financial sector, digital asset activity, Technology Innovation in Financial Sector (TIFS), strengthening of educational function, Consumer Protection and supervision of market conduct, aiming to make national financial sector stronger and more developed.

Indonesia Deposit Insurance Corporation as one of the institutions supporting economic stability through its role in banking industry is also strengthened in this Law. In addition to strengthen the authority of Indonesia Deposit Insurance Corporation in performing a function of deposit insurance and bank resolution, Indonesia Deposit Insurance Corporation is also given a new mandate to administer insurance policy guarantee program which will be accompanied by increasing supervisory and regulatory functions by an insurance supervisory authority.

This Law also regulates address of issues in banking as a very vital sector in Indonesia. This is applied by regulating the role and authority of KSSK, Bank Indonesia, Financial Services Authority, and Indonesia Deposit Insurance Corporation. Strengthening of the role and authority is achieved through strengthening of instruments to prevent and address bank issues such as bank recovery and resolution plan, regulation of short-term liquidity loans or sharia short-term liquidity financing, fund placement by Indonesia Deposit Insurance Corporation, and confirmation of the role of Indonesia Deposit Insurance Corporation as a resolution institution with a mandate as a risk minimizer, and strengthening of macroprudential-microprudential and macroprudential-microprudential-resolution coordination.

Financial industry strengthening becomes part of the scope of this Law. Bank consolidation process aims to increase competitiveness in banking sector, strengthen digital bank regulation and information technology utilization by banks, and strengthen the role of People's Economy Bank and Sharia People's Economy Bank in driving regional economy and development of Micro, Small, and Medium Enterprises. Regulation of banks is also directed to expansion of business activities of conventional and sharia banks to drive national economy. Bank supervision is also strengthened to banks which are part of Financial Conglomeration.

In insurance sector, strengthening is applied by expanding the scope of insurance, strengthen market conduct of insurance businesses, and affirm spin-off policy on sharia business units. In addition to increase regulation on governance of insurance Joint Venture, insurance policy guarantee program also shapes the backbone of financial

sector strengthening in insurance which is expected to serve as a tool to increase public trust in insurance and to maintain insurance industry stability in Indonesia.

Regulation in Capital Market, Money Market, and Foreign Exchange Market is directed to promote the application of same activity, same risk, and same regulation principle for financial instrument transactions, expansion of access and competitiveness among others through interoperable market infrastructures, carbon stock exchange, and regulation of special purpose vehicle to increase financial instrument variations, and trustee for deepening and increasing participation of financial participants, as well as increased regulation on information transparency and good governance.

Then, regulation of Pension Fund industry aims to increase old age protection for the community, especially workers, increase literacy, boost public trust in pension program implementation, and accelerate accumulation of long-term fund source as the main source of development financing.

Regulation in financial reporting sector is directed to mandatory submission of financial reports under the laws and regulations, regulation on financial regulation standard, establishment of independent standard committee, formation of a joint platform for financial reports, and obligation to prepare and submit sustainable reports.

In other financial service industry, regulation includes financing service business, cooperatives engaged in financial sector, and microfinance institutions. The regulation is principle-based, thereby creating level playing field, increasing Consumer Protection, strengthening supervision of cooperatives engaged in financial sector, and strengthening financing support ecosystem.

Then, this Law also achieves its establishment objective by regulating the increasing role of financial sector in sustainable activity financing and strengthening of human resource quality in financial sector. Meanwhile, increase in financial literacy and inclusion is required to provide space for people to better understand financial sector and support better economic life. This Law also regulates efforts to support Micro, Small, and Medium Enterprises including facilitating financing access by applying prudential principles.

Types of violations and crimes in financial sector also becomes a vital substance in this Law. It is conducted to give protection for financial sector activities, including parties involved therein. To maintain order and give a deterrent effect, conviction mechanism is required to punish perpetrators by determining such action as an economic crime. Criminal provisions in this Law are not limited only to crimes by individuals but also corporations. In responding to the development of economic crimes in financial sector, law enforcement may take a form other than criminal sanctions; it needs to prioritize restorative justice.

To support smooth implementation of this Law and to ensure the implementation is in line with the purpose and

objective as referred to in CHAPTER II, consultation with or approval of DPR is needed for some regulations which pose impacts on the public. Such arrangement is conducted by permanent organs in DPR namely a commission charged with duties and authorities in finance, banking, and development planning as a form of DPR's role and function according to governance and without prejudice to independency of financial sector authority under the laws and regulations.

It is expected that establishment of Law on Developing and Strengthening of The Financial Sector will give positive contribution and support inclusive and sustainable economic growth towards prosperous, developed, dignified, and reliable Indonesia.

II. Article by Article

Article 1 until Article 8

...

Article 9

Point 1

Article 4

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term "intervention" means all forms of intimidation, threat, coercion, and solicitation from another party which directly or indirectly may affect Bank Indonesia's policy and duty performance.

The term "other parties" mean all parties outside Bank Indonesia, including the Government and/or other institutions.

This provision aims to make Bank Indonesia perform its duties and authorities effectively.

Includes certain matters among others for prevention and management of Financial System Crisis or national economy.

Government intervention excludes among others when Bank Indonesia coordinates with the Government to mitigate crisis impacts and accelerate national economic recovery and maintain Financial System Stability.

Intervention by other parties excludes among others when cooperation is made between Bank Indonesia and another party

or provision of technical support by another party at the request of Bank Indonesia to support performance of Bank Indonesia's duties.

Paragraph (3)

Bank Indonesia is stated as a legal entity by this Law and it aims to clarify its authority in management of its own assets separate from the State Budget. In addition, Bank Indonesia as a public legal entity has an authority to issue regulations and impose sanctions within its limit of authority.

Point 2

Article 7

The term "rupiah stability" means stability of prices of goods and services as well as rupiah exchange rates. Development of prices of goods and services in general is measured from low and stable inflation.

Meanwhile, stability of rupiah exchange rates is measured from the stability of rupiah exchange rates against other countries' currencies.

Stability of rupiah in terms of low and stable inflation and exchange rate stability is very important to achieve sustainable economic growth. Stability of rupiah exchange rates is required and constitutes inseparable part of efforts to support achievement of low and stable inflation.

The term "Payment System stability" means stability of system including a set of rules, institutions, and mechanisms used to implement fund transfer to meet an obligation arising from an economic activity.

Payment System stability is reflected from implementation of fast, easy, affordable, safe, and reliable Payment System as well as availability of quality and reliable rupiah notes by observing expansion of access and Consumer Protection.

Payment System stability is very vital to support stability of rupiah and financial system and to boost economic and financial inclusion to achieve sustainable economic growth.

To maintain the Financial System Stability, Bank Indonesia synergizes and coordinates with other financial authorities to realize a national financial system resilient to internal

and external fluctuations, thereby allowing to perform intermediary function and other financial services effectively to contribute to national economic growth.

The term “sustainable economic growth” means economy which grows according to its capacity and inclusive, thereby the economy is stable, balanced, and resilient to global and domestic fluctuations.

Point 3

Article 8

Performance of this duty correlates and supports one another to achieve the objective of Bank Indonesia. To achieve rupiah stability, maintain Payment System stability, and maintain Financial System Stability to support sustainable economic growth, Bank Indonesia uses policy mix which consists of monetary policy, Payment System policy, and macroprudential policy in a dynamic and integrated manner. Through a strong synergy of the 3 (three) policies, economy will not only grow stable but also inclusive and supportive of sustainable economy.

Central bank’s objective in monetary sector may only be achieved if Financial System and Payment System Stability is maintained. In this matter, the role of monetary policy in affecting the real sector will be transmitted through effective financial system and Payment System so that effectiveness of monetary policy implementation highly requires effective and stable financial system as well as fast, easy, efficient, safe, and reliable Payment System by observing access expansion, national interest, and Consumer Protection.

On the other hand, macro risks in finance and economy may be minimized with stable monetary condition. Financial System Stability and Payment System are closely related. Financial System Stability may be achieved if it is supported by a stable Payment System so that Financial System may work effectively and efficiently, and vice versa.

To maintain Financial System Stability, Bank Indonesia conducts macroprudential regulation and supervision to promote balanced, quality, and sustainable intermediary function, to mitigate and manage systemic risks, and to increase economic inclusion, Financial Inclusion and sustainable finance.

Point 4

Article 9

Paragraph (1)

The term “other parties” mean all parties outside Bank Indonesia including the Government and/or other institutions.

This provision aims to make Bank Indonesia perform its duties and authorities effectively.

Includes certain matters among others for prevention and management of Financial System Crisis or national economy.

Government intervention excludes among others when Bank Indonesia coordinates with the Government to mitigate crisis impacts and accelerate national economic recovery and maintain Financial System Stability.

Intervention by other parties excludes among others when cooperation is made between Bank Indonesia and another party or provision of technical support by another party at the request of Bank Indonesia to support performance of Bank Indonesia’s duties.

Paragraph (2)

Sufficiently clear.

Point 5

Article 10

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Point a

Sufficiently clear.

Point b

The term “affect market interest rate” means an effort by Bank Indonesia to ensure policy rate is

transmissible to market
interest rate

Paragraph (5)

Exchange rate management aims to maintain exchange rate development to make it stable and in line with the economy's fundamental condition, so that it constitutes an inseparable part of efforts to support low and stable inflation.

Paragraph (6)

Bank Indonesia maintains liquidity supply and demand in Money Market, Bank, and economy among others through monetary operation instruments, development and deepening of Money Market, and regulation of minimum statutory reserves.

Paragraph (7)

Point a

Bank Indonesia's monetary operation may be conducted through:

- a. issuance of Bank Indonesia's securities;
- b. purchase and sale of sovereign securities and other high-quality securities sold outright in the secondary market;
- c. repurchase agreement and/or reverse repurchase of sovereign securities and other high-quality securities;
- d. placement and provision of short-term funds to and from Bank Indonesia in Rupiah and foreign currencies (term deposit, deposit facility, and lending facility);
- e. purchase and sale of foreign currencies; and
- f. other transactions in Money Market and Foreign Exchange Market.

Point b

Sufficiently clear.

Paragraph (8)
Sufficiently clear.

Paragraph (9)
Sufficiently clear.

Point 6

Article 10A

Paragraph (1)

Point a

Regulation of risk management in relation to capital flow includes among others regulation of external debts.

Point b

Regulation of receipt and/or use of foreign exchange for residents includes among others repatriation, transfer, and/or conversion of foreign exchange.

Paragraph (2)
Sufficiently clear.

Article 10B

Sufficiently clear.

Point 7

Article 11

Paragraph (1)

Liquidity management aims to maintain balance between liquidity supply and demand according to economic capacity. Liquidity is managed by adding or reducing liquidity in financial sector when the economy is contracted or expanded, thereby supporting sustainable economic growth.

Paragraph (2)

The term “other quality securities” mean securities with high rating under the laws and regulations specified by Bank Indonesia. Purchase or sale of sovereign securities and/or other quality securities in the secondary market may be conducted outright and/or under repurchase agreement to support sustainable economic growth.

Fund placement in a financial institution for Money Market development is conducted in the form of Bank Indonesia's capital participation in a financial institution established by the Government for asset securitization to expand access to financing sources for the economy.

Regulation of minimum statutory reserves and credit or financing aims to manage liquidity so that it is in line with the economy's needs.

Monetary and macroprudential policy mix is conducted as a liquidity management effort to support sustainable economic growth through increasing balanced and quality intermediary function, maintaining Financial System resilience, and increasing economic inclusion and Financial Inclusion.

Paragraph (3)

The term "macroeconomic condition" means overall or aggregate economic condition reflected in development of economic indicators, among others including inflation, Rupiah exchange rate, asset price, credit growth, economic growth, manpower, and payment balance. This instrument aims as an effort to support sustainable economic growth in a normal Financial System condition.

Paragraph (4)

Sufficiently clear.

Point 8

Article 14

Paragraph (1)

Point a

Sufficiently clear.

Point b

If required, Bank Indonesia may request data and/or information from a parent company, subsidiary, and

party with business and/or
financial relationship.

Point c

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Point 9

Article 24

Deleted.

Point 10

Article 25

Deleted.

Point 11

Article 26

Deleted.

Point 12

Article 27

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Point 13

Article 28

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Point 14

Article 29

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Point 15

Article 30

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Point 16

Article 31

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Point 17

Article 32

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Point 18

Article 33

Deleted.

Point 19

Article 34

Deleted.

Point 20

Article 35

Deleted.

Point 21

Sufficiently clear.

Point 22

Article 35A

Sufficiently clear.

Article 35B

Paragraph (1)

Point a

Macroprudential regulation is conducted among others by using policy instrument to boost:

- a. balanced, quality, and sustainable domestic financing growth rate;
- b. maintained systemic risk level; and
- c. financing level of economic inclusion, Financial Inclusion, and Sustainable Finance.

Point b

Macroprudential supervision is conducted through macroprudential surveillance of financial system and/or audit of banks and/or other parties to ensure implementation of macroprudential policy. For audit of banks, Bank Indonesia coordinates with Financial Services Authority.

For macroprudential supervision, Bank Indonesia imposes administrative sanctions on any violation of macroprudential regulation.

Point c

Regulation and development of inclusive financing and Sustainable Finance are conducted through inclusive financial policy and a policy to support development of Micro, Small, and Medium Enterprises, and other inclusive targets in coordination with the relevant ministry/institution and authority.

Point d

Fund provision to perform function as a lender of the last resort is conducted among others through extension of short-term liquidity loan or short-term liquidity financing under Sharia Principle.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Point 23

Sufficiently clear.

Point 24

Article 35C

Sufficiently clear.

Article 35D

Sufficiently clear.

Point 25

Article 38A

Sufficiently clear.

Point 26

Article 40

Point a

The term “Indonesian citizen” means a person who under the applicable laws and regulations is stated as an Indonesian citizen.

Point b

Sufficiently clear.

Point c

The term “have expertise” means an individual mastering a field by educational background, knowledge, and experience required to support their performance of duties.

The term “have experience” means the individual’s career background is either in economy, finance, banking, or law especially related to the duties of a Central Bank.

Point d

Sufficiently clear.

Point 27

Article 41

Sufficiently clear.

Point 28

Article 47

Paragraph (1)

Point a

The term “have a direct interest in a company” means when an individual holds a position as the management of a company or runs their own goods or services trading business.

The term “have an indirect interest” means when an individual has an interest through share ownership in a company above 25% (twenty-five percent).

Point b

Considering members of the Board of Governors have very strategic duties in monetary, payment system, and macroprudential sectors, it

is reasonable if they are more professional and loyal in performance of their duties. Concurrent positions include as an executive of a political party and any other institution or organization which may affect their performance and professionalism in relation to their duties and authorities as members of the Board of Governors of Bank Indonesia. However, based on the correlation of duties and positions, members of the Board of Governors ex-officio may hold a concurrent position in a certain institution among others in International Monetary Fund (IMF), World Bank, and Institute of Indonesian Bankers.

Point c

Sufficiently clear.

Paragraph (2)

In the event that a Senior Deputy Governor and/or Deputy Governor who is found to have violated is unwilling to resign, the Governor will propose to the President to request the Senior Deputy Governor and/or Deputy Governor to resign. If the Governor commits the violation, the President will request the Governor to resign.

Point 29

Article 58

Paragraph (1)

The term “good governance” means management with accountability, transparency, openness, legal basis, and misuse of authority.

The term “professional” means to carry on work with deep expertise,

knowledge, and integrity in directing and underlying actions.

Paragraph (2)

Institutional performance report includes report on performance of functions, duties, and authorities of Bank Indonesia, report on program performance and key performance indicators of Bank Indonesia, report on achievement of performance of the Board of Governors and members of the Board of Governors, report on annual budget implementation of Bank Indonesia and any other reports which may show accountable performance of Bank Indonesia's institution.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Parts of the report submitted are report on performance of functions, duties, and authorities of Bank Indonesia, report on program performance and key performance indicators of Bank Indonesia, report on achievement of performance of Bank Indonesia and any other reports which may show accountable performance of Bank Indonesia to the public.

Paragraph (7)

In addition to function to reflect transparency function, information publication aims to make people understand monetary policy direction which may be used as one of the important considerations in business planning of market participants.

Paragraph (8)

Sufficiently clear.

Paragraph (9)

In performing its duty to audit Bank Indonesia's financial report, the Audit Board of the Republic of Indonesia may use the service of an internationally reputed public accountant.

Paragraph (10)

Sufficiently clear.

Paragraph (11)

Sufficiently clear.

Paragraph (12)

Sufficiently clear.

Point 30

Article 58A

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term "institutional" means support of organization, resources, governance, and operational budget implementation to support achievement of Bank Indonesia's objective. Therefore, the institution does not include determination and implementation of monetary, payment system, and macroprudential policy.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Paragraph (8)

The term “DPR” means a permanent House of representatives’ organ, namely the commission overseeing finance, banking and development planning.

Point 31

Article 58B

Sufficiently clear.

Article 58C

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Conflict of interests includes when a member of the Supervisory Board of Bank Indonesia is an executive and/or owner of a financial service institution both directly and indirectly.

Paragraph (7)

Point a

Sufficiently clear.

Point b

The term “permanently unavailable” means physical disability and/or mental disability which makes it impossible for the relevant person to properly perform their duties; otherwise, the person will forfeit their citizenship.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e
Sufficiently clear.

Point f
Sufficiently clear.

Point g
Sufficiently clear.

Point h
Sufficiently clear.

Paragraph (8)
Sufficiently clear.

Paragraph (9)
Sufficiently clear.

Paragraph (10)
Sufficiently clear.

Paragraph (11)
Sufficiently clear.

Point 32

Article 60

Paragraph (1)
Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
If, after 31 December, approval is not obtained, the budget to be used is from the previous year's budget.

Point a
Sufficiently clear.

Point b
Determination of classification of budget use for monetary, Payment System, and macroprudential policy is agreed jointly between Bank Indonesia and DPR which is discussed in an exclusive and closed manner. The DPR herein means the House of representatives' permanent organ, namely a commission overseeing

finance, banking, and
development planning.

Paragraph (4)
Sufficiently clear.

Paragraph (5)
Sufficiently clear.

Paragraph (6)
Sufficiently clear.

Point 33
Article 61
Deleted.

Point 34
Article 62
Paragraph (1)
General reserves are used to increase the capital or cover the deficit of Bank Indonesia.
Purpose reserves are used for reimbursement cost and/or renewal of fixed assets, procurement of required organs, development of human resources and organization, and increase in technology quality in performing Bank Indonesia's duties and authorities to be submitted to the DPR for approval. DPR herein means the DPR's permanent organ, namely a commission overseeing finance, banking, and development planning.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Paragraph (4)
In the event that the capital included in general reserves has increased 10% (ten percent) of monetary obligation, the remaining surplus which is the Government's portion must first be used to pay the Government's obligation to Bank Indonesia.

Point 35

Article 64A

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Regulation of the Board of Governors must at least include mechanism and criteria/requirements for management of Bank Indonesia's assets.

The term "DPR" means the House of representatives' permanent organ, namely a commission overseeing finance, banking, and development planning.

Point 36

Sufficiently clear.

Point 37

Article 64B

Sufficiently clear.

Article 10 until Article 325

...

Article 326

Sufficiently clear.

Article 327 until Article 338

...

Article 339

Sufficiently clear.

Article 340

...

Article 341

Sufficiently clear.

THE ANNEX OF BOOK OF LAW ON BANK INDONESIA
ARTICLES IN LAW OF REPUBLIC INDONESIA NUMBER 4 OF 2023
ON DEVELOPING AND STRENGTHENING OF THE FINANCIAL
(UU P2SK) SECTOR RELATED TO IMPLEMENTATION OF BANK
INDONESIA'S DUTIES

**I. THE PROVISIONS RELATED TO BANKING IN UU P2SK
(CHAPTER IV, PART TWO BANKING)**

Banking is regulated in the Chapter IV: Banking, Part Two: Banking, Article 14 UU P2SK. This regulation amends, delete and/or establish new regulation in several provisions which was regulated in Law No. 7 of 1992 on Banking as amended several times and last by Law Number 6 of 2023 on Establishment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation as a Law (Law on Banking).

A. Commercial Bank and Rural Bank (BPR) Activities in Payment System (Chapter IV, Part Two)

The commercial bank and BPR activities related to payment system is regulated in several provisions:

1. Article 14 point 2 UU P2SK amends Article 6 of Law on Banking, therefore they read as follows:

Article 6

- (1) Commercial Bank business activities include:
 - a. collecting funds from the public in the form of Deposits in the form of Savings, Demand Deposits, Time Deposits, Certificates of Deposit, and/or other equivalent forms;
 - b. disbursing funds in the form of Credit or Financing Based on Sharia Principles;
 - c. **carrying out activities in the field of payment systems;**
 - d. placing funds at other Banks, borrowing funds from other Banks, or lending funds to other Banks, either by using Letters, telecommunications facilities or by money orders, cheque, or other means;
 - e. issue and/or carry out Securities transactions for the benefit of Banks and/or Customers;
 - f. provide a place to store goods and Securities;
 - g. conduct business activities in foreign currencies;
 - h. perform receivables transfer activities;
 - i. carry out safekeeping of goods and securities; and
 - j. carry out other activities with the approval of the Financial Services Authority.
- (2) Further provisions regarding Commercial Bank business activities as referred to in Paragraph (1) are regulated in the Financial Services Authority Regulation.

(3) Commercial Bank business activities as referred to in Paragraph (1) which are under the authority of Bank Indonesia are further regulated in Bank Indonesia Regulation.

Elucidation of Article 14 Point 2

Paragraph (1)

Point a until point b

Sufficiently clear.

Point c

The term "activities in the field of payment systems" means activities that include a set of rules, institutions, and mechanisms used to carry out transfers of funds in order to fulfill an obligation arising from economic activity.

Point d until point j

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Business activities that are under the authority of Bank Indonesia include activities in the fields of payment systems, issuance and transactions of Securities in the Money Market, and business activities in foreign currency.

2. Article 14 point 9 UU P2SK amends Article 13 of Law on Banking, therefore they read as follows:

Article 13

(1) Rural Bank business activities include:

- a. collecting funds from the public in the form of Deposits in the form of Savings and Time Deposits and/or other equivalent forms;
- b. disbursing funds in the form of Credit or Financing Based on Sharia Principles;
- c. **performing fund transfer activities both for their own interests and for the interests of the Customer;**
- d. placing funds at other Banks, borrowing funds from other Banks, or lending funds to other Banks;
- e. performing foreign currency exchange business activities;

- f. carrying out equity participation in Rural Bank supporting institutions in accordance with the restrictions stipulated in the legal provisions;
 - g. cooperating with other LJK and cooperate with non-LJK in providing financial services to customers;
 - h. performing and/or receivables transfer;
 - i. performing other activities with the approval of the Financial Services Authority.
- (2) Further provisions regarding Rural Bank business activities as referred to in Paragraph (1) are regulated in the Financial Services Authority Regulation
- (3) **Rural Bank business activities as referred to in Paragraph (1) which are under the authority of Bank Indonesia are further regulated in Bank Indonesia Regulations.**

Elucidation of Article 14 Number 9

Sufficiently clear.

3. Article 14 point 11 UU P2SK amends Article 14 Law on Banking, therefore they read as follows:

Article 14

Rural Bank is prohibited to:

- a. accept Deposits in the form of Demand Deposits;
- b. conduct business activities in foreign currencies, except for foreign currency exchange business activities;
- c. carry out equity participation, except as referred to in Article 13 Paragraph (1) Point f;
- d. purchase Securities, except for those issued by Bank Indonesia, the Government, or Regional Governments;
- e. conducting insurance business, except for marketing insurance products in the framework of cooperation as referred to in Article 13 Paragraph (1) Point g; and
- f. carry out other businesses outside the business activities as referred to in Article 13.

Elucidation of Article 14 Point 11

Article 14

This prohibition is intended to conform to BPR business activities which are primarily aimed at serving but not limited to micro and small businesses and the community in the local area. For this reason, the types of services that can be provided by BPRs are adjusted for this purpose without reducing the competitiveness of BPRs against commercial banks and microfinance institutions.

Point a

With a ban on accepting deposits in the form of current accounts, BPRs cannot:

1. issue checks and demand deposit slips;
2. following the clearing and final settlement for checks and Giro slips; and
3. has an account at Bank Indonesia for the purpose of carrying out the final settlement of payment transactions.

Point b until point f

Sufficiently clear.

4. Between Article 30 and Article 31 is inserted 1 (one) article, namely Article 30A, which reads as follows:

Article 30A

- (1) **Banks are obliged to fulfil the minimum capital adequacy ratio in accordance with the Bank's risk profile.**
- (2) In addition to the obligations as referred to in Paragraph (1), Commercial Banks are required to establish additional capital.
- (3) Provisions regarding the minimum capital adequacy ratio as referred to in Paragraph (1) and provisions regarding additional capital as referred to in Paragraph (2) are regulated in the Financial Services Authority Regulation.
- (4) Provisions regarding the ratio of additional capital as referred to in Paragraph (2) which are based on conditions for credit growth are regulated in Bank Indonesia regulation.

Elucidation of Article 14 Point 26

Article 30A

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Additional capital includes Capital conservation buffer, additional capital based on credit growth conditions (countercyclical buffer), and Capital surcharge for Systemic Banks.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The term “additional capital based on credit growth conditions (countercyclical buffer)” means additional capital that functions as a buffer to anticipate losses in the event of excessive growth of credit and/or financing based on banking sharia principles so that it has the potential to disrupt financial system stability.

5. Between Article 40 and Article 41 is inserted 3 (three) articles, one of them is Article 40A, which read as follows:

Article 40A

- (1) The provisions as referred to in Article 40 do not apply to:
 - a. judicial interests in civil cases between the Bank and the Customer, the Customer and the Customer and related to the Customer;
 - b. interests of the judiciary in criminal cases;
 - c. a curator's request that is stipulated based on a commercial court verdict regarding insolvency or a liquidator's request that is stipulated based on a court verdict in the context of settling assets;
 - d. written request, approval, or power of attorney from the Depositor Customer;
 - e. a request for a legal heir from a Depositing Customer who has passed away;
 - f. exchange of information between banks;
 - g. fulfill mutual assistance in criminal matters;
 - h. requests for financial information for tax purposes based on legal provisions;
 - i. the interests of other agencies for the purpose of administering the state at the central level and the public interest in accordance with the duties and authorities in the Law;
 - j. the interests of tasks in the monetary, macroprudential and payment system sectors by Bank Indonesia;**
 - k. the interest in carrying out tasks in the field of deposit insurance and resolution by the Indonesia Deposit Insurance Corporation; and
 - l. the implementation of cooperation agreements between state authorities that have been signed reciprocally.
- (2) Further provisions regarding Bank Confidentiality as referred to in Paragraph (1) are regulated in the Financial Services Authority Regulation.

Elucidation of Article 14 point 38

Article 40A

Paragraph (1)

Point a

Courts in civil cases include general courts and religious courts, including for the benefit of courts regarding joint assets in divorce and the context of asset recovery.

Point b until point g

Sufficiently clear.

Point h

The request was made in accordance with the law on access to financial information for tax purposes and its implementing regulations.

Point i

Sufficiently clear.

Point j

In implementing Bank Indonesia's duties, access to data and information can be done through an integrated information system.

Point k

In carrying out the duties of the Indonesia Deposit Insurance Corporation, access to data and information can be done through an integrated information system.

Point l

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

B. The Obligation of Interest Rate Transparency for Commercial Bank (Chapter IV, Part Two)

The obligation of interest rate transparency for commercial bank is regulated in Article 14 point 5 UU which insert 1 (one) article between Article 8 and Article 9 Law on Banking, namely Article 8A, which read as follows:

Article 8A

- (1) **Commercial Banks are required to carry out interest rate transparency to encourage efficiency in setting banking interest rates to support economic financing.**
- (2) Provisions regarding interest rate transparency as referred to in Paragraph (1) are regulated in the Financial Services Authority Regulation after consultation with the DPR.

Elucidation of Article 14 Point 5

Article 8A

Paragraph (1)

The obligation of interest rate transparency is carried out by publishing the basic credit interest rate, which includes the cost of funds, margin, and overhead costs.

Paragraph (2)

The term "DPR" means the permanent organs of the Indonesian legislative assembly or the House of Representatives, namely commissions whose duties and authorities are in the fields of finance, banking, and development planning.

C. Credit Financing to Micro, Small and Medium Enterprise (UMKM) (Chapter IV, Part Two)

Credit financing to UMKM is regulated in Article 14 point 8 UU P2SK. This provision inserts 1 (one) Article between Article 12 and Article 13 Law on Banking, namely Article 12 B which read as follows:

Article 12B

- (1) Commercial Banks are required to channel Credit or Financing Based on Sharia Principles for certain sectors, Micro, Small and Medium Enterprises, inclusive financing, and/or sustainable financing.
- (2) **The Financial Services Authority and Bank Indonesia shall coordinate to arrange the obligation to channel Credit or Financing Based on Sharia Principles as referred to in Paragraph (1).**

Elucidation of Article 14 point 8

Article 12B

Sufficiently clear.

D. Legal Protection for The Commissioners, The Officials and The Employees of Financial Services Authority (OJK) (Chapter IV, Part Two)

Legal protection for The Commissioners, The Officials and The Employees of OJK is regulated in Article 14 point 49 UU P2SK. This provision was inserted in 1 (one) article between Article 45 and Article 46 Law on Banking which read as follows:

Article 45A

- (1) Chairperson of the Board of Commissioners of the Financial Services Authority, Vice Chairperson of the Board of Commissioners of the Financial Services Authority, members of the Board of Commissioners of the Financial Services Authority, as well as officials and employees of the Financial Services Authority who are related to the implementation of this Law cannot be prosecuted either civilly or criminally if their duties are based on in good faith and in accordance with The legal provisions.
- (2) All actions including decisions taken based on this Law are not the object of a lawsuit that can be submitted to the state administrative court.
- (3) Should the Chairperson of the Board of Commissioners of the Financial Services Authority, Vice Chairperson of the Board of Commissioners of the Financial Services Authority, members of the Board of Commissioners of the Financial Services Authority, as well as officials and employees of the Financial Services Authority who carry out their duties under this Law face lawsuits related to the execution of their duties and authority, the person concerned shall receive legal assistance from the institution represented or assigned.

Elucidation of Article 14 point 49

Article 45A

Sufficiently clear.

II. THE PROVISIONS RELATED TO SHARIA BANK IN UU P2SK (CHAPTER IV, PART THREE SHARIA BANKING)

Sharia banking is regulated in Article 15 UU P2SK. This regulation amends, delete and/or establish new regulation in several provisions which was regulated in Law No. 21 of 2008 on Sharia Banking as amended several times and last by Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation (Law on Banking).

A. Sharia Banking (Chapter IV, Part Three)

Sharia Bank, Sharia Rural Bank (BPRS) and Sharia Business Unit (UUS) activities in payment system are regulated in following provisions:

1. Article 15 point 3 UU P2SK which amends yang amends Article 4 Sharia Banking Law therefore they read as follows:

Article 4

- (1) Sharia Banks and UUS are required to carry out the function of collecting and distributing public funds.
- (2) Sharia Banks and UUS can carry out social functions in the form of baitulmal institutions, i.e., receiving funds originating from zakat, infaq, alms, grants, or other social funds and channeling them to zakat management organizations.
- (3) Sharia Banks and UUS can collect social funds originating from cash waqf and become waqf/nazir managers and/or distribute them through waqf/nazir managers according to the will of the waqf/wakif giver.
- (4) Provisions for the implementation of social functions as referred to in Paragraph (2) and collection of social funds as referred to in Paragraph (3) shall be carried out in accordance with the legal provisions.

Elucidation of Article 15 point 3

Article 4

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Other social funds include receipts from Sharia Banks and UUS originating from the imposition of sanctions on customers (tazir).

Paragraph (3) until Paragraph (4)

Sufficiently clear.

2. Article 15 point 11 UU P2SK amends Article 19 Law in Sharia Banking therefore they read as follows:

Article 19

- (1) Sharia Commercial Bank business activities include:
 - a. collecting funds in the form of Deposits in the form of Current Accounts, Savings, Time Deposits, Deposit Certificates, or other equivalent forms based on *akads* that do not conflict with Sharia Principles;
 - b. collecting funds in the form of Investments based on a *mudarabah akad* or other *akads* that do not conflict with Sharia Principles;

- c. disbursing profit sharing financing based on *musyarakah*, *mudarah akad*, or other *akads* whose *akads* do not conflict with Sharia Principles;
- d. disbursing Financing based on a *murabahah akad*, *salam akad*, *istishna' akad*, or other *akads* that do not conflict with Sharia Principles;
- e. disbursing Financing based on *qardh akads* or other *akads* that do not conflict with Sharia Principles;
- f. disbursing movable or immovable property leasing financing to customers based on *ijarah akads* and/or lease-purchase in the form of *ijarah muntahiya bittamlik* or other *akads* that do not conflict with Sharia Principles;
- g. take over debt based on the *hawala akad* or other *akads* that do not conflict with Sharia Principles;
- h. **conduct debit card business and/or financing cards based on Sharia Principles;**
- i. buy, sell, or guarantee at own risk third party securities issued based on real transactions based on Sharia Principles, such as *ijarah*, *musyarakah*, *mudarah*, *murabaha*, *kefala*, or *hawala akad*;
- j. **purchase securities based on Sharia Principles issued by the Government and/or Bank Indonesia;**
- k. receive payments from bills on securities and perform calculations with third parties or between third parties based on Sharia Principles;
- l. carry out Custody for the benefit of other parties based on an *akad* based on Sharia Principles;
- m. provide a place to store goods and securities based on Sharia Principles;
- n. carry out activities in the field of payment systems;
- o. perform the function as Trustee based on the *wakalah akad*;
- p. provide Letter of Credit (L/C) facilities or bank guarantee in accordance with the Sharia Principles;
- q. perform receivables transfer activities; and
- r. carry out other activities in the field of Sharia Banking and/or in the social sector with the approval of the Financial Services Authority if they do not conflict with Sharia Principles and comply with the legal provisions.

(2) UUS business activities include:

- a. collecting funds in the form of Deposits in the form of Current Accounts, Savings, Time Deposits, Deposit Certificates, or other equivalent forms based on *akads* that do not conflict with Sharia Principles;
- b. collecting funds in the form of Investments based on a *mudarah akad* or other *akads* that do not conflict with Sharia Principles;

- c. disbursing profit sharing based on *mudarabah akad*, *musyarakah akad*, or other *akads* that do not conflict with Sharia Principles;
 - d. disbursing Financing based on a *murabaha akad*, *salam akad*, *istishna ' akad*, or other *akads* that do not conflict with Sharia Principles;
 - e. disbursing Financing based on *qardh akad* or other *akads* that do not conflict with Sharia Principles;
 - f. disbursing movable or immovable property leasing financing to customers based on *ijarah akad* and/or lease-purchase in the form of *ijarah muntahiya bittamlik* or other *akads* that do not conflict with Sharia Principles;
 - g. take over debt based on the *hawala akad* or other *akads* that do not conflict with Sharia Principles;
 - h. conduct debit card business and/or financing cards based on Sharia Principles;
 - i. buy and sell third party securities issued based on real transactions based on Sharia Principles, such as *ijarah*, *musyarakah*, *mudarabah*, *murabaha*, *kefala*, or *hawala akad*;
 - j. purchase securities based on Sharia Principles issued by the Government and/or Bank Indonesia;**
 - k. receive payments from bills on securities and perform calculations with third parties or between third parties based on Sharia Principles;
 - l. provide a place to store goods and securities based on Sharia Principles;
 - m. carry out activities in the field of payment systems;**
 - n. provide Letter of Credit facilities or bank guarantee based on Sharia Principles; and
 - o. carry out other activities in the field of Sharia Banking and/or in the social sector with the approval of the Financial Services Authority if they do not conflict with Sharia Principles and comply with the legal provisions.
- (3) Further provisions regarding the business activities of Sharia Commercial Banks as referred to in Paragraph (1) and UUS business activities as referred to in Paragraph (2) are regulated in the Financial Services Authority Regulation.
- (4) **The business activities of Sharia Commercial Banks as referred to in Paragraph (1) and UUS as referred to in Paragraph (2) which are the authority of Bank Indonesia are further regulated in Bank Indonesia Regulations.**

Elucidation of Article 15 point 11

Article 19

Paragraph (1)

Point a

Sufficiently clear.

Point b

The placement of mudarabah agreement (*Akad Mudharabah*) funds if they are in the form of a Deposit in accordance with the fatwa of the National Sharia Council of the Indonesian Ulema Council is guaranteed by the Indonesia Deposit Insurance Corporation.

Point c until point m

Sufficiently clear.

Point n

The term "Activities in the field of payment systems" means activities that include a set of rules, institutions, and mechanisms, used to carry out transfers of funds in order to fulfill an obligation arising from economic activity.

Point o until point r

Sufficiently clear.

Paragraph (2)

Point a

Sufficiently clear.

Point b

The placement of Mudarabah Agreement (*Akad Mudharabah*) funds if they are in the form of a Deposit in accordance with the fatwa of the National Sharia Council of the Indonesian Ulema Council is guaranteed by the Indonesia Deposit Insurance Corporation.

Point c until point l

Sufficiently clear.

Point m

The term "activities in the field of payment systems" means activities that include a set of rules, institutions, and mechanisms, used

to carry out transfers of funds to fulfill an obligation arising from economic activity.

Point n until point o

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Business activities that are under the authority of Bank Indonesia include activities in the fields of payment systems, issuance, and transactions of securities in the Money Market, and business activities in foreign currency.

3. Article 15 point 14 UU P2SK amends Article 21 therefore they read as follows:

Article 21

- (1) BPRS business activities include:
 - a. collect funds from the public in the form of:
 1. Deposits in the form of Savings, Time Deposits, or other equivalent forms based on *akads* that do not conflict with Sharia Principles; and
 2. Investments based on Mudarabah *akads* or other *akads* that are not in conflict with Sharia Principles;
 - b. distribute funds to the community in the form of:
 1. Profit sharing financing based on a mudarabah or *musyarakah akad*;
 2. Financing based on murabaha, *salam*, or *istishna akads*;
 3. Financing based on *qardh akad*;
 4. Financing for leasing movable or immovable property to the customer based on an *ijarah akad* or lease-purchase in the form of *ijarah muntahiya bittamlik*; and
 5. takeover of debt based on hawala *akad*;
 - c. placing funds and receiving placement funds from other Sharia Banks in the form of a deposit based on a *wadi'ah akad* or Investment based on a *mudarabah akad* and/or other *akads* that are not in conflict with Sharia Principles;
 - d. carry out fund transfer activities both for their own interests and for the interests of the Customer;
 - e. perform receivables transfer activities; and/or

- f. provide products or carry out other Sharia Bank business activities in accordance with Sharia Principles based on the approval of the Financial Services Authority.
- (2) Further provisions regarding the business activities of BPRS as referred to in Paragraph (1) are regulated in the Financial Services Authority Regulation.
- (3) **BPRS business activities as referred to in Paragraph (1) which are the authority of Bank Indonesia are further regulated in Bank Indonesia Regulation.**

Elucidation of Article 15 point 14

Article 21

Paragraph (1)

Point a

The placement of *mudharabah* agreement (*Akad Mudharabah*) funds if they are in the form of a Deposit under the fatwa of the National Sharia Council of the Indonesian Ulema Council is guaranteed by the Indonesia Deposit Insurance Corporation.

Point b until point f

Sufficiently clear.

Paragraph (2) until Paragraph (3)

Sufficiently clear.

4. Article 15 point 17 UU P2SK amends Article 25 therefore they read as follows:

Article 25

BPRS are prohibited from:

- a. conducting business activities that are contrary to Sharia Principles;
- b. accepting Deposits in the form of Demand Deposits;**
- c. conducting business activities in foreign currencies, except for foreign currency exchange business activities;
- d. carrying out Insurance business activities, except for marketing insurance products within the framework of cooperation as referred to in Article 21A point a
- e. carrying out equity participation, except as referred to in Article 21A point c;

- f. purchase securities, except for those issued by Bank Indonesia, the Government, or the Regional Government; and
- g. carry out other businesses outside the business activities as referred to in Article 21 and Article 21A.

Elucidation of Article 15 point 17

Article 25

This prohibition is intended to conform to the business activities of Sharia Rural Banks which are primarily aimed at serving but not limited to micro and small businesses and the community in the local area. For this reason, the types of services that can be provided by Sharia Rural Banks are adapted to this purpose without reducing the competitiveness of BPRS against Sharia Commercial Banks and Sharia microfinance institutions.

Point a

Sufficiently clear.

Point b

With the prohibition of accepting deposits in the form of demand deposits, Sharia BPRs cannot:

1. issue checks and demand deposit slips;
2. following the clearing and final settlement for checks and demand deposits; and
3. has an account at Bank Indonesia for the purpose of carrying out the final settlement of payment transactions.

Point c until point g

Sufficiently clear.

5. Article 15 point 18 UU P2SK amends Article 26 therefore they read as follows:

Article 26

- (1) Business activities as referred to in Article 19 to Article 21A and/or sharia products and services shall comply with Sharia Principles.
- (2) The Sharia principles as referred to in Paragraph (1) are stipulated by institutions that have the authority to issue fatwas in the sharia field.
- (3) The Sharia principles as referred to in Paragraph (2) are followed up by the relevant authorities by establishing regulations to regulate business activities as referred to in Paragraph (1).
- (4) The preparation of regulations as referred to in Paragraph (3) shall be coordinated by the relevant

authorities with institutions that have the authority to issue fatwas in the field of sharia.

(5) In the context of drafting the regulations as referred to in Paragraph (3), the relevant authorities may form a Sharia banking committee, the provisions of which are further regulated in the regulations of each authority.

Elucidation of Article 15 point 18

Article 26

Sufficiently clear.

B. Legal Protection for The Commissioners, The Officials and The Employees of OJK (Chapter IV, Part Three)

Legal Protection for The Commissioners, The Officials and The Employees of OJK is regulated Article 15 point 38 UU P2SK. This provision inserts 3 (three) articles between Article 48 and Article 49 in Law on Sharia Banking, one of them is Article 48C, which read as follows:

Article 48C

- (1) Chairperson of the Board of Commissioners of the Financial Services Authority, Vice Chairperson of the Board of Commissioners of the Financial Services Authority, members of the Board of Commissioners of the Financial Services Authority, as well as officials and employees of the Financial Services Authority who are related to the implementation of this Law cannot be prosecuted either civilly or criminally if their duties are based on in good faith and in accordance with legal provisions.
- (2) All actions including decisions taken based on this Law are not the object of a lawsuit that can be submitted to the state administrative court.
- (3) Should the Chairperson of the Board of Commissioners of the Financial Services Authority, Vice Chairperson of the Board of Commissioners of the Financial Services Authority, members of the Board of Commissioners of the Financial Services Authority, as well as officers and employees of the Financial Services Authority who carry out their duties under this Law face lawsuits related to the implementation of duties and authorities, the person concerned receives legal assistance from the institution represented or assigned.

Elucidation of Article 15 point 38

Article 48C

Sufficiently clear.

III. PROVISIONS RELATED TO CAPITAL MARKET, MONEY MARKET AND FOREIGN EXCHANGE MARKET IN UU P2SK (CHAPTER V)

A. Market Infrastructure (Chapter V, Part One)

Provisions related to Market Infrastructure is regulated in Article 16 UU P2SK which read as follows:

Article 16

- (1) Market administration in the financial sector is supported by market infrastructure that follows technological developments.
- (2) The market infrastructure as referred to in Paragraph (1) shall include:
 - a. transaction facilities;
 - b. clearing and/or guarantee facilities (central counter Party);
 - c. settlement of transactions, administration, and/or storage of financial instruments facilities (central custodian);
 - d. settlement of funds facilities (payment system);
 - e. facilities for managing transaction information (trade repository) of financial instruments and/or derivatives; and
 - f. other facilities.
- (3) The Financial Services Authority (OJK) and Bank Indonesia coordinate to encourage the development of market infrastructure as referred to in Paragraph (2).
- (4) **Market infrastructure as referred to in Paragraph (2) shall be organized by a financial sector authority or an Indonesian incorporated company that has obtained a permit or is appointed by a financial sector authority.**
- (5) **Market infrastructure as referred to in Paragraph (2) Point a to Point f except Point d, may be used in intermarket operations after obtaining permission from the infrastructure originating authority and approval from the supervisory authority of the financial instrument to use supporting infrastructure.**
- (6) **Should the market infrastructure as referred to in Paragraph (5) is used in the intermarket administration, the original authority of the market infrastructure and the supervisory authority of the financial instrument that will use the supporting infrastructure shall coordinate, at least in order to:**
 - a. exchange and update of data and information;**
 - b. joint supervision; and**
 - c. risk mitigation measures.**
- (7) Should the infringement of legal provisions is found based on the results of joint supervision as referred to in Paragraph (6) Point b, legal act and/or imposition of

sanctions against the market infrastructure operator as referred to in Paragraph (2) and/or market participants by the original authority of each market infrastructure in accordance with its authority.

- (8) Facilities for managing transaction information (trade repository) of financial instruments and/or derivatives as referred to in Paragraph (2) Point e shall provide accurate, sufficient, and timely data to the public and to the relevant authorities in accordance with their respective duties and authorities.

Elucidation of Article 16

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Point a

The term “transaction facilities” means trading facilities both in the primary market and the secondary market through market operators in the financial market.

Point b

The term “clearing and/or guarantee facility (central counterparty)” means a clearing house that serves both transactions on the stock exchange and over the counter with innovations.

Point c until point d

Sufficiently clear.

Point e

The term "transaction information management facility (trade repository) for financial instruments and/or Derivatives" means an institution that manages all information related to Derivative transactions.

Point f

Sufficiently clear.

Paragraph (3)

Forms of coordination in encouraging the development of market infrastructure, for example encouraging the establishment of an integrated Derivative transaction information management facility for all asset classes.

Paragraph (4)

Market infrastructure operated by financial sector authorities, for example, implementation of fund settlement facilities by Bank Indonesia.

Paragraph (5)

Market supporting infrastructure is expected to support interoperability in order to support market efficiency. For example, alternative trading operators in the Capital Market sector who have obtained business licenses from the Financial Services Authority may provide trading systems and/or facilities for financial instruments on the market when operating trading systems and/or facilities for more than 1 (one) financial instrument. Money will be transferred after approval from Bank Indonesia.

Securities in the Capital Market, as well as instruments in the Money Market and Foreign Exchange Market, are examples of financial instruments.

Paragraph (6)

The origin authority of the market infrastructure may differ from the supervisory authority of financial instruments. The term "authority of origin of market infrastructure" means a supervisory agency that grants infrastructure institutional business licenses, while a financial instrument supervisory authority is an institution that grants licenses for financial instrument trading.

Paragraph (7) until Paragraph (10)

Sufficiently clear.

B. Money Market and Foreign Exchange (Chapter V, Part Four)

The provisions related to Money Market and Foreign Exchange are regulated in Article 27 until Article 33 UU P2SK which read as follows:

Article 27

- (1) In order to support monetary policy, Bank Indonesia is authorized to manage, develop and supervise the Money Market, Foreign Exchange Market and derivative transactions.**
- (2) In carrying out the regulatory authority, supervision, and development of the Money Market, Foreign Exchange Market and Derivative transactions as referred to in Paragraph (1), Bank Indonesia shall conduct joint discussions with the Government, the Financial Services Authority, and**

the Indonesia Deposit Insurance Corporation in accordance with their respective authorities.

Elucidation of Article 27

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Coordination with the Government including other ministries/institutions can be carried out through the Ministry of Finance. In addition, coordination can also involve other parties such as associations. Coordination can be carried out through existing forums such as the Development Financing Coordination Forum through the Financial Market.

Joint discussions conducted between Bank Indonesia and the Financial Services Authority included regulation and supervision related to lending and selling transactions with repurchase agreements or repo (repurchase agreements).

Article 28

- (1) Activities in the Money Market and Foreign Exchange Market include:
 - a. issuance of Money Market instruments; and
 - b. transactions in the Money Market and Foreign Exchange Market.
- (2) Every issuance of Money Market instruments as referred to in Paragraph (1) Point a is required to first obtain a permit from Bank Indonesia.**

Elucidation of Article 28

Paragraph (1)

Point a

Money Market Instruments include short-term securities which are orders or commitments to pay and can be traded, including debt securities with maturities of no more than 1 (one) year which are exempt from the provisions of the Financial Services Authority in the law on markets capital.

Point b

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 29

- (1) **The authority of Bank Indonesia as referred to in Article 27 to regulate activities in the Money Market as referred to in Article 28 does not apply to Parties offering Money Market instruments issued and guaranteed by the Government of Indonesia.**
- (2) **Should there are financial instruments that are the authority of other authorities transacted in the Money Market and/or Foreign Exchange Market, Bank Indonesia and other authorities coordinate the harmonization of regulations and coordination of supervision.**

Elucidation of Article 29

Sufficiently clear.

Article 30

- (1) Activities in the Money Market and Foreign Exchange Market as referred to in Article 28 can be issued and transactions both conventionally and based on Sharia Principles.
- (2) Money market instruments based on sharia principles is required to comply with sharia principles set by institutions that have authority in the determination of fatwas in the sharia field.

Elucidation of Article 30

Sufficiently clear.

Article 31

In organizing activities in the Money Market and Foreign Exchange Market, the formation of the reference price is required to be carried out transparently, using credible process and or methods, and complying with applicable regulations in the Money Market and Foreign Exchange Market.

Elucidation of Article 31

Sufficiently clear.

Article 32

- (1) Parties carrying out activities in the Money Market and Foreign Exchange Market include:
 - a. money market and/or foreign exchange market participants;

- b. supporting institutions of the Money Market and/or Foreign Exchange Market; and
 - c. Other parties related to activities and transactions in the Money Market and Foreign Exchange Market.
- (2) Parties carrying out activities in the money market and foreign exchange market must apply the principles of prudence, risk management, comply with the code of conduct and code of ethic of the market and carry out consumer and investor protection.

Elucidation of Article 32

Paragraph (1)

Point a

Money Market and/or Foreign Exchange Market actors include LJK, corporations, individuals and/or non-residents.

Point b

Supporting institutions for the money market and/or foreign exchange market include banks, securities companies, brokerage firms and/or other institutions.

Point c

Sufficiently clear.

Paragraph (2)

The Code of Conduct includes guidelines for behavior and action for every market participant in making transactions.

Article 33

Clearing Facilities (central counterparty) in the Money Market and Foreign Exchange Market carry out clearing functions for transactions carried out via over-the-counter in the Money Market and Foreign Exchange Market and Derivative transactions, either without novation or by novation so as to act as a buyer for the seller and as a seller for the buyer.

Elucidation of Article 33

The clearing facility in the Money Market and Foreign Exchange Market that performs the novation function so that it acts as a buyer for sellers and as a seller for buyers is the Central counterparty.

C. Financial Market Development (Chapter V, Part Five, Paragraph 1 Management of Financial Instruments and/or Management of Trust Funds)

The provisions related to Financial Market Development are regulated in Article 34 until Article 39 UU P2SK which read as follows:

Article 34

- (1) A financial instrument management agency (special purpose vehicle) and/or trustee fund manager (trustee) is a special business entity formed to carry out securitization activities and/or carry out trust fund management activities:
 - a. receive custody and management (trust) of the property of the depositor of the trust's property based on a written agreement between the beneficiary and the trustee with the trustee for the benefit of the beneficiary (beneficiary); and/or
 - b. carrying out securitization that includes activities:
 1. receive a transfer of an asset or set of assets including financial assets from the creditor / owner of the originating asset (originator);
 2. securitize a set of assets including financial assets as referred to in Point a; and
 3. Issue securities resulting from the securitization to investors (beneficiary).
- (2) Financial instrument management agency (special purpose vehicle) in the form of a limited liability company with certain characteristics as regulated in this law.
- (3) The trustee fund manager may be in the form of a legal entity or a natural person.
- (4) The financial instrument management agency (special purpose vehicle) and the trustee fund manager is required to obtain a business license from the Financial Services Authority and can start its business activities since obtaining a business license from the Financial Services Authority.
- (5) Should the financial instrument management agency (special purpose vehicle) and/or trustee fund manager carries out activities in a field or sector that is an authority outside the Financial Services authority, the financial instrument management agency (special purpose vehicle) and/or trust fund manager (trustee) is required to obtain permission from the authority in charge of the instrument or service that is a business activity in accordance with its authority, and can start its business activities since obtaining a permit.
- (6) Certain characteristics of the entity that carries out business activities as a trustee fund manager as referred to in Paragraph (1) Point a include:
 - a. any assets handed over by the asset owner to the trustee fund manager in asset management activities are not part of the trust fund manager's (trustee)'s

- assets and are recorded and reported separately from the trustee's fund manager's assets;
- b. transfer of assets to the trustee in the context of managing assets recorded as a legal owner for the benefit of the beneficiary owner;
- c. the beneficiary is entitled to the benefit of the assets handed over by the asset owner to the trustee fund manager (trustee) in the context of carrying out asset management activities in accordance with what is agreed in the asset management agreement;
- d. the trustee has the authority and duty to manage, use and/or release assets in accordance with the specific duties imposed on him under this Law and its implementing regulations;
- e. asset owners may appoint one or more trustees to carry out asset management activities under an asset management agreement;
- f. the owner of the asset may appoint one or more beneficiaries to obtain benefits over the asset;
- g. the trustee must cease its business activities in the event that:
 - 1. the revocation of the trustee's business license by the Financial Services Authority; and/or
 - 2. an insolvency verdict to the trustee from the local commercial court;
- h. Asset management activities may end on the following reasons:
 - 1. expiration of the term of the asset management agreement; or
 - 2. terminated by the owner of the asset;
- i. should the asset management activity ends as referred to in Point h point 1, the assets managed through the trust fund management activities is required to be given to the beneficiary at the expiration of the asset management agreement;
- j. The asset owner may terminate the asset management activities as referred to in Point h point 2 and submit the results of asset management to the beneficiary if the trustee infringes the asset management agreement and/or misuses the assets submitted in infringement of the legal provisions; and
- k. should the trustee is insolvent as referred to in Point g number 2, all assets of the asset owner are not part of the insolvent property and is required to be returned to the asset owner.

Elucidation of Article 34

Paragraph (1)

Point a

Sufficiently clear.

Point b

Securitization can be carried out on other assets, for example the need for asset

securitization that meets Sharia Principles, including the securitization of tangible and intangible assets or services.

Paragraph (2) until Paragraph (5)

Sufficiently clear.

Paragraph (6)

Point a

The term "asset owner" is a party that hands over his assets to a trustee fund manager based on an asset management agreement.

Point b

The term "asset owner" is a party that hands over his assets to a trustee fund manager based on an asset management agreement.

Point c

The term "asset management agreement" is an agreement signed by the trustee and the asset owner, in which the trustee is given the authority to manage the assets handed over by the asset owner for the benefit of the beneficiary.

Point d

The act of disposing of assets is the authority of the financial instrument management body (special purpose vehicle) as the asset owner or the authority of the trustee fund manager (trustee) as the recipient of the selling power of the asset owner.

Point e until point k

Sufficiently clear.

Paragraph (7)

Point a

Sufficiently clear.

Point b

The parties appointed include legal entities carrying out tasks from the Government.

Point c until point h

Sufficiently clear.

Paragraph (8) until Paragraph (10)

Sufficiently clear.

Article 35

- (1) In carrying out its functions, the trustee fund manager is required to maintain the confidentiality of data and transactions of asset owners and beneficiaries in accordance with the legal provisions and maintain good governance.
- (2) For trustee fund managers in the form of natural persons as referred to in Article 34 Paragraph (3) applied the governance in accordance with the provisions as referred to in Paragraph (1).
- (3) Financial instrument management agency (special purpose vehicles) and/or trustee fund managers are prohibited from:
 - a. request or accept; or
 - b. permit or agree to accept,
 - a reward, commission, additional money, service, money, or valuables, for their personal benefit or for the benefit of their family, in order to obtain or seek to obtain for another person in obtaining a profit or in order to give consent for another person to carry out a withdrawal of funds that exceed the limits of his assets.
- (4) The financial instrument management body (special purpose vehicle) and/or trustee fund manager (trustee) is required to take the necessary steps to ensure the compliance of the financial instrument management body (special purpose vehicle and/or trustee fund manager (trustee) to the provisions of this Law and the other legal provisions for the financial instrument management body (special purpose vehicle) and/or trust fund manager (trustee).
- (5) Shareholders of a special purpose vehicle and/or trustee fund manager are prohibited from instructing members of the board of commissioners, members of the board of directors, employees of the special purpose vehicle and/or trust fund managers (trustee), or parties acting for and on behalf of the special purpose vehicle and/or (trustee) trust fund managers to do or not do actions that result in a special purpose vehicle and/or trust fund manager (trustee) not carrying out the necessary steps to ensure the compliance of the special purpose vehicle and/or trustee fund manager to the provisions of this Law and other legal provisions applicable to the special purpose vehicle and/or fund manager trustee as referred to in Paragraph (3).
- (6) Financial instrument management agency (special purpose vehicles) and/or trustee fund managers are prohibited from:
 - a. create or cause false records in the bookkeeping or in the process of reports, documents or reports on the activities of the Financial Instruments Management Agency (Special Purpose Vehicle)

- and/or management of trust funds, and/or transaction reports or accounts of asset owners;
- b. create or cause false records in the bookkeeping or in the process of reports, documents or reports on the activities of the Financial Instruments Management Agency (Special Purpose Vehicle) and/or management of trust funds, and/or transaction reports or accounts of asset owners; and
 - c. alter, obscure, hide, delete, or eliminate the existence of a record in the bookkeeping or in reports, documents or reports of business activities, and/or transaction statements or accounts of asset owners, or intentionally change, obscure, eliminate, hide, or damage such bookkeeping records.

Elucidation of Article 35

Sufficiently clear.

Article 36

- (1) Applications for insolvency of a special purpose vehicle and/or trustee fund manager can only be filed by the Financial Services Authority.
- (2) Assets transferred rights, benefits, and risks to a special purpose vehicle and/or trustee fund manager are not part of the assets of the creditor/owner of the original asset (originator/ and are recorded separately from the assets of the financial instrument management agency (special purpose vehicle) and/or trustee fund manager.
- (3) Should the creditor/owner of the originating asset (originator) is insolvent, all assets whose rights, benefits and risks that have been fully transferred to the financial instrument management agency (special purpose vehicle) and the trustee fund manager (trustee) are not included in the insolvent property of the creditor/owner of the originating asset (originator).

Elucidation of Article 36

Sufficiently clear.

Article 37

With the enactment of the provisions as referred to in Article 34, Article 35, and Article 36:

- a. parties or similar legal entities that carry out custody and management activities (trusts) and / or securitization activities that have existed before the

enactment of this Law, remain valid and in effect in accordance with the legal provisions; and

- b. provisions regarding financial instrument management agency (special purpose vehicle) and/or trustee fund managers as stipulated in this Law, may apply mutatis mutandis to similar parties or legal entities that carry out custody and management activities (trusts) and/or securitization activities as referred to in Point a.

Elucidation of Article 37

Sufficiently clear.

Article 38

- (1) The Financial Services Authority shall be authorized to impose administrative sanctions on any party who infringes the provisions as referred to in Articles 34 to Article 37 and its implementing regulations.
- (2) The sanction provisions in other laws and regulations shall apply to the special purpose vehicle and/or trustee fund managers if they are not specifically regulated in this Law and its implementing regulations.

Elucidation of Article 38

Sufficiently clear.

Article 39

Further provisions regarding the management of financial instruments (special purpose vehicle) and/or trustee fund managers (trustees) as referred to in Articles 34 to Article 38 and their tax treatment are regulated in Government Regulations.

Elucidation of Article 39

Sufficiently clear.

D. Transaction Settlement (Chapter V, Part Five, Paragraph 2 Transaction Settlement)

The provisions related to Transaction Settlement are regulated in Article 40 until Article 45 UU P2SK which:

Article 40

- (1) The Settlement of securities transactions in the Capital Market as well as money market and foreign exchange market instruments in the financial market adheres to the principles:

- a. settlement of securities transactions in the Capital Market as well as money market and foreign exchange market instruments that have fulfilled the requirements, are final and binding;
 - b. delivery and/or payment in securities transactions in the Capital Market as well as Money Market and Foreign Exchange Market instruments; and
 - c. the recognition of the process of calculating rights and obligations between 2 (two) or more parties carried out by the transacting parties or the clearing and guarantee institutions or clearing facilities in the Money Market and Foreign Exchange Market, other clearing institutions by taking into account directly the final results of the rights and obligations owned by the parties carried out by netting mechanisms in securities transactions in the Capital Market as well as Money Market and Foreign Exchange Market instruments that is efficient.
- (2) Securities transactions in the Capital Market as well as Money Market and Foreign Exchange Market instruments in the financial market that occurred before the insolvency verdict is pronounced as stipulated in the law regarding insolvency and the postponement of debt repayment obligations is required to be settled as if insolvency had not occurred.
 - (3) Securities transactions in the Capital Market as well as Money Market and Foreign Exchange Market instruments in the financial market that have fulfilled the requirements shall be completed and cannot be canceled.
 - (4) Further provisions regarding securities transactions in the Capital Market as well as money market and foreign exchange market instruments that are final and binding as referred to in Paragraph (1) to Paragraph (3) shall be regulated in the regulations of the authorities in the financial sector.
 - (5) Further provisions regarding the settlement of Capital Market, Money Market, and Foreign Exchange Market transactions in the financial market as referred to in Paragraph (4) shall be regulated by the relevant authorities in accordance with their respective duties and authorities.

Elucidation of Article 40

Paragraph (1)

Point a

The principle of settlement of securities transactions in the Capital Market as well as Money Market and Foreign Exchange Market instruments that have met the requirements and are final and binding (final and binding settlement) is a principle that securities in the

Capital Market as well as Money Market and Foreign Exchange Market instruments and/or funds those who have transferred securities accounts at the Capital Market and Money Market and Foreign Exchange Market instruments to transaction settlement facilities and securities depository at the Capital Market and Money Market and Foreign Exchange Market instruments (central custodian), or other parties, are final and irrevocable.

The requirements for securities transactions in the Capital Market and Money Market and Foreign Exchange Market instruments that are final, and binding (final and binding settlement) will be further regulated in the Financial Services Authority Regulations and Bank Indonesia Regulation.

Point b

The principle of delivery and/or payment can be made through delivery without payment (delivery free of payment), delivery and payment made at the same time (delivery versus delivery) in securities transactions in the Capital Market as well as instruments in the Money Market and Foreign Exchange Market.

Point c

The netting mechanism is required to be carried out by the transacting parties or the clearing and guarantee institution even if there is a suspension of business activities, revocation of business licenses, or a decision to declare insolvency against the transacting Party.

Accordingly, all securities transactions in the Capital Market as well as Money Market and Foreign Exchange Market instruments by parties subject to suspension of business activities, revocation of business licenses, or decisions in order to declare insolvency are still calculated by netting and settled.

Paragraph (2)

The time for pronouncing the insolvency declaration decision is hours, minutes, and seconds on the date of pronouncing the insolvency declaration decision according to the time prevailing at the local Commercial Court.

The term "as if no insolvency had occurred" is that the debtor still has power over the insolvent assets.

Paragraph (3)

The term "securities transactions in the Capital Market and Money Market and Foreign Exchange Market instruments that have met the requirements" are securities transactions in the Capital Market and Money Market and Foreign Exchange Market instruments carried out through trading facilities in the secondary market.

Paragraph (4) until Paragraph (5)

Sufficiently clear.

Article 41

- (1) Settlement of transactions in the Money Market and Foreign Exchange Market may be carried out by netting mechanism.
- (2) Should there is a default by one of the transacting parties, the settlement of transactions in the Money Market and Foreign Exchange Market may be made through debt encounter (close-out netting) to the extent required or agreed in the master agreement of financial transactions in the financial market that requires the termination of the financial transaction through a debt encounter (close-out netting).
- (3) Should before the insolvency verdict is pronounced the process of terminating a financial transaction through debt encounter (close-out netting) of transactions in the Money Market and Foreign Exchange Market that is promised in the contract, the transaction is required to be completed.
- (4) **Further provisions regarding the settlement of transactions and termination of financial transactions through debt encounter (close-out netting) as referred to in Paragraph (1) to Paragraph (3) shall be regulated in the Bank Indonesia Regulations.**

Elucidation of Article 41

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Transactions in the Money Market and Foreign Exchange Market include interest rate and exchange rate derivative transactions as well as repurchase agreements for certain financial instruments as cross-market instruments or transactions (Capital Market and Money Market)

The term "Termination of financial transactions through settlement of debt (close-out netting)" means the process of early termination, calculation of value

(valuation), and settlement of debt for all Derivative transactions in financial markets between parties in 1 (one) master agreement to produce 1 (one) value (single amount) that can be billed to one of the parties.

Termination in the close-out netting process only occurs in transactions, but not in the master agreement.

Paragraph (3)

Transactions in the Money Market and Foreign Exchange Market include interest rate and exchange rate derivative transactions as well as repo (repurchase agreements). The process of closing the debt (close-out netting) is completed by producing 1 (one) value (single amount) that can be billed to other Parties.

Paragraph (4)

Sufficiently clear.

Article 42

- (1) Termination of financial transactions through close-out netting as referred to in Article 40 and Article 41 may be carried out both before and after insolvency occurs.
- (2) The execution of the termination of financial transactions in the financial markets that is carried out under the master agreement of financial transactions in the financial market which requires the termination of financial transactions through close-out netting by the insolvent debtor cannot be overturned by the court as regulated in the law regarding insolvency and postponement of debt repayment obligations.
- (3) The implementation of the termination of financial transactions in the financial market that requires the termination of financial transactions through close-out netting as referred to in Paragraph (2) does not require an application for a debt encounter as stipulated in the law regarding insolvency and postponement of debt repayment obligations.

Elucidation of Article 42

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Master agreements for financial transactions in financial markets that require termination of financial

transactions through a settlement of debt (close-out netting) include repurchase agreements and master agreements for derivative transactions in financial markets.

Financial markets include the Capital Market, Money Market and Foreign Exchange Market.

Debt set-off occurs in the process of ending all financial transactions between creditors and debtors due to close-out netting because of one of the parties filing for insolvency by calculating the net value (netting) of the rights or obligations of the parties.

Financial transactions include securities transactions in the Capital Market where transaction settlement is carried out through a netting mechanism at clearing and guarantee institutions.

Implementation of close-out netting of financial transactions is carried out to guarantee legal certainty in the implementation of financial transactions and ensure that Indonesia has a netting jurisdiction.

Paragraph (3)

Sufficiently clear.

Article 43

The Curator cannot cancel or deem invalid a payment or transfer of collateral to occur in connection with a settlement terminated by calculating the net value (netting) of the value or amount of the right or obligation with the defaulting party (defaulting party) unless it is proved that the payment or transfer of collateral occurred due to fraud.

Elucidation of Article 43

Sufficiently clear.

Article 44

- (1) In agreements on transactions in the Capital Market, Money Market, and Foreign Exchange Market including transactions in Derivative instruments, the parties may use smart contracts as stipulated in the legal provisions regarding electronic information and transactions.
- (2) Smart contracts and/or their printouts may become valid legal evidence as regulated in the law regarding electronic information and transactions.
- (3) The use of smart contracts is followed by the storage of agreements that contain at least the terms and conditions regarding automation of the implementation of rights and obligations under smart contracts.

- (4) Provisions regarding smart contracts refer to further arrangements by financial sector authorities with due regard to regulations regarding electronic information and transactions.

Elucidation of Article 44

Paragraph (1)

A smart contract is a form of electronic contract as stipulated in the law regarding electronic information and transactions. A smart contract can be in the form of a set of agreements specified in digital form including in the form of a computer protocol.

In line with current technological developments, it is possible to have contracts, including standard Derivative transactions that are supported by digital technology and for some terms can apply automatically for efficiency and are binding, which are carried out on a certain platform including Distributed Ledger Technology/DLT. The development and implementation of technological solutions to such contracts shall be consistent with regulatory standards and applicable law. The use of smart derivative contracts is intended to reduce the possibility of discrepancies between the legal meaning and the operational performance of the contract in question.

Paragraph (2)

Smart contracts and/or printouts are an extension of valid evidence in accordance with the procedural law in force in Indonesia.

Paragraph (3)

The agreement is used as a framework agreement that contains natural language to underlie the automation of the implementation of rights and obligations using programming language (code) in smart contracts.

Paragraph (4)

Further regulatory authority by authorities in the financial sector according to the type of financial service activity they supervise.

Article 45

- (1) The issuance, administration, recording, and transfer of ownership of securities in the Capital Market as well as money market and foreign exchange market instruments may be carried out scripless.
- (2) Securities in the Capital Market as well as money market and foreign exchange market instruments issued scripless as referred to in Paragraph (1), including the

process of administration, recording, and transfer, may become valid legal evidence as stipulated in the legal provisions.

Elucidation of Article 45

Paragraph (1)

The term "scripless" means the electronic issuance, administration, recording, and/or transfer of ownership of financial instruments using the system.

Examples of electronic issuance, administration, recording and/or transfer of ownership of financial instruments using a system include the Bank Indonesia- Scripless Securities Settlement System (BI-SSSS).

Scripless transfers include transfers of all rights arising from financial instruments including collection rights.

Paragraph (2)

Sufficiently clear.

E. Money Changer (Chapter V, Part Seven)

The provisions related to money changer are regulated in Article 48 until Article 50 UU P2SK which read as follows:

Article 48

- (1) In order to fulfill the needs of the public to exchange foreign exchange to rupiah and exchange rupiah to foreign exchange, money changer business activities may be carried out.
- (2) Foreign exchange business activities may be organized by:
 - a. commercial banks, Sharia commercial banks, rural banks, and Sharia rural banks; and
 - b. non-bank legal entities.

Elucidation of Article 48

Sufficiently clear.

Article 49

- (1) The implementation of money changer business activities by commercial banks, Sharia commercial banks, rural bank and Sharia rural banks as referred to in Article 48 Paragraph (2) Point a is part of the business activities of commercial banks, Sharia

commercial banks, rural banks, and sharia rural banks.

- (2) Regulation, licensing, supervision, inspection, and imposition of sanctions on foreign exchange business activities by commercial banks, Sharia commercial banks, rural banks, and Sharia rural banks shall be carried out by the Financial Services Authority.

Elucidation of Article 49

Sufficiently clear.

Article 50

- (1) Bank Indonesia shall regulate, license, supervise, inspect, and impose sanctions on money changer business activities by non-Bank legal entities as referred to in Article 48 Paragraph (2) point b.
- (2) A non-Bank legal entity that carries out money changer business activities as referred to in Paragraph (1) is required to obtain a license from Bank Indonesia.
- (3) Further provisions regarding money changer business activities by non-Bank legal entities as referred to in Paragraph (1) shall be regulated in the Bank Indonesia Regulation.

Elucidation of Article 50

Sufficiently clear.

IV. THE PROVISIONS RELATED TO THE BUSINESS OF BULLION IN UU P2SK (CHAPTER XI)

The provisions related to the business of bullion are regulated in Chapter XI UU P2SK (Article 130 until Article 132) which read as follows:

Article 130

The business of Bullion is a business related to gold in the form of deposits, financing, trading, safekeeping of gold, and/or other business conducted by the LJK.

Elucidation of Article 130

Other activities include over the counter transactions, Derivative transactions, and securitization transactions.

Article 131

LJK conducting bullion business as referred to in Article 130 shall receive a permit from the Financial Services Authority.

Elucidation of Article 131

Sufficiently clear.

Article 132

Provisions regarding the implementation of bullion (bullion) business activities as referred to in Article 130 are regulated in the Financial Services Authority Regulation which at least contains:

- a. phasing the implementation of bullion business activities;
- b. administration;
- c. risk management;
- d. prudential principle; and
- e. administrative sanction.

Elucidation of Article 132

Sufficiently clear.

V. THE PROVISIONS RELATED TO FINANCIAL CONGLOMERATE IN UU P2SK (CHAPTER XV)

The provisions related to Financial Conglomerate are regulated in Chapter XV UU P2SK from Article 205 until Article 212 which read as follows:

Article 205

- (1) The Financial Services Authority shall assign a significant LJK and is in 1 (one) group due to the linkage of ownership and/or control as a Financial Conglomerate.
- (2) Other than considering the criteria as referred to in Paragraph (1), the Financial Services Authority may assign LJK as 1 (one) separate Financial Conglomerate by considering the impact on Financial System Stability.
- (3) Should the parent company of a conglomerate is not a company that engages in financial services, but has a subsidiary that is an LJK, the Financial Services Authority shall assign a significant LJK that is in 1 (one) group concerned as a Financial Conglomerate.
- (4) Further provisions regarding Financial Conglomerate as referred to in Paragraph (1) to Paragraph (3) is regulated in the Regulation of the Financial Services Authority.

Elucidation of Article 205

Paragraph (1)

Significant parameters include the minimum amount of assets in a certain period, the business activities carried out, and the number of intragroup transactions.

Paragraph (2) until Paragraph (3)

Sufficiently clear.

Paragraph (4)

Arrangements regarding Financial Conglomerates regulate among others:

- a. Structure of the Financial Conglomerate which consists of:
 1. PIKK;
 2. LJK controlled directly or indirectly by the same controlling shareholders (PSP)/Ultimate Shareholders (PSPT); and/or
 3. other entities that support the functions and business of the Financial Conglomeration.
- b. Members of the Financial Conglomerate include:
 1. Bank;
 2. Insurance Companies, Sharia Insurance Companies, reinsurance companies, and sharia reinsurance companies;
 3. securities companies;
 4. financing company;
 5. other LJK; and/or
 6. non-LJK entities stipulated by the Financial Services Authority as part of the Financial Conglomerate.

Article 206

- (1) Everyone that controls a Financial Conglomerate is required to form a Financial Holding Company.
- (2) Financial Holding Company is owned by the Controlling Shareholders and Ultimate Shareholders of the Financial Conglomerate.
- (3) The party that controls the Financial Conglomerate may assign a company that acts as a Financial Holding Company with approval from the Financial Services Authority.
- (4) The Financial Holding Company shall be responsible for all activities of the Financial Conglomerate.
- (5) The Financial Holding Company as referred to Paragraph (4) is given an exception for Financial Conglomerate with a certain criterion.
- (6) The Financial Holding Company is regulated and supervised by the Financial Services Authority.

- (7) Further provisions regarding the formation of Financial Holding Company as referred to in Paragraph (1) and Financial Conglomerate with certain criteria as referred to in Paragraph (5) is regulated in the Regulation of the Financial Services Authority.

Elucidation of Article 206

Paragraph (1) until Paragraph (4)

Sufficiently clear.

Paragraph (5)

Certain criteria include direct ownership by the Government, Regional Government, or Financial Conglomerates that are insignificant and have no impact on the financial system.

Paragraph (6) until Paragraph (7)

Sufficiently clear.

Article 207

- (1) Business activities of a Financial Holding Company comprises:
 - a. LJK; and
 - b. other business activities stipulated by the Financial Services Authority.
- (2) Further provisions regarding business activities of a Financial Holding Company as referred to in Paragraph (1) is regulated in the Regulation of the Financial Services Authority.

Elucidation of Article 207

Sufficiently clear.

Article 208

- (1) In carrying out business activities, the PIKK is required to consider the principle of prudential.
- (2) Provisions regarding the principle of prudential as referred to in Paragraph (1) is regulated in the Regulation of the Financial Services Authority.

Elucidation of Article 208

Sufficiently clear.

Article 209

- (1) The board of directors and the board of commissioners of PIKK shall fulfill the requirement of ability and propriety stipulated by the Financial Services Authority.

- (2) Further provisions regarding the requirement for ability and propriety as referred to in Paragraph (1) is regulated in the Regulation of the Financial Services Authority.

Elucidation of Article 209

Sufficiently clear.

Article 210

- (1) In the implementation of supervision, the Financial Services Authority has the authority to request for data and information, including conducting audit for related parties in the Financial Conglomerate and/or other parties related to the Financial Conglomerate.
- (2) Related parties and/or other parties as referred to in Paragraph (1) shall fulfill the request of data and information and other things required by the Financial Services Authority.

Elucidation of Article 210

Related parties include non-financial companies owned and/or controlled by controlling shareholders (PSP)/Ultimate Shareholders (PSPT).

Other related parties include PSP/Ultimate Shareholders (PSPT)/parties that have a financial transaction relationship with the Financial Conglomerate.

Article 211

The establishment of PIKK, including the process of asset transfer in the establishment of PIKK, can be given tax facilities in accordance with legal provisions regarding taxation.

Elucidation of Article 211

Sufficiently clear.

Article 212

In context of the implementation of duties and/or authorities as referred to in Article 205 to Article 211, the Financial Services Authority shall coordinate with Bank Indonesia and/or related ministry/institutions.

Elucidation of Article 212

Coordination with Bank Indonesia and/or related ministries/institutions is carried out, among other things, through the exchange of data and/or information as well as in the implementation of regulation and supervision in accordance with their respective authorities.

VI. THE PROVISIONS RELATED TO FINANCIAL SECTOR TECHNOLOGY INNOVATION (ITSK) IN UU P2SK (CHAPTER XVI)

A. The Scope and Provider of ITSK (Chapter XVI)

The provisions related to scope and provider of ITSK are regulated in Chapter XVI: Financial Sector Technology Innovation, Article 213 until Article 215 UU P2SK which read as follows:

Article 213

The scope of ITSK comprises of:

- a. **payment system;**
- b. **settlement of securities transactions;**
- c. capital accumulation;
- d. investment management;
- e. risk management;
- f. collection and distribution of funds;
- g. **market support;**
- h. activities related to digital financial assets, including crypto assets; and
- i. other digital financial services activities.

Elucidation of Article 213

Point a

ITSK in the payment system includes technological innovation in the payment transaction processing stage which consists of pre-transaction, initiation, authorization, clearing, settlement, and post-transaction activities in supporting the digital economy and finance.

Point b

ITSK in the settlement of securities transactions includes technological innovation in the clearing process, settlement process, and registration of ownership and safekeeping of instruments on the Money Market and Foreign Exchange Market, as well as securities on the Capital Market.

Point c

ITSK in raising capital includes technological innovation in raising public funds through offering securities using the services of an electronic system operator (securities crowdfunding) using the services of an electronic system operator and considering the

provisions of relevant laws and regulations, including in the capital market sector.

Point d

ITSK in investment management includes technological innovation in investment management using advanced algorithms (such as robo-advisors), automated advice and management (such as digital financial planners), and retail algorithmic trading (such as forex trading).

Point e

ITSK related to risk management includes technological innovation activities in terms of product development, risk selection (underwriting), claims handling, as well as distribution and sales.

Point f

ITSK in collecting and/or channeling funds includes digital banking, technology application-based lending (peer-to-peer lending), funding agents, financing agents, and project financing.

Point g

ITSK related to market support is a technological innovation in order to support the needs of LJK including credit scoring, aggregator, and e-know your customer (e-KYC) which uses technology including artificial intelligence/ machine learning, machine readable news, social sentiment, big data, market information platform, and automated data collection and analysis.

Point h

Digital financial assets are financial assets that are stored or represented digitally, including crypto assets.

Point i

Sufficiently clear.

Article 214

- (1) ITSK can be utilized to support economic and financial activities, including those carried out based on the Sharia principle.
- (2) Economic and financial activities that use ITSK based on the Sharia principle as referred to in Paragraph (1) shall follow the Sharia principle issued by the institution authorized to stipulate fatwas in the field of Sharia.

Elucidation of Article 214

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sharia principles are issued by an institution that has the authority to issue fatwas in the field of sharia.

The fatwa is followed up by the relevant authorities in the form of regulations.

In the context of drafting regulations, the relevant authorities coordinate with institutions that have the authority to issue fatwas in the sharia field.

Article 215

- (1) Parties that provide ITSK are as follows:
 - a. LJK; and/or
 - b. other parties who carry out activities in the financial sector according to the legal provisions.
- (2) ITSK providers shall be in the form of:
 - a. limited liability company as a legal entity; or
 - b. other legal entities according to the legal provisions.
- (3) The providers as referred to in Paragraph (1) shall apply the principle of:
 - a. governance;
 - b. risk management;
 - c. safety and reliability of information system, including cyber resilience;
 - d. Consumer Protection and personal data protection; and
 - e. fulfillment of the legal provisions.

Elucidation of Article 215

Paragraph (1) until Paragraph (2)

Sufficiently clear.

Paragraph (3)

Point a

Governance includes transparency, accountability, responsibility, independence, and fairness.

Point b

Included in the scope of risk management includes active supervision by management,

availability of policies and procedures and compliance with the adequacy of the organizational structure, risk management processes and risk management functions, as well as human resources and internal control.

Point c

Information system security and reliability includes the availability of written information system policies and procedures, the use of safe and reliable systems, including security and protection of data confidentiality, fraud management, compliance with certification and/or system security and reliability standards, maintenance, and improvement of technology security, implementing cyber security standards, securing data and/or information and conducting regular information system audits.

Point d

Consumer Protection includes education and Financial Literacy, as well as Monitoring Market Conduct.

Point e

Legal provisions include provisions related to anti-money laundering and prevention of the financing of terrorism.

**B. The Supervision of ITSK Operation by BI and OJK
Chapter XVI)**

The provisions related to supervision of ITSK by BI and OJK are regulated in Chapter XVI: FINANCIAL SECTOR TECHNOLOGY INNOVATION (ITSK), Article 216 until Article 217 UU P2SK which read as follows:

Article 216

- (1) Bank Indonesia and the Financial Services Authority shall carry out regulation and supervision on the implementation of ITSK in accordance with their respective authorities.
- (2) The regulation and supervision on the implementation of ITSK as referred to in Paragraph (1) is carried out with the principle of:
 - a. balance between effort in supporting innovation with risk mitigation;
 - b. integration of digital economy and finance;
 - c. efficiency and sound business practice;
 - d. Consumer Protection; and

- e. coordination of regulation and supervision between authorities.
- (3) The scope of regulation and supervision on the implementation of ITSK as referred to in Paragraph (1) includes:
- a. procurement of space and/or testing facility/innovation development (sandbox);
 - b. licensing;
 - c. observation and evaluation;
 - d. financial education;
 - e. Consumer Protection;
 - f. Consumer personal data protection
 - g. Institutional aspect; and
 - h. implementation of ITSK, including activities carried out by a third party supporting the implementation of ITSK.

Elucidation of Article 216

Paragraph (1)

Arrangement and supervision of ITSK implementation including types of business, products, services, technology and/or business models from each ITSK scope.

Paragraph (2)

Point a

The balance between efforts to encourage innovation and risk mitigation includes the principles of openness, flexibility, sustainability, Consumer Protection, and risk mitigation.

Point b

Ecosystem-oriented digital economic and financial integration.

Point c

Efficiency and sound business practices include the principles of effectiveness and efficiency and responsibility, including coordinated efforts to organize trials/innovation development (sandbox).

Point d until point e

Sufficiently clear.

Paragraph (3)

Point a

Sufficiently clear.

Point b

Licensing can include registration, recording, approval, determination, and/or granting of permits.

Point c until point h

Sufficiently clear.

Article 217

- (1) Bank Indonesia and the Financial Services Authority may coordinate for regulation, supervision, and operation of ITSK.
- (2) The coordination as referred to in Paragraph (1) includes:
 - a. testing/innovation development (sandbox);
 - b. development of regulatory technology ecosystem and supervisory technology for the development of ITSK;
 - c. data and/or information exchange;
 - d. discussion on developing issues related to ITSK;
 - e. increasing the Human Resources capacity; and/or
 - f. other necessary aspects.
- (3) Should the regulation, supervision, and development of ITSK, Bank Indonesia and the Financial Services Authority may coordinate with the ministry, institutions, and other parties.
- (4) The mechanism and procedure of implementation of testing space/innovation development (sandbox) of ITSK is stipulated by Bank Indonesia and the Financial Services Authority based on each authority.

Elucidation of Article 217

Sufficiently clear.

C. Testing/Innovation Development (Sandbox) (Chapter XVI)

Chapter XVI: FINANCIAL SECTOR TECHNOLOGY INNOVATION (ITSK), Article 219 UU P2SK regulate testing/innovation development (sandbox) which read as follows:

Article 219

- (1) The authority is authorized to conduct evaluation and/or follow-up on the results of testing/innovation development (sandbox) on ITSK provider.
- (2) To a product, activity, service, or business model from an ITSK provider that has passed the testing/innovation development (sandbox) process and has received license from related financial sector authority, the regulation, supervision, and imposition of sanction conform to the provisions of the industry involved.

Elucidation of Article 219

Paragraph (1)

The results of the evaluation of trial/innovation development (sandbox) can be used as a consideration in the formulation of regulations, supervision, and development of products, activities, services, and business models in economic and financial development.

Paragraph (2)

Sufficiently clear.

D. The Obligation of ITSK Provider (Chapter XVI)

The provision related to obligation of ITSK provider is regulated in Chapter XVI: Financial Sector Technology Innovation, Article 218, Article 220, and Article 221 UU P2SK which read as follows:

Article 218

An ITSK provider shall fulfill the provisions of licensing regulated by Bank Indonesia or the Financial Services Authority in accordance with their respective authorities.

Elucidation of Article 218

Sufficiently clear.

Article 220

- (1) Every ITSK provider is required to fulfill the provisions of membership in the association of ITSK providers that are approved and regulated by Bank Indonesia and the Financial Services Authority in accordance with their respective authorities.
- (2) In regulating its members, the association of ITSK providers shall refer to the provisions stipulated by Bank Indonesia and the Financial Services Authority in accordance with their respective authorities.

- (3) The association of ITSK providers as referred to in Paragraph (1) is required to conduct guidance and supervision on every ITSK provider registered as a member of the association in line with the function and duties mandated by the financial sector authority.
- (4) Regulations regarding the coordination between Bank Indonesia and the Financial Services Authority with the association of ITSK providers is regulated by Bank Indonesia and the Financial Services Authority in accordance with their respective authorities.

Elucidation of Article 220

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Provisions include establishing a code of ethics and standards.

Paragraph (3) until Paragraph (4)

Sufficiently clear.

Article 221

- (1) An ITSK provider shall provide data, information, and/or report periodically or at any time to Bank Indonesia or the Financial Services Authority in accordance with their respective function and/or authorities.
- (2) To data, information, and/or report, given periodically or at any time received, Bank Indonesia and/or the Financial Services Authority may conduct processing, transfer, and dissemination, through digital information system and/or other mechanisms according to legal provisions.
- (3) Further provisions regarding the provision of data, information, and/or report as referred to in Paragraph (1) is stipulated in the Regulation of Bank Indonesia and the Regulation of the Financial Services Authority.

Elucidation of Article 221

Sufficiently clear.

VII. THE PROVISIONS RELATED TO IMPLEMENTATION OF SUSTAINABLE FINANCE IN UU P2SK (CHAPTER XVII)

The provisions related to sustainable finance are regulated in Chapter XVII UU P2SK, Article 222 until Article 224 which read as follows:

Article 222

- (1) PUSK, issuer, and public company shall implement Sustainable Finance in their business activity.
- (2) PUSK, issuer, and public company, in order to implement Sustainable Finance as referred to in Paragraph (1), conduct:
 - a. business practice and investment strategy that integrates aspects of environmental, social, and governance; and
 - b. product development, transaction, and financing services of sustainable finance and transitional financing.
- (3) PUSK, issuer, and public company shall develop capacity to implement Sustainable Finance as referred to in Paragraph (1).
- (4) PUSK, issuer, and public company shall prepare a sustainability report as part of the implementation of performance accountability of Sustainable Finance.
- (5) Further provisions regarding the implementation of Sustainable Finance as referred to in Paragraph (1) to Paragraph (4) is regulated by financial sector authority and the Ministry in accordance with their respective duties and authorities.

Elucidation of Article 222

Paragraph (1)

The implementation of Sustainable Finance also includes transition financing for projects that make a transition or transformation from activities that produce high carbon emissions to activities that are more environmentally friendly.

Paragraph (2)

Point a

Sufficiently clear.

Point b

Development of Sustainable Finance products, transactions and services includes the development of blended finance schemes.

Paragraph (3) until Paragraph (4)

Sufficiently clear.

Paragraph (5)

The term "financial sector authority" means Bank Indonesia and the Financial Services Authority.

Article 223

- (1) To develop Sustainable Finance, the Ministry of Finance, the Financial Services Authority, and Bank Indonesia shall conduct:
 - a. coordination in preparing and establishing strategy, policy, and program of Sustainable Finance;
 - b. optimalization of support on policies regarding fiscal, microprudential, monetary, payment system, and macroprudential;
 - c. development on database and supporting infrastructure to the implementation of Sustainable Finance; and
 - d. coordination in preparing sustainable taxonomy.
- (2) Provisions on the sustainable taxonomy as referred to in Paragraph (1) Point d is stipulated in the Government Regulation.

Elucidation of Article 223

Paragraph (1)

Point a

Sufficiently clear.

Point b

The Ministry of Finance plays a role in preparing and establishing fiscal policy instruments that support the development of Sustainable Finance.

The Financial Services Authority plays a role in overseeing and improving the performance of the financial services sector in developing Sustainable Finance.

Bank Indonesia plays a role in supporting the implementation of Sustainable Finance in order to maintain economic and financial stability from the threat of climate change impacts.

Point c

Supporting infrastructure for the implementation of Sustainable Finance includes verification, certification, development of related professional competencies, development of sustainability reporting standards, and securities rating agencies.

Verification of green/sustainable criteria and standards of a Sustainable Finance product and/or service shall be carried out to increase investor confidence in products and/or services for sustainable financing activities and transition financing issued by Financial Sector Business Actors (PUSK).

Certification of a person's capacity/skills in assessing and verifying whether a product and/or financing service can be assessed as a Sustainable

Finance product and/or service needs to be developed to increase investor confidence in the results of the assessment and verification.

The development of related professional competencies includes providing knowledge about Sustainable Finance in existing professions (accountants, appraisers, and actuaries). The development of special professional competencies related to products and/or services for financing sustainable activities and transition financing needs to be considered by the Ministry of Finance, the Financial Services Authority, and Bank Indonesia.

Point d

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 224

- (1) To support the development of Sustainable Finance as referred to in Article 223 Paragraph (1), the Ministry of Finance, the Financial Services Authority, and Bank Indonesia shall form a committee for Sustainable Finance.
- (2) The minister shall act as a coordinator in Sustainable Finance committee as referred to in Paragraph (1).
- (3) Further provisions regarding Sustainable Finance committee as referred to in Paragraph (1) is stipulated in the Government Regulation.

Elucidation of Article 224

Sufficiently clear.

VIII. THE PROVISIONS RELATED TO FINANCIAL LITERACY, FINANCIAL INCLUSION AND CONSUMER PROTECTION IN UU P2SK (CHAPTER XVIII)

A. Financial Literacy and Financial Inclusion (Chapter XVIII, Part One)

The provisions related to Financial Literacy, Financial Inclusion and Consumer Protection are regulated in Chapter XVIII: Financial Literacy, Financial Inclusion and Consumer Protection, Part One Financial Literacy and Financial Inclusion, Article 225 and 226 which read as follows:

Article 225

- (1) The Government, Bank of Indonesia, and the Financial Services Authority shall coordinate to improve

Financial Literacy and Financial Inclusion in order to achieve an inclusive economic development.

- (2) The Government, Bank of Indonesia, and the Financial Services Authority synergize in carrying out the preparation/drafting of strategy, as well as supervision and evaluation of the implementation of sustainable Financial Literacy and Financial Inclusion strategy.

Elucidation of Article 225

Sufficiently clear.

Article 226

- (1) PUSK is obliged to organize activities in order to improve the Financial Literacy and Financial Inclusion for the Consumers and Public.
- (2) To improve Financial Literacy and Financial Inclusion, the Government shall establish a national committee to further coordinate improvements on Financial Literacy and Financial Inclusion.
- (3) Further provisions regarding the activities to improve Financial Literacy and Financial Inclusion as referred to in Paragraph (1) is stipulated in the regulation of financial sector authority and national committee as referred to in Paragraph (2) is regulated in the Government Regulation.

Elucidation of Article 226

Paragraph (1) until Paragraph (2)

Sufficiently clear.

Paragraph (3)

The term "financial sector authority" means Bank Indonesia and the Financial Services Authority.

B. Consumer Protection (Chapter XVII, Part Two until Part Seven)

The provisions related to financial service Consumer Protection are regulated in Chapter XVIII Financial Literacy, Financial Inclusion and Consumer Protection Part Two until Part Seven, Article 227 until Article 248 UU P2SK:

Article 227

PUSK in the implementation of its business activity shall implement the principle of Consumer Protection.

Elucidation of Article 227

Sufficiently clear.

Article 228

Consumer Protection in the financial sector implements the principles of:

- a. adequate education;
- b. openness and transparency of product information and/or service;
- c. fair business and responsible business conduct;
- d. protection to consumer asset, privacy, and data;
- e. effective and efficient complaint handling and dispute resolution;
- f. compliance enforcement; and
- g. fair competition.

Elucidation of Article 228

Point a

The term "adequate education" is a principle that prioritizes educational values and actions, including regarding the role of Financial Sector Business Actors (PUSK) in providing:

- 1. understanding of the characteristics, products and/or services of the financial sector to the public; and
- 2. understanding to Consumers regarding products and/or services, benefits, costs, and risks as well as procedures and mechanisms for Consumer Protection at Financial Sector Business Actors (PUSK) from the time of marketing to handling complaints.

Point b

The term "openness and transparency of product and/or service information" is the principle that prioritizes clarity, accuracy, honesty, and not misleading information about products and/or services both before, during, and after the product and/or service is used by the Consumer, including a description of the risk of loss that may arise.

Point c

The term "fair treatment and responsible business behavior" are principles that promote fair, non-discriminatory, and responsible actions from Financial Sector Business Actors (PUSK) in conducting business by considering the interests of consumers, including:

- 1. consider the needs and abilities of consumers before offering products and/or services to consumers; and

2. preventing conflicts of interest between Financial Sector Business Actors (PUSK) and Consumers as the basis for every procedure carried out by Financial Sector Business Actors (PUSK), for example marketing products and/or services to Consumers does not make achieving sales targets the main objective, but prioritizes objectives on detailed product and/or service information submitted to Consumers, and complaint handling is not carried out by employees or Financial Sector Business Actors (PUSK) office leaders who have links with complaints from consumers.

Point d

The term of "protection of Consumer assets, privacy, and data" means the principle emphasizing the certainty of the existence of procedures, mechanisms, and systems to provide protection guarantees, maintain confidentiality and security of financial assets managed by Financial Sector Business Actors (PUSK), privacy, data, and/or information Consumers, and use in accordance with the Consumer's interests and purposes, as well as the legal provisions.

Point e

The term of "effective and efficient complaint handling and dispute resolution" is the principle that focuses on fulfilling Consumer rights in submitting complaints and disputes, which includes tools, procedures, and mechanisms from receiving to resolving complaints by Financial Sector Business Actors (PUSK) in a simple, fast, and affordable manner.

Point f

The term "compliance enforcement" is a principle that focuses on Financial Sector Business Actors (PUSK) actions to ensure compliance with Consumer Protection provisions based on statutory provisions in the financial sector, for example:

1. establishing a Consumer Protection function or unit;
2. PUSK's responsibility for mistakes and/or negligence that cause harm to consumers after going through the verification process;
3. responsibility for Consumer losses caused by third parties acting in the interests of PUSK; and
4. reporting on the implementation of Consumer Protection to Bank Indonesia or the Financial Services Authority in accordance with their respective authorities.

Point g

The term of "fair competition" means competition between PUSK in carrying out business activities that are carried out in an honest manner or not against the law or does not hinder business competition.

Article 229

Consumer Protection in the financial sector is implemented with the objectives of:

- a. creating a Consumer Protection ecosystem that realizes legal certainty and effective and efficient complaint handling and dispute resolution;
- b. raising awareness of PUSK on responsible business conduct, fair treatment; protection to consumer asset, privacy, and data; and increasing the quality of products and/or services of PUSK; and
- c. increasing awareness, ability, and independence of the consumers regarding products and/or services of PUSK and increasing consumer empowerment.

Elucidation of Article 229

Sufficiently clear.

Article 230

PUSK is the party that implement Consumer Protection in the financial sector that implement business online and offline.

Elucidation of Article 230

Sufficiently clear.

Article 231

The object of implementation of Consumer Protection in the financial sector includes the behavior of PUSK in:

- a. planning, compiling, and conveying information, and offering products and/or services in the financial sector;
- b. making agreements and providing services for the use of products and/or services in the financial sector; and
- c. handling complaints.

Elucidation of Article 231

Sufficiently clear.

Article 232

The scope of regulation of Consumer Protection in the financial sector comprises:

- a. authority to the regulation and supervision of Consumer Protection in the financial sector;
- b. consumer rights and obligations as well as rights, obligations, and prohibitions for PUSK;
- c. Standard Agreement terms;
- d. Consumer data protection;
- e. Financial Literacy;
- f. guidance and supervision;
- g. complaint handling;
- h. dispute resolution in the financial sector;
- i. LAPS-SK;
- j. administrative sanction; and
- k. criminal provisions.

Elucidation of Article 232

Sufficiently clear.

Article 233

- (1) The financial sector authority has the authority to make regulations for Customer Protection and the public in the financial sector.
- (2) The financial sector authority as referred to in Paragraph (1) has the authority to regulate:
 - a. mechanism on Consumer complaint handling;
 - b. Consumer services in the financial sector;
 - c. Supervision of Market Conduct;
 - d. resolution of dispute in the financial sector outside of court through a dispute resolution agency or institution; and
 - e. other provisions in the context of Consumer Protection and the public in the financial sector.
- (3) Consumer Protection in the financial sector is subjected to this Law.

Elucidation of Article 233

Sufficiently clear.

Article 234

- (1) The financial sector authority shall carry out the Supervision of Market Conduct to ensure the compliance of PUSK in implementing the provisions of Consumer Protection and the public, directly and/or indirectly, according to the function, duties, and authorities of the financial sector authority given based on the Law.
- (2) Further provisions regarding supervision as referred to in Paragraph (1) is stipulated in the regulation of the financial sector authority in accordance with their respective authorities.

Elucidation of Article 234

Sufficiently clear.

Article 235

- (1) In the implementation of Consumer Protection in the financial sector, the Consumers have rights and obligations.
- (2) Consumer rights as referred to in Paragraph (1) includes:
 - a. obtaining safety in using products and/or utilizing service in accordance with the stipulation in legal provisions and/or agreements;
 - b. choosing product and/or service;
 - c. obtaining product and/or service according to the promised offer and/or according to legal provisions;
 - d. obtaining information on products and/or services that are clear, accurate, correct, easily accessible, and no potential to mislead;
 - e. being heard for opinions and complaints regarding the products and/or services used;
 - f. obtaining advocacy, protection, and effort in dispute resolution according to legal provisions;
 - g. obtaining financial education;
 - h. being treated or served properly;
 - i. obtaining compensation for products and/or services received that are not in accordance with the agreements and/or legal provisions;
 - j. forming Consumer association; and
 - k. other rights that are regulated in legal provisions.
- (3) Consumer obligations as referred to in Paragraph (1) includes:

- a. listening to description on product and/or service information conveyed through a certain marketing method by the PUSK before buying the product and/or service;
 - b. reading, understanding, and properly implement agreement and/or document on product use and/or service;
 - c. having a good faith in the use of products and/or services;
 - d. providing information and/or document that is clear, accurate, correct, and not misleading;
 - e. paying according to the value/price and/or cost of product and/or services as agreed upon with the PUSK; and
 - f. following the effort for dispute resolution of Consumer Protection according to legal provisions.
- (4) Further provisions regarding Consumer rights and obligations as referred to in Paragraph (1) is stipulated in the regulation of financial sector authority in accordance with the respective authorities.

Elucidation of Article 235

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Point a until point f

Sufficiently clear.

Point g

Financial education includes education regarding products and/or services according to the needs and capabilities of consumers to assist in making financial decisions.

Point h

The term "correctly" is in accordance with the legal provisions.

Point i until point j

Sufficiently clear.

Point k

Legal provisions include laws and regulations related to consumer rights in the implementation of consumer protection in the financial sector.

Paragraph (3)

Point a

Certain marketing methods include marketing via telemarketing.

Point b

This includes the use of other ways for consumers with disabilities to carry out this obligation.

Point c

Having good faith includes providing honest and correct information.

Point d until point f

Sufficiently clear.

Article 236

- (1) In the implementation of Consumer Protection in the financial sector, the PUSK has rights, obligations, and prohibitions that shall be fulfilled.
- (2) The rights of PUSK as referred to in Paragraph (1) includes:
 - a. receiving payment according to the value/price and/or cost of product and/or service as agreed upon with the consumer;
 - b. ensuring good faith of the consumer;
 - c. obtaining information and/or document that is clear, accurate, correct, and not misleading regarding the consumer;
 - d. obtaining legal protection from the behavior of consumers with bad faith;
 - e. performing self-defense in dispute resolution of the Consumer according to legal provisions;
 - f. obtaining reputation rehabilitation should, as legally proven, that Consumer loss is not caused by the product and/or service being given according to legal provisions; and
 - g. other rights stipulated in legal provisions.
- (3) The obligations of PUSK as referred to in Paragraph (1) includes:
 - a. having a good faith in conducting business activities and/or providing products and/or services;
 - b. designing product and/or service according to Consumer target;
 - c. providing information regarding the product and/or service that is clear, accurate, truthful, easily accessible, and no potential to mislead according to legal provisions and/or agreements;

- d. providing understanding to the Consumer regarding cost, benefit, risk, and Consumer rights and obligations;
 - e. providing Consumer complaint service and providing feedback and/or follow-up on Consumer complaints;
 - f. treating or serving Consumers appropriately or according to legal provisions;
 - g. treating or serving Consumers non-discriminatively, unless otherwise specified in legal provisions and/or agreements;
 - h. providing guarantee to the products and/or services provided according to legal provisions and/or agreements;
 - i. keeping the safety of deposits, funds, or assets of Consumers that are under the responsibility of PUSK;
 - j. using simple terms, phrases, and/or sentences in Bahasa Indonesia that are easily understandable by Consumers for each information of the product and/or service;
 - k. paying attention to the suitability between the needs and capabilities of consumers with the offered products and/or services;
 - l. taking responsibility for losses caused by mistake, negligence, and act that contradicts legal provisions and/or agreements, either done by board of directors, board of commissioners, and employee of PUSK and/or done by a third party representing or working for the interest of PUSK;
 - m. keeping the confidentiality of data and personal information of the Consumer according to legal provisions and/or agreements;
 - n. providing information service for Consumers;
 - o. other obligations regulated in legal provisions.
- (4) PUSK is prohibited to:
- a. provide products and/or services that do not match the information listed in the description, advertisement, and/or product/service sale promotion;
 - b. provide products and/or services not according to agreement;
 - c. provide information, document, and/or agreement not in Bahasa Indonesia according to legal provisions;
 - d. conduct acts that violate legal provisions or norms prevailing in society that can cause physical and/or psychological disturbance to the Consumer in conducting business activity;

- e. sell or offer products and/or services without license according to legal provisions;
 - f. offer products and/or services to Consumers and/or the public through personal means of communication without the approval of the Consumer; and
 - g. charge the Consumer for complaint service.
- (5) Further provisions regarding Consumer rights and obligations as referred to in Paragraph (1) are stipulated in the regulation of financial sector authority in accordance with the respective authorities.

Elucidation of Article 236

Paragraph (1) until Paragraph (2)

Sufficiently clear.

Paragraph (3)

Point a until point f

Sufficiently clear.

Point g

The term of "discrimination" includes differences in treatment of fellow citizens based on skin color, class, ethnicity, economy, and religion.

Point h until point o

Sufficiently clear.

Paragraph (4) until Paragraph (5)

Sufficiently clear.

Article 237

Everyone is prohibited to:

- a. collect funds from the public and/or to distribute to the public;
 - b. issue securities offered to the public;
 - c. provide products or services on payment system; and
 - d. conduct other activities that are equal to fundraising, fund distribution, fund management, intermediary in the financial sector, and procurement of product and services on payment system,
- aside from those regulated in legal provisions and according to legal provisions are required to have a license from a financial sector authority.

Elucidation of Article 237

Point a

This provision is not intended to cover fundraising outside the financial sector, for example family gatherings and fundraising for social purposes.

Point b

Does not include additional capital without pre-emptive rights (private placement) and venture capital.

Point c until point d

Sufficiently clear.

Article 238

- (1) PUSK shall conform to balance, equity, and fairness in the formulation of agreement with the Consumer.
- (2) The agreement as referred to in Paragraph (1) is in the form of a written agreement in accordance with the law and regulation.
- (3) A written agreement as referred to in Paragraph (2) can be in the form of a Standard Agreement which contains standard clauses, except those prohibited in this Law.
- (4) PUSK is prohibited to make and use a Standard Agreement containing the following standard clauses:
 - a. statement on transfer of responsibility or obligation of PUSK to the Consumer;
 - b. statement on providing power of attorney from Consumer to PUSK, either directly or indirectly, to conduct all unilateral actions on goods pledged as collateral by the Consumer, unless the act is carried out according to legal provisions;
 - c. regulation on the obligation of proof by Consumers if PUSK states that the loss of product use and/or service bought by the Consumer is not the responsibility of PUSK;
 - d. provide rights to PUSK to reduce the use of product and/or service or reduce consumer assets that are the object of product and service agreement;
 - e. statement that the Consumer authorizes PUSK to impose mortgage rights, lien rights, or guarantee rights on products and/or services bought by the Consumer through installment;
 - f. statement that PUSK may add, change, and/or provide follow-up rules unilaterally after the agreement is concluded or approved;

- g. statement that the Consumer conforms to unilateral changes by PUSK on the regulation as regulated in Point f after the agreement is signed by the Consumer;
 - h. provide authority for PUSK to avoid or limit the enforceability of a clause;
 - i. statement that PUSK has the authority to interpret the meaning of the agreement unilaterally;
 - j. statement that PUSK limits responsibility on mistake and/or negligence of their employee and/or a third party that acts for the interest of PUSK;
 - k. limitation of Consumer rights to sue PUSK in the event of dispute regarding the agreement; and
 - l. limitation of evidence that can be given by the Consumer should there any dispute regarding the agreement.
- (5) Further provisions regarding Standard Agreement as referred to in Paragraph (3) is regulated in the regulation of financial sector authority in accordance with their respective authorities.

Elucidation of Article 238

Paragraph (1)

The term of "balance" means that the making of an agreement is carried out by considering equal rights and obligations between PUSK and Consumers.

The term of "fairness" means the fulfillment of all rights and obligations in the relationship between the parties, in this case PUSK and Consumers.

The term of "fairness" means to pay attention to the values prevailing in society in determining the contents of the agreement. These values refer, among other things, to the morals and customs prevailing in society.

Paragraph (2)

Written agreements include agreements in electronic form.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Point a

The clause on transferring PUSK's responsibilities or obligations to Consumers includes that the Consumer releases PUSK

from responsibility and/or compensation in any form that may arise from complaints or lawsuits filed by Consumers or their proxies. This standard clause transfers the responsibility that is legally the responsibility of the business actor, to become the responsibility of the Consumer through an agreement.

Point b until point c

Sufficiently clear.

Point d

The term "giving PUSK the right to reduce the use of products and/or services or reduce Consumer assets that are the object of product and service agreements" includes PUSK making changes to the value of protection (coverage) of insurance coverage.

Point e

The granting of Consumer power of attorney to PUSK is made separately from the Standard Agreement under the legal provisions.

Point f

Adding, changing and/or providing follow-up rules unilaterally after the agreement has been approved/agreed, including those that result in the emergence of new rules.

Point g until point l

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Article 239

- (1) PUSK is obligated to maintain confidentiality and safety of data and/or information of the Consumer.
- (2) The obligation of PUSK as referred to in Paragraph (1) is conducted by implementing the fundamental principle of personal data protection processing as stipulated in legal provisions regarding personal data protection.
- (3) Should the PUSK cooperate with other parties to manage Consumer data and/or information, PUSK is required to ensure that the other party maintain confidentiality and safety of Consumer data and/or information as referred to in Paragraph (1).

Elucidation of Article 239

Sufficiently clear.

Article 240

- (1) In the use of Consumer data and/or information, PUSK can exchange Consumer data and/or information with another party by considering legal provisions regarding personal data protection and other legal provisions stipulated by the financial sector authority.
- (2) Consumer data and/or information exchange in the financial sector can be carried out directly by PUSK and/or through integrated data management infrastructure facilitated by financial sector authority.
- (3) Consumer data and/or information exchange in the financial sector can be carried out should:
 - a. consumer providing written consent; and/or
 - b. PUSK is obligated to provide Consumer data and/or information in the financial sector according to legal provisions.

Elucidation of Article 240

Sufficiently clear.

Article 241

- (1) PUSK can transfer Consumer data and/or information to other parties outside the jurisdiction of the Republic of Indonesia by complying with legal provisions regarding personal data protection and other legal provisions stipulated by the financial sector authority.
- (2) The transfer of Consumer data and/or information as referred to in Paragraph (1) is carried out in accordance with legal provisions regarding personal data protection.

Elucidation of Article 241

Sufficiently clear.

Article 242

In the implementation of business activity, PUSK is obligated to ensure the safety of information system and cyber resilience according to legal provisions regarding the safety of information system and cyber resilience, and other legal provisions stipulated by the financial sector authority.

Elucidation of Article 242

Sufficiently clear.

Article 243

The Government, Bank Indonesia, and the Financial Services Authority shall coordinate for Consumer Protection in the financial sector.

Elucidation of Article 243

Consumer Protection includes regulation and supervision of Consumer Protection, handling of Consumer complaints, dispute resolution, and Consumer education.

Coordination is carried out in the event that cross-industry provision of financial products and/or services is regulated and supervised by different institutions.

Article 244

- (1) In Consumer Protection, the financial sector authority has the authority to give order or carry out a certain act to PUSK.
- (2) Provisions regarding the implementation of the authority as referred to in Paragraph (1) is stipulated in the regulation of the financial sector authority.

Elucidation of Article 244

Sufficiently clear.

Article 245

- (1) PUSK shall own and carry out the mechanism of complaint handling submitted by the Consumers.
- (2) Should there is no agreement on the result of complaint handling by PUSK as referred to in Paragraph (1), the Consumer may:
 - a. submit a complaint to the financial sector authority for complaint handling according to their authorities; or
 - b. apply for dispute to the dispute resolution institution or agency approved by the financial sector authority or to the court.
- (3) In carrying out Consumer Protection activities, the financial sector authority handle complaints in accordance with their respective authorities.

- (4) Should the compensation claims due to unlawful act, the evidence of presence or absence of an element of mistake is the responsibility of PUSK.
- (5) The financial sector authority may request PUSK to become a member of a dispute resolution agency or institution.
- (6) Further provisions regarding the procedure of complaint handling and dispute resolution as referred to in Paragraph (1) and Paragraph (2) is stipulated in the regulation of the financial sector authority in accordance with their respective authorities.

Elucidation of Article 245

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term of "dispute settlement institution or agency" is an institution or body that conducts dispute resolution outside the court. Complaints are submitted by consumers through official channels stipulated by the respective financial sector authorities.

Consumer dispute settlement requests are based on, among other things, civil disputes, or differences of opinion.

Paragraph (3) until Paragraph (6)

Sufficiently clear.

Article 246

- (1) LAPS-SK shall obtain approval from the financial sector authority in accordance with their respective authorities.
- (2) Further provisions regarding the establishment and requirements of LAPS-SK as referred to in Paragraph (1) is stipulated in the regulation of the financial sector authority in accordance with their respective authorities.

Elucidation of Article 246

Sufficiently clear.

Article 247

- (1) To protect the public interest, the Financial Services Authority forms a task force along with

authorities/ministries/institutions concerned to handle business activities without license in the financial sector.

- (2) The task force as referred to in Paragraph (1) is tasked to prevent and handle business activities without license in the financial sector.
- (3) The formation of task force as well as institutional and governance of the task force as referred to in Paragraph (1) is regulated by the Financial Services Authority along with authorities/ministries/institutions that are members of the task force.
- (4) Follow-up on the implementation of tasks as referred to in Paragraph (2) is carried out by the authorities/ministries/institutions concerned in accordance with their respective authorities.

Elucidation of Article 247

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Unlicensed business activities in the financial sector include activities to collect funds from the public and/or to distribute them to the public, issuance of equity securities or debt/sukuk offered to the public, provision of payment system products or services and/or other activities that can be equated with raising funds, channeling funds, managing funds, intermediary in the financial sector, and providing payment system products or services.

Paragraph (3) until Paragraph (4)

Sufficiently clear.

Article 248

Legal provisions regarding Consumer Protection in the financial sector is specific to the legal provisions regarding Consumer Protection outside the financial sector.

Elucidation of Article 248

Sufficiently clear.

IX. THE PROVISIONS RELATED TO ACCESS OF FINANCING FOR MICRO, SMALL AND MIDDLE ENTERPRISE (UMKM) IN UU P2SK (CHAPTER XIX)

The provisions related to UMKM which related to BI's authority is regulated in Chapter XIX UU P2SK, Article 249 which read as follows:

Article 249

- (1) To increase the resilience of the national economy through the empowerment of Micro, Small, and Medium Enterprises requires an ease of access to financing Micro, Small, and Medium Enterprises.
- (2) The ease of access to financing Micro, Small, and Medium Enterprises as referred to Paragraph (1) is required to be carried out by all Banks and/or non-Bank financial institutions by implementing the principle of prudential and risk management.
- (3) Further provisions regarding the ease of access to Micro, Small, and Medium Enterprises as referred to in Paragraph (2) is regulated by the financial sector authority in accordance with their respective tasks and authorities after consultation with the DPR.

Elucidation of Article 249:

Paragraph (1)

Micro Enterprises include ultra-micro enterprises.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The term "DPR" means the permanent organs of the Indonesian legislative assembly or the House of Representatives, namely commissions whose duties and authorities are in the fields of finance, banking, and development planning.

X. THE PROVISIONS RELATED TO HUMAN RESOURCES IN UU P2SK (CHAPTER XX)

A. Improvement of Human Resources Quality in Financial Sector (Chapter XX Part One)

The provisions related to the improvement of human resources quality in financial sector is regulated in Chapter XX Human Resources, Part One UU P2SK, Article 252 until Article 253 which read as follows:

Article 252

- (1) PUSK is responsible for the development of human resources quality through improvements of human resources skills and competencies.
- (2) Improvements of human resources skills and competencies as referred to in Paragraph (1) shall be carried out through continuous education and training for human resources.
- (3) To support the implementation of education and training for human resources, PUSK shall provide the fund for education and training from the current year's budget.
- (4) Further provisions regarding the obligation to provide fund for education and training as referred to in Paragraph (3) is regulated by the financial sector authority in accordance with their respective authorities.

Elucidation of Article 252

Paragraph (1) until Paragraph (3)

Sufficiently clear.

Paragraph (4)

The material to be regulated is at least regarding management and reporting criteria.

Article 253

- (1) PUSK shall implement the competency standards.
- (2) The competency standards as referred to in Paragraph (1) refer to the competency standards set by authorized institution that have obtained approval or recognition from the concerned financial sector authority.
- (3) Further provisions regarding competency standards as referred to in Paragraph (1) and Paragraph (2) is regulated by the financial sector authority.

Elucidation of Article 253

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Competency standards include competency standards for fields or positions in the financial sector industry.

The intended field or position is a level of work or part in a financial sector industry that carries out certain activity functions.

Paragraph (3)

Sufficiently clear.

B. The Provisions Related to Financial Sector Profession (Chapter XX, Part Two)

The provisions related to financial sector profession are regulated in Chapter XX Human Resources, Part Two Financial Sector, Article 254 until Article 260:

Article 254

Financial Sector Profession comprises of:

- a. Financial Services Sector Supporting Professional; and
- b. Profession of Financial Sector Business Units.

Elucidation of Article 254

Sufficiently clear.

Article 255

In carrying out business activity in the financial sector industry, the Financial Services Sector Professionals is required to provide professional services.

Elucidation of Article 255

Sufficiently clear.

Article 256

- (1) Every Financial Sector Professional must have a Professional Association.
- (2) Every Financial Sector Professional must be a member of a Professional Association.

Elucidation of Article 256

Sufficiently clear.

Article 257

- (1) The Professional Association as referred to in Article 256 shall obtain recognition from the related ministry or authority according to legal provisions.
- (2) The Professional Association as referred to in Paragraph (1) shall be tasked with:

- a. coordinating and establishing the preparation of professional standards and codes of ethics;
- b. establishing a professional ethics enforcement committee;
- c. implementing enforcement of member discipline towards professional ethics;
- d. providing continuous education and training;
- e. conducting quality review for the members according to legal provisions; and
- f. performing other tasks reported to the ministry and/or authority in concerned.

Elucidation of Article 257

Sufficiently clear.

Article 258

Every Financial Services Sector Professional shall follow the code of ethics established by each Professional Association if it does not contradict this Law and/or the implementing regulation.

Elucidation of Article 258

Sufficiently clear.

Article 259

- (1) The Financial Services Sector Supporting Professionals comprises of:
 - a. public accountant;
 - b. practicing accountant;
 - c. actuary;
 - d. public appraiser;
 - e. tax consultant;
 - f. notary;
 - g. legal consultant;
 - h. sharia expert in financial services; and
 - i. other professions established by the ministry, institutions, or authorities on guidance and supervision of related professionals.
- (2) In conducting business activities in the financial sector industry, the financial services sector supporting professionals is required to provide independent services.
- (3) Guidance and supervision of the of the Financial Services Sector Supporting Professionals as referred to in Paragraph (1) shall be carried out by:
 - a. ministry that administers government affairs in the field of finance for Point a to Point e;

- b. ministry that administers government affairs in the field of law for Point f and Point g;
 - c. Financial Services Authority for Point h; or
 - d. Ministry, institution, or authority according to legal provisions that is appointed as guide and supervisor for Financial Services Sector Supporting Professionals as referred to Point i.
- (4) Ministry, institution, or other authority can conduct guidance and supervision on the Financial Services Sector Supporting Professionals in accordance with legal provisions by coordinating with the ministry, institution, or authority as referred to in Paragraph (3).
- (5) To provide service for the financial sector industry, the Financial Services Sector Supporting Professionals shall:
- a. first obtain a license from the ministry, institution, or authority that provide guidance and supervision of related professionals as referred to in Paragraph (3); and
 - b. registered at:
 - 1. The Financial Services Authority for the Financial Services Sector Supporting Professionals acting in Capital Market, banking industry, and/or non-Bank financial industry; or
 - 2. Bank Indonesia for Financial Services Sector Supporting Professionals acting in Money Market, Foreign Exchange Market, and payment services provider under the authority of Bank Indonesia.
- (6) Further provisions regarding requirements and procedures of guidance and supervision of the Financial Services Sector Supporting Professional as referred to in Paragraph (3) and licensing as referred to in Paragraph (5) Point a is stipulated in the regulation of related ministry, institution, or authority.
- (7) Further provisions regarding requirements and procedures of registration for Financial Services Sector Supporting Professionals as referred to in Paragraph (5) Point b is stipulated in the regulation of financial sector authority concerned in accordance with their respective duties and authorities.

Elucidation of Article 259

Paragraph (1) until Paragraph (3)

Sufficiently clear.

Paragraph (4)

Coordination is carried out among others related to data exchange, regulation preparation, joint inspections, and the imposition of sanctions as a follow-up to joint inspections.

Paragraph (5)

The obligation to register is to ensure that the competence and expertise of the Financial Sector Supporting Professionals are in accordance with the requirements required by the financial industry.

Paragraph (6) until Paragraph (7)

Sufficiently clear.

Article 260

- (1) The Profession of Financial Sector Business comprises of:
 - a. Securities brokerage representative;
 - b. underwriter representative;
 - c. investment manager representative;
 - d. mutual fund dealer representative;
 - e. capital market sharia expert;
 - f. treasury dealer; an
 - g. other Professions of Financial Sector Business stipulated in the regulation of financial sector authority in accordance with their respective duties and authorities.
- (2) Guidance and supervision of Professions of Financial Sector Business shall be carried out by the financial sector authority in accordance with their respective duties and authorities.
- (3) To provide services for financial sector industry, the Profession of Financial Sector Business as referred to in Paragraph (1) is required to first obtain a license and/or register at:
 - a. The Financial Services Authority for Professions of Financial Sector Business acting in Capital Market, banking industry, and/or non-Bank financial industry; or
 - b. Bank Indonesia for Professions of Financial Sector Business acting in Money Market, Foreign Exchange Market, and payment service provider under the authority of Bank Indonesia.
- (4) Further provisions regarding the requirements and procedures of licensing and/or registration of Profession of Financial Sector Business Actors as referred to in Paragraph (3) is stipulated in the

regulation of financial sector authority in accordance with their respective duties and authorities.

Elucidation of Article 260

Sufficiently clear.

Article 261

- (1) The Financial Services Sector Professionals is required to have a professional certificate in accordance with their respective fields of work.
- (2) Professional certification as referred to in Paragraph (1) is issued by:
 - a. Professional Certification Institution; and/or
 - b. Professional Association according to legal provisions.
- (3) To issue a professional certificate as referred to in Paragraph (2), a Professional Certification Institution is required to first obtain a license from an agency or institution that is given authority to conduct certification for work competency according to legal provisions.
- (4) To obtain a license as referred to in Paragraph (3), a Professional Certification Institution must at least obtain a recommendation from the ministry, institution, or authority in the financial sector related to their respective fields of work according to legal provisions.
- (5) The ministry, institution, or authority in the financial sector as referred to in Paragraph (4) may administrate a Professional Certification Institute and/or Professional Association who issue a professional certificate as referred to in Paragraph (2) in accordance with their respective duties and authorities.

Elucidation of Article 261

Sufficiently clear.

Article 262

Should the PUSK uses the service of Financial Services Sector Professionals, PUSK is required to use the service of Financial Services Sector Professional who has obtained a license and/or approval of registration from the ministry or authorized authority.

Elucidation of Article 262

Sufficiently clear.

Article 263

The government and/or financial sector authority reinforce the improvement of quality and quantity of Domestic Financial Sector Professionals to create a credible financial sector industry.

Elucidation of Article 263

Sufficiently clear.

Article 264

The Government and/or financial sector authority can cooperate with Professional Associations, Professional Certification Institutions, higher education institution, and/or other equal education institution to reinforce education and training in the Financial Sector Profession.

Elucidation of Article 264

The term "other educational institutions that are equivalent" means education administering institutions that obtain recognition from ministries, institutions, or supervisory and supervisory authorities in the financial sector.

Article 265

- (1) To develop and reinforce human resources in the financial sector, a road map is drawn.
- (2) The road map as referred to in Paragraph (1) shall be used as a material for supervision and evaluation of policy on human resources in the financial sector.
- (3) Provisions regarding the establishment of road map and the procedure of supervision and evaluation as referred to in Paragraph (1) and Paragraph (2) is stipulated in the Government Regulation.

Elucidation of Article 265

Paragraph (1)

The road map prepared includes strategies for strengthening and developing human resources in the financial sector in the short, medium, and/or long term.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The preparation of Government Regulations is coordinated by the Ministry of Finance involving, among others, Bank Indonesia, the Financial

Services Authority, and the Indonesia Deposit Insurance Corporation.

C. Implementation of Good Governance in the Financial Sector (Chapter XX, Part Three)

The provisions regarding to implementation of good governance is regulated in Chapter XX Human Resources, Part Three UU P2SL, Article 266 until Article 270, which read as follows:

Article 266

- (1) PUSK shall implement the principle of good governance that at least includes:
 - a. openness;
 - b. accountability;
 - c. responsibility;
 - d. independence; and
 - e. propriety.
- (2) Other than the implementation of the principle as referred to in Paragraph (1), PUSK shall follow the development of industry dynamics to implement good governance.

Elucidation of Article 266

Paragraph (1)

Point a

Transparency includes openness in the decision-making process and openness in disclosing and providing information that is relevant and easily accessible to stakeholders.

Point b

Accountability includes the clarity of functions and implementation of accountability.

Point c

Responsibilities include conformity of management with statutory provisions and ethical values and standards, principles, and practices.

Point d

The term "independence" refers to situations that are handled professionally, independently, and without interference from third parties that would violate moral

principles, legal requirements, or standards. It also refers to situations where there are no conflicts of interest and no pressure or influence from outside sources.

Point e

Propriety includes equality, balance, and fairness in fulfilling the rights of the stakeholders which are resulted from laws and regulation, and ethical value along who standard, principles and practice.

Paragraph (2)

This provision is intended to encourage the implementation of good governance so that it can carry out its function to ensure the financial sector industry carries out sound business practices.

Article 267

PUSK shall implement an effective risk management.

Elucidation of Article 267

Risk management includes active supervision by managers, availability of policies and procedures as well as compliance with the adequacy of the organizational structure, risk management processes and risk management functions, human resources, and internal controls.

Article 268

PUSK shall submit a report on the implementation of good governance and the implementation of risk management periodically to the financial sector authority in accordance with their respective duties and authorities.

Elucidation of Article 268

Sufficiently clear.

Article 269

Further provisions regarding good governance as referred to in Article 266, implementation of risk management as referred to in Article 267 and reporting as referred to in Article 268 is regulated in the regulation of financial sector authority in accordance with their respective duties and authorities.

Elucidation of Article 269

Sufficiently clear.

Article 270

- (1) To ensure that the financial sector industry is run professionally, effectively, efficiently, and with optimum performance, the financial sector authority shall carry out supervision and evaluation on the implementation of good governance.
- (2) The supervision and evaluation as referred to in Paragraph (1) shall be carried out periodically.
- (3) Further provisions regarding supervision and evaluation as referred to in Paragraph (1) and Paragraph (2) is stipulated in the regulation of financial sector authority in accordance with their respective duties and authorities.

Elucidation of Article 270

Sufficiently clear.

D. Financial Statement (Chapter XX, Part Four)

The provisions regarding to financial statement is regulated in Chapter XX Human Resources, Part Four, Article 271 until Article 273 which read as follows:

Article 271

- (1) PUSK and the party that conduct business interaction with the financial sector shall submit a financial statement in accordance with legal provisions.
- (2) The financial statement as referred to in Paragraph (1) shall be compiled based on the standards of financial statement.
- (3) The standards of financial statement as referred to in Paragraph (2) is established by financial statement standards committee that is independent and with good governance.
- (4) By considering the provisions as referred to in Paragraph (3), The Financial Services Authority can complete the regulation on accounting provisions for openness and protection to public investors.
- (5) The financial statement standards committee as referred to in Paragraph (3) has the authority to compile and establish a standard of financial statement.

- (6) The financial statement standards committee as referred to in Paragraph (3) is stipulated by Presidential Decree.
- (7) Financial statement as referred to in Paragraph (1) shall be subjected to audit by a public accountant in accordance with legal provisions.

Elucidation of Article 271

Paragraph (1)

Parties that conduct business interactions with the financial sector include banking debtors, finance company debtors, and issuers in the Capital Market or Money Market.

Paragraph (2) until Paragraph (6)

Sufficiently clear.

Paragraph (7)

A public accountant is someone who has obtained a public accountant license from the Ministry of Finance in accordance with statutory provisions regarding public accountants.

Article 272

- (1) In the context of financial statement submission as referred to in Article 271 Paragraph (1), the Government may establish or appoint a financial reporting single window.
- (2) The submission of financial statement through financial reporting single window as referred to in Paragraph (1) does not eliminate the authority of the ministry, institution, or authority concerned to directly request for financial statement to the reporting entity in relation to the implementation of their duties according to legal provisions.
- (3) PUSK and the party who conduct business interaction with the financial sector is responsible for the financial statement reported, including the statement that is submitted through the financial reporting single window.

Elucidation of Article 272:

Sufficiently clear.

Article 273

Further provisions regarding the obligation of compiling and submitting financial statement, financial statement standards, and standards committee as referred to in Article 271 and financial reporting single window as

referred to in Article 272 is stipulated in the Government Regulation.

Elucidation of Article 273

Regulatory material in Government Regulations contains at least:

- a. the obligation to prepare and submit financial reports by PUSK and parties who interact with the financial sector, including the criteria for preparing financial reports, the competency of preparing financial reports, the person in charge of financial reports, procedures for submitting financial reports, and time limits including grace period delivery of financial reports;
- b. financial report standards include the preparation process and types of financial report standards; and
- c. the financial reporting standards committee includes the authority, composition of membership, qualifications, procedures for selection, determination, and funding of the financial reporting standards committee.

XI. THE PROVISIONS REGARDING TO FINANCIAL SYSTEM STABILITY IN UU P2SK (CHAPTER XXI)

A. The Scope of Financial System Stability Regulation in UU P2SK

The provision regarding to financial system stability is regulated in Chapter XXI, Article 274 which read as follows:

Article 274

The scope of regulation on Financial System Stability in this chapter includes:

- a. Coordination of policies on macroprudential, microprudential, and handling Bank problems;
- b. Supervision of Banks and follow-up; and
- c. Handling Bank problems.

Elucidation of Article 274

Sufficiently clear.

B. The Amendment of Law No. 9 of 2016 on Prevention and Management of Financial System Crisis in UU P2SK

Article 275

To develop and reinforce the financial sector through managing financial system stability, this Law changes, remove, and/or stipulates new regulation for some provisions regulated in Law Number 9 of 2016 regarding Prevention and Management of Financial System Crisis

(State Gazette of the Republic of Indonesia of 2016 Number 70, Supplement to the State Gazette of the Republic of Indonesia Number 5872).

Elucidation of Article 275

Sufficiently clear.

Article 276

Some provisions in Law Number 9 of 2016 regarding Prevention and management of Financial System Crisis (State Gazette of the Republic of Indonesia of 2016 Number 70, Supplement to the State Gazette of the Republic of Indonesia Number 5872) is amended as follows:

1. Between Article 15 and Article 16 in Part One of Chapter III, is inserted 2 (two) articles, namely: Article 15A and Article 15B, which reads as follows:

Article 15A

- (1) Bank Indonesia, The Financial Services Authority, and Indonesia Deposit Insurance Corporation coordinate the policy on macroprudential, microprudential, and handling Bank problems through the mechanism of coordination forum.
- (2) Policy coordination as referred to in Paragraph (1) includes coordination on synchronization of regulation preparation regarding macroprudential, microprudential, and handling Bank problems issued by Bank Indonesia, the Financial Services Authority, and Indonesia Deposit Insurance Corporation.
- (3) The coordination forum as referred to in Paragraph (1) involves the secretariat of the Financial System Stability Committee.
- (4) The implementation of coordination forum as referred to in Paragraph (1) conduct data and information exchange.
- (5) The results of coordination as referred to in Paragraph (1) shall be reported to the Financial System Stability Committee periodically or at any time if required.
- (6) The mechanism of coordination forum as referred to in Paragraph (1) and the governance of data and information exchange as referred to in Paragraph (4) is regulated and/or agreed upon by Bank Indonesia, the Financial Services Authority, and Indonesia Deposit Insurance Corporation.

Elucidation of Article 15A

Paragraph (1)

Implementation of this coordination among others related to short-term liquidity loans or short-term liquidity financing based on Sharia Principles, placement of funds, divestment of Intermediary Banks, and remedial actions of Systemic Banks.

The implementation of this coordination is in accordance with the authority of Bank Indonesia, the Financial Services Authority, and the Indonesia Deposit Insurance Corporation.

Paragraph (2) until Paragraph (6)

Sufficiently clear.

Article 15B

(1) Should in terms of:

- a. supervision and inspection in accordance with the authorities of each institution; and/or
- b. the result of bank's condition assessment from the coordination forum as referred to Article 15A Paragraph (1),

a potential Bank problem is found, the Financial Services Authority and Bank Indonesia and/or Indonesia Deposit Insurance Corporation may conduct a joint inspection.

(2) Joint inspection as referred to in Paragraph (1) can be conducted as an anticipation and/or management of Bank problems.

Elucidation of Article 15B

Paragraph (1)

Supervision and inspection in accordance with the authority of each institution is supervision and inspection carried out by the Financial Services Authority, Bank Indonesia, or the Indonesia Deposit Insurance Corporation as individual institutions. The potential problems of the Bank include:

- a. Bank's individual liquidity conditions with liquidity ratios, for example liquid assets to third party funds are below the threshold and it is projected to experience a cash flow deficit in a certain period due to withdrawals

of third-party funds and settlement of obligations. The deficit is projected to continue even though Bank Indonesia has obtained inter-bank loans and repo (repurchase agreements) from Bank Indonesia;

- b. an increase in the Bank's credit risk level, an increase in non-performing loans (NPL) both individually and in the industry; and/or
- c. joint examinations are focused on matters related to Bank problems, which include Bank activities in the payment system, Bank transactions in foreign exchange, portfolios of credit assets, level of capital, liquidity, level of Bank soundness, and third-party funds.

Paragraph (2)

Anticipatory steps that can be taken by the Financial Services Authority include asking the Bank to take prompt corrective actions and/or instructing the Bank to carry out or not carry out certain activities in order to comply with the legal provisions in the banking sector and/or prevent and reduce losses to consumers, society and the banking sector (cease and desist orders), as well as determine the status of bank supervision.

For Bank Indonesia, the results of this inspection can be used as a basis for anticipating possible applications for short-term liquidity loans or short-term liquidity financing based on Sharia Principles, including ensuring that the list of Bank assets is valid when used as collateral in applications for short-term liquidity loans or short-term liquidity financing based on the Principles Sharia.

For the Indonesia Deposit Insurance Corporation, the results of this inspection can be used as a basis for anticipating the possibility of placement of the Indonesia Deposit Insurance Corporation's funds at a Bank and the possibility of a sudden Bank failure.

2. Between Part One and Part Two of Chapter III is inserted 1 (one) part, namely: Part Two, which reads as follows:

Part Two

Bank Supervision Status

Elucidation

Sufficiently clear.

3. Between Article 16 and Article 17 is inserted 5 (five) articles, namely: Article 16A, Article 16B, Article 16C, Article 16D, and Article 16E, which read as follows:

Article 16A

- (1) The Financial Services Authority regulates and stipulates the Bank supervision status.
- (2) The Bank supervision status as referred to in Paragraph (1) comprises of:
 - a. Bank under normal supervision;
 - b. Bank under recovery; dan
 - c. Bank under resolution.
- (3) The Bank under resolution as referred to in Paragraph (2) Point c is a Bank stated by the Financial Services Authority as a Bank with financial difficulty and endanger the continuity of its business and cannot be recovered according to the authorities of the Financial Services Authority.
- (4) Bank supervision status as referred to in Paragraph (2) is established by the Financial Services Authority.
- (5) The Financial Services Authority shall notify changes in Bank supervision status in writing to the Bank, Indonesia Deposit Insurance Corporation, and Bank Indonesia.
- (6) To carry out the duty of Bank supervision, the Financial Services Authority has authority to give orders to the Bank to do a certain act.
- (7) The Bank shall carry out the order of the Financial Services Authority as referred to in Paragraph (6).
- (8) Further provisions regarding the establishment criteria for Bank supervision status and the act in Bank supervision as referred to in Paragraph (1) to Paragraph (7) is stipulated in the Regulation of the Financial Services Authority.

Elucidation of Article 16A

Paragraph 1 until Paragraph (3)

Sufficiently clear.

Paragraph 4

Determination of the status of Bank supervision in this provision can originate from a change in the

status of a Bank under normal supervision to a Bank in restructuring or a Bank in restructuring to a Bank in resolution or vice versa when a Bank fulfills certain criteria.

Paragraph 5 until Paragraph (7)

Sufficiently clear.

Paragraph 8

In determining the provisions regarding the criteria for determining the supervision status of a Bank, the Financial Services Authority considers the recommendations of the coordination forum.

Article 16B

Should the Bank under normal supervision faces a difficulty which may endanger the continuity of its business or Bank is assigned as Bank under recovery, the Financial Services Authority has authority to carry out supervision as referred to in laws regarding Banking and laws regarding Sharia Banking.

Elucidation of Article 16B

A bank experiences difficulties that jeopardize its business continuity if the business conditions of the bank worsen, which are marked by a decrease in capital, asset quality, liquidity, and profitability, as well as bank management that is not carried out based on prudential principles and sound banking principles.

Article 16C

- (1) The Financial Services Authority stipulates a Bank as Bank under recovery as referred to in Article 16A Paragraph (2) Point b in the event that the Bank does not fulfill the provisions established by the Financial Services Authority regarding:
 - a. level of soundness;
 - b. level of liquidity; and/or
 - c. level of capital by calculating risks.
- (2) Determination of Bank under recovery as referred to in Paragraph (1) shall be carried out by the Financial Services Authority.
- (3) Should a Bank is assigned as Bank under recovery and the Bank makes a request to the Financial Services Authority, the Financial Services Authority can ask the Indonesia Deposit Insurance Corporation to place funds in the Bank after the Financial Services Authority conduct a feasibility analysis of the Bank's request.

- (4) The Financial Services Authority shall determine a Bank under recovery for a maximum of 1 (one) month from the date of the written notice of the Financial Services Authority to the Bank, Indonesia Deposit Insurance Corporation, and Bank Indonesia as referred to in Article 16A Paragraph (5).
- (5) Should the Bank receives fund placement from Indonesia Deposit Insurance Corporation as referred to in Paragraph (3), the term of Bank under recovery as referred to in Paragraph (4) ends according to the term of fund placement from Indonesia Deposit Insurance Corporation.
- (6) After the Financial Services Authority assigned a Bank as Bank under recovery:
 - a. Commercial Banks are required to implement:
 - 1. recovery action plan that has been approved by the Financial Services Authority;
 - 2. recovery steps established by the Financial Services Authority, should the recovery action have not been approved by the Financial Services Authority; and
 - 3. relay of its realization to the Financial Services Authority;
 - b. the Financial Services Authority ensure the implementation of commercial bank recovery plan or recovery steps established by the Financial Services Authority; and/or
 - c. Indonesia Deposit Insurance Corporation conduct:
 - 1. due diligence in context of understand the condition of the Bank as a whole;
 - 2. Consultation with other banks that are willing to accept the transfer of some or all assets and/ or obligations of the bank; and/or
 - 3. Consultation with investors who are willing to take over the bank.
- (7) The Financial Services Authority directs the bank under recovery process to:
 - a. maintain the financial condition of the bank so that there is no material decrease in assets and/or increase in obligations of the bank; and
 - b. support the implementation of actions by the Indonesia Deposit Insurance Corporation as referred to in Paragraph (6) Point c.
- (8) Should the bank is designated as a bank under recovery, the Financial Services Authority has the authority:

- a. to order the bank to sell some or all assets and/or transfer liabilities to another party;
 - b. to order the bank to transfer management of all or some of the bank's activities to another party;
 - c. to limit certain business activities of the bank; and/or
 - d. to appoint a statutory manager and order the bank to support the implementation of the statutory manager's tasks placed at the bank.
- (9) In the implementation the authority as referred to in Paragraph (8), the Financial Services Authority coordinates with the Indonesia Deposit Insurance Corporation.
- (10) Regulations regarding the fulfilment of the level of soundness, liquidity, and capital adequacy as referred to in Paragraph (1) are regulated by the Financial Services Authority.

Elucidation of Article 16C

Paragraph (1) until Paragraph (3)

Sufficiently clear.

Paragraph (4)

Written notification by the Financial Services Authority to the Indonesia Deposit Insurance Corporation and Bank Indonesia accompanied by the latest information on the supervisory actions that have been carried out by the Financial Services Authority on the Bank.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Point a

Point 1

Sufficiently clear.

Point 2

Written notification by the Financial Services Authority to the Indonesia Deposit Insurance Corporation and Bank Indonesia accompanied by the latest information on the supervisory actions that have been carried out by the Financial Services Authority on the Bank.

Point 3

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Due diligence and assessment of other banks conducted by the Indonesia Deposit Insurance Corporation is carried out in preparation for bank resolutions.

Paragraph (7)

Point a

The Financial Services Authority's order to the Bank is intended to maintain the Bank's financial condition so that at the time of handling the Bank there will be no material changes.

The Financial Services Authority's order to the Bank is intended to speed up transferring Bank assets and/or liabilities.

Point b

This support is intended to enable the settlement of transfer transactions of assets and/or liabilities of the Bank to be carried out as quickly as possible should the Indonesia Deposit Insurance Corporation takes resolution action.

Paragraph (8)

Point a until point c

Sufficiently clear.

Point d

The term "statutory manager" means an individual or legal entity designated by the Financial Services Authority to carry out the authority of the Financial Services Authority.

Paragraph (9)

Sufficiently clear.

Paragraph (10)

Calculation of the level of capital can be added with an additional capital buffer.

Article 16D

The statutory manager appointed by the Financial Services Authority, should the bank experiences difficulties that endanger its business continuity or bank under recovery process as referred to in Article 16B, has the authority to:

- a. take over all authorities and functions of the board of directors and the board of commissioners of the bank;
- b. control and manage the bank's business activities in accordance with legal regulations;
- c. cancel or terminate agreements made by the bank with third parties that are detrimental and/or according to the statutory manager may be detrimental to the interests of the bank and/or customers; and/or
- d. transfer some or all the bank's portfolio of wealth or business and/or pool of funds that according to the statutory manager can prevent greater losses for the bank and/or customers.

Elucidation of Article 16D

Point a until b

Sufficiently clear.

Point c

The term "customer" means a party that uses the services of the Bank.

Point d

Sufficiently clear.

Article 16E

- (1) The Financial Services Authority designates a bank as a bank under resolution as referred to in Article 16A Paragraph (2) Point c when:
 - a. before the period of the bank under recovery as referred to in Article 16C Paragraph (4) or Paragraph (5) ends, the bank deteriorates and does not meet minimum capital and/or minimum statutory reserve requirements;
 - b. by the end of the period of the bank under recovery as referred to in Article 16C Paragraph (4) or Paragraph (5), the bank is still unable to fulfill capital adequacy requirements by considering risks and/or unable to resolve fundamental liquidity problems; or

- c. The bank is unable to return the placement of funds from the Indonesia Deposit Insurance Corporation Bank.
- (2) The determination of a bank under resolution as referred to in Paragraph (1) is made by the Financial Services Authority.
- (3) Should a bank under resolution is a systemic bank, the Financial Services Authority requests the convening of a Financial System Stability Committee meeting to report the determination of the systemic bank as a bank under resolution.
- (4) In the Financial System Stability Committee meeting as referred to in Paragraph (3), the Financial System Stability Committee coordinates the steps that shall be taken by the Minister of Finance, the Governor of Bank Indonesia, and/or the Chairperson of the Board of Commissioners of the Financial Services Authority in accordance with their respective authority, to support the resolution actions of the Indonesia Deposit Insurance Corporation towards systemic banks.
- (5) The Indonesia Deposit Insurance Corporation submits a report to the Financial System Stability Committee on the implementation of resolution actions taken by the Indonesia Deposit Insurance Corporation towards systemic banks once every 6 months or as needed if necessary.

Elucidation of Article 16E

Paragraph (1)

Notification of the determination of the Bank in the resolution is submitted by the Financial Services Authority in writing to the Bank and the Indonesia Deposit Insurance Corporation, to confirm that the Financial Services Authority has stipulated the Bank in the resolution, and in accordance with the provisions of the law regarding the Indonesia Deposit Insurance Corporation all the rights and powers of a general meeting of shareholders, ownership, management and other interests in the said Bank are transferred to the Indonesia Deposit Insurance Corporation.

Point a

The term "minimum capital" means the recommended minimum capital to maintain prudential principles in carrying out Bank business activities. Determination of a Bank as a Bank in resolution occurs when the percentage decrease is below the minimum capital

and/or minimum reserve requirement during the Bank's period. in health is not over.

The term "minimum statutory reserve" means the minimum statutory reserve as stipulated in the legal provisions regarding the minimum statutory reserve.

Point b

The term "fundamental liquidity problems" means:

1. changes in the Bank's position in the Money Market from a lender's position (net tender) to a loan recipient's position (net borrower);
2. worsening cash flow position because of large maturity mismatches, particularly on short-term time scales;
3. efforts of the Bank to obtain funds in the Money Market with interest rates or rates of return that are higher than fair interest rates or market rates;
4. reliance on collateral to obtain funds;
5. increased disbursement of deposits before maturity; and/or
6. other fundamental liquidity problems.

Point c

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

In the meeting of the Financial System Stability Committee, the Financial Services Authority submits the determination of the Systemic Bank as a Bank in a resolution to the Indonesia Deposit Insurance Corporation and coordinates steps to be taken by the Minister of Finance, the Governor of Bank Indonesia, and/or the Chairperson of the Board of Commissioners of the Financial Services Authority in accordance with their respective authority -respectively, to support the action of the Deposit Insurance Corporation's resolution to the Systemic Bank.

Paragraph 4 until Paragraph (5)

Sufficiently clear.

4. Provision of Part Two Chapter III is amended to read as follows:

Part Three
Systemic Banks

Elucidation

Sufficiently clear.

5. Article 17 is amended to read as follows:

Article 17

- (1) To prevent a Financial System Crisis in the banking sector, the Financial Services Authority designates Systemic Banks after coordinating with Bank Indonesia and the Indonesia Deposit Insurance Corporation.
- (2) The Financial Services Authority coordinates with Bank Indonesia and the Indonesia Deposit Insurance Corporation to update the list of systemic banks on a regular basis, once every 6 months.
- (3) The Indonesia Deposit Insurance Corporation updates the deposit insurance condition of the systemic banks after obtaining data from the Financial Services Authority.
- (4) The Financial Services Authority submits the results of the determination of systemic banks as referred to in Paragraph (1) and the updated list of banks as referred to in Paragraph (2) to the Financial System Stability Committee.

Elucidation of Article 17

Sufficiently clear.

6. Article 18 is amended to read as follows:

Article 18

Systemic Banks are required to comply with specific requirements regarding capital adequacy ratios and liquidity adequacy ratios as regulated in the regulations of the Financial Services Authority.

Elucidation of Article 18

Capital adequacy includes a capital conservation buffer. Adequacy of liquidity includes the liquidity coverage ratio and the net stable funding ratio.

7. Between Article 18 and Article 19 is inserted 3 (three) articles, namely Article 18A, Article 18B, and Article 18C, to read as follows:

Article 18A

- (1) Systemic Banks are required to develop a recovery action plan to be approved by the Financial Services Authority.
- (2) The recovery action plan as referred to in Paragraph (1) at least contains the obligations of the PSP and/or other parties to increase the bank's capital and change certain types of obligations into bank capital.
- (3) The Financial Services Authority has the authority to determine additional capital capacity for systemic banks that is used to absorb losses during financial difficulties.
- (4) Regulations regarding the recovery action plan as referred to in Paragraph (1) and Paragraph (2) as well as the additional capital capacity for systemic banks as referred to in Paragraph (3) are regulated in the regulations of the Financial Services Authority.

Elucidation of Article 18A

Paragraph (1)

The term "recovery action plan" means a plan to overcome financial problems that may occur in the Systemic Bank.

Paragraph (2)

The implementation of the recovery action plan is carried out to overcome the financial problems of Systemic Banks that occur both during normal supervision status and when the Bank's supervision status is in rejuvenation.

Certain types of liabilities include PSP's savings and/or instruments of certain types of obligations that can be converted into capital.

Paragraph (3)

Additional capital capacity (capital surcharge) for Systemic Banks including certain types of liability instruments that can be converted into capital.

Paragraph (4)

Sufficiently clear.

Article 18B

- (1) Systemic Banks are required to draft and submit resolution plans to the Indonesia Deposit Insurance Corporation for approval.
- (2) The resolution plans as referred to in Paragraph (1) shall at least include:
 - a. the structure of the bank, financial condition, main business lines, important economic functions, and affiliated parties; and
 - b. the relationship with the Financial System.
- (3) Further provisions on the resolution plans as referred to in Paragraph (1) and Paragraph (2) shall be regulated by the Indonesia Deposit Insurance Corporation's regulations.

Elucidation of Article 18B

Paragraph (1)

The term “resolution plan” is a comprehensively prepared Systemic Bank resolution action plan, which contains, among other things, detailed bank characteristics and preferred resolution strategy for said Systemic Bank, in order to maintain the continuity of important economic functions (critical economic functions) of the Bank without causing disruption to Financial System Stability.

In preparing the resolution plan, the Indonesia Deposit

Insurance Corporation prepares a guideline for preparing a resolution plan for Systemic Banks. Based on these guidelines, the Systemic Bank develops an initial concept which will be followed up by the Indonesia Deposit Insurance Corporation.

The resolution plan is one of the tools for the Indonesia Deposit Insurance Corporation when it is about to make a decision during the resolution action for the Systemic Bank and is not binding for the Indonesia Deposit Insurance Corporation.

Paragraph (2) until Paragraph (3)

Sufficiently clear.

Article 18C

- (1) The Indonesia Deposit Insurance Corporation assesses the resolution plan submitted by the Systemic Banks as specified to in Article 18B Paragraph (1).
- (2) The assessment of the resolution plan as referred to in Paragraph (1) is conducted by the Indonesia Deposit Insurance Corporation both directly or indirectly.
- (3) For the benefit of the Indonesia Deposit Insurance Corporation in assessing the Systemic Bank's resolution plan as referred to in Paragraph (1), the Systemic Bank is required to submit to the Indonesia Deposit Insurance Corporation:
 - a. the recovery action plan for the Systemic Bank as referred to in Article 18A which has been approved by the Financial Services Authority; and
 - b. data and information as well as other documents needed by the Indonesia Deposit Insurance Corporation.
- (4) Based on the results of the evaluation of the resolution plan submitted by the Systemic Bank, the Indonesia Deposit Insurance Corporation gives approval or requests improvements to the resolution plan of the Systemic Bank.
- (5) Against the approved Systemic Bank resolution plan as referred to in Paragraph (4), the Indonesia Deposit Insurance Corporation may conduct a resolvability test to identify obstacles that may exist during the implementation of the Systemic Bank resolution actions.
- (6) Should based on the results of the resolvability test as referred to in Paragraph (5) a potential obstacle is found in the implementation of the resolution action, the Indonesia Deposit Insurance Corporation requests in writing the Systemic Bank to take corrective action.
- (7) The written request as referred to in Paragraph (6) can be made after the Indonesia Deposit Insurance Corporation coordinates with the Financial Services Authority.
- (8) Further provisions regarding the evaluation of the resolution plan as referred to in Paragraph (1) and the resolvability test as referred to in Paragraph (5) are regulated in the Indonesia Deposit Insurance Corporation's Regulations.

Elucidation of Article 18C

Paragraph (1) until Paragraph (4)

Sufficiently clear.

Paragraph (5)

The term “resolvability assessment” is an act of testing the Indonesia Deposit Insurance Corporation on the feasibility and credibility of the Systemic Bank resolution plan that has been approved by the Indonesia Deposit Insurance Corporation and the strategy for eliminating potential obstacles that may exist during the implementation of the Systemic Bank resolution action.

The resolvability test is carried out mainly to see the impact of the failure of a Systemic Bank on the Financial System and the economy.

The resolvability test by the Indonesia Deposit Insurance Corporation for Systemic Banks is carried out at any time, both when the Systemic Bank is under normal supervision status or when the Bank is in restructuring status.

Paragraph (6)

Corrective actions include updating the resolution plan that has been approved by the Indonesia Deposit Insurance Corporation and taking anticipatory steps to eliminate or minimize these potential obstacles.

Paragraph (7)

The results of the coordination between the Deposit Insurance Corporation and the Financial Services Authority are outlined in written form.

Paragraph (8)

The content material in the Indonesia Deposit Insurance Corporation Regulation among others regulates the procedure for preparing a resolution plan for Systemic Banks including the obligation to update the resolution plan by the Systemic Bank and the mechanism for evaluating the resolution plan by the Indonesia Deposit Insurance Corporation.

8. The provisions of Article 19 are amended to read as follows:

Article 19

- (1) Should a Systemic Bank under normal supervision has financial problems, the Systemic Bank

implements a recovery action plan as referred to in Article 18A Paragraph (1) which has been approved by the Financial Services Authority and submits the realization to the Financial Services Authority.

- (2) Should the action plan for the recovery of the Systemic Bank as referred to in Article 18A Paragraph (1) has not been approved by the Financial Services Authority, the Systemic Bank shall implement the recovery measures stipulated by the Financial Services Authority.
- (3) The Financial Services Authority ensures that the recovery action plan is implemented by the Systemic Bank as referred to in Paragraph (1) or recovery measures by the Systemic Bank as referred to in Paragraph (2).
- (4) Provisions regarding recovery action plans and recovery measures as referred to in Paragraph (1) to Paragraph (3) are regulated in the Regulation of the Financial Services Authority.

Elucidation of Article 19

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The remedial measures stipulated by the Financial Services Authority include issuing written orders and/or through other mechanisms based on the law regarding the Financial Services Authority.

Paragraph (3) until Paragraph (4)

Sufficiently clear.

- 9. Provisions of Part Three Chapter III are amended to read as follows:

Part Four

Handling Systemic Bank Liquidity Problems

Elucidation

Sufficiently clear.

- 10. Between the Part Four and the Part Five is inserted 1 (one) Paragraph, namely Paragraph 1, to read as follows:

Paragraph 1

Short-term Liquidity Loans or Short-term Liquidity
Financing Based on Shariah Principles**Elucidation**

Sufficiently clear.

11. The provisions of Article 20 are amended to read as follows:

Article 20

- (1) A Systemic Bank experiencing liquidity difficulties may submit a written request to Bank Indonesia to obtain a short-term liquidity loan or short-term liquidity financing based on Sharia Principles by submitting a copy of the request to the Financial Services Authority.
- (2) In order to obtain short-term liquidity loans or short-term liquidity financing based on Sharia Principles as referred to in Paragraph (1), Systemic Banks must fulfill the following requirements:
 - a. solvency;
 - b. sufficient collateral; and
 - c. adequate cash flow projections.
- (3) In providing short-term liquidity loans or short-term liquidity financing based on Sharia Principles by Bank Indonesia:
 - a. The Financial Services Authority evaluates the fulfilment of the requirements/adequacy of solvency and the soundness level of the Systemic Bank; and
 - b. Bank Indonesia together with the Financial Services Authority evaluates the fulfilment of collateral adequacy and cash flow projections.
- (4) Short-term liquidity loans for short-term liquidity financing based on Sharia Principles shall be guaranteed with sufficient collateral in the form of:
 - a. high-rated securities;
 - b. credit assets or financing assets with current quality should the Systemic Bank does not have enough securities as referred to in Point a; and
 - c. fixed assets owned by the Systemic Bank should the Systemic Bank does not have enough securities as referred to in Point a and credit assets or financing assets as referred to in Point b.

- (5) The term of short-term liquidity loans or short-term liquidity financing based on Sharia Principles to Systemic Banks is no longer than 30 (thirty) calendar days for each period of provision of short-term liquidity loans or short-term liquidity financing based on Sharia Principles and can be extended consecutively at most 2 (two) periods.
- (6) The Financial Services Authority in coordination with Bank Indonesia supervises Systemic Banks that receive short-term liquidity loans or short-term liquidity financing based on Sharia Principles to ensure their use and implementation of their repayment plan is in accordance with the agreement.
- (7) Further provisions regarding the procedures for providing short-term liquidity loans or short-term liquidity financing based on Sharia Principles as referred to in Paragraph (1) to Paragraph (5) are regulated in Bank Indonesia Regulation.

Elucidation of Article 20

Paragraph (1)

The term "liquidity difficulties" means short-term liquidity difficulties caused by the inflow of funds that is smaller than the outflow of funds (mismatch) so that commercial banks are unable to fulfill the minimum statutory reserve requirement.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Point a

Sufficiently clear.

Point b

The assessment is carried out to ensure the Bank has sufficient collateral. If the short-term liquidity loan or short-term liquidity financing based on Sharia Principles cannot be repaid at maturity, Bank Indonesia is fully entitled to liquidate the collateral under its control in accordance with the legal provisions.

Paragraph (4) until Paragraph (6)

Sufficiently clear.

Paragraph (7)

Short-term liquidity loans or short-term liquidity financing based on Sharia Principles are intended

to maintain the continuity of the Bank, so the provisions for the provision of short-term liquidity loans or short-term liquidity financing based on Sharia Principles are prepared can be implemented.

12. Between Article 20 and Article 21 is inserted 1 (one) article, namely Article 20A so that it reads as follows:

Article 20A

- (1) The deficit difference between the funds and costs incurred by Bank Indonesia for providing short-term liquidity loans or short-term liquidity financing based on Sharia Principles and the return of funds from Systemic Banks to Bank Indonesia either through collateral execution or other means constitutes a cost for Bank Indonesia in maintaining Financial System Stability and is not a state financial loss.
- (2) To settle outstanding claims in the provision of short-term liquidity loans or financing based on Sharia principles, Bank Indonesia has authority to perform book write-off and claim write-off.
- (3) The provisions regarding the procedures for book write-off and claim write-off as referred to in Paragraph (2) are carried out in accordance with the book write-off and claim write-off procedures as regulated in laws regarding Bank Indonesia and its implementing regulations.

Elucidation of Article 20A

Sufficiently clear.

13. Between Part Four and Part Five is inserted 1 (one) Paragraph, namely Paragraph 2 and is inserted 3 (three) articles, namely Article 20B, Article 20C, and Article 20D so that it reads as follows:

Paragraph 2

Placement of Funds

Article 20B

- (1) The Indonesia Deposit Insurance Corporation has the authority to carry out placement of funds at a Systemic Bank designated as a Bank under recovery.

- (2) Placement of funds in Systemic Banks under recovery as referred to in Paragraph (1) is carried out based on a request by the Financial Services Authority, after the Financial Services Authority has conducted a feasibility analysis on the Bank's request.
- (3) Placement of funds in the Systemic Bank as referred to in Paragraph (1) is carried out:
 - a. directly; and/or
 - b. indirectly through the guarantee of the Indonesia Deposit Insurance Corporation for the placement of funds by a Systemic Bank at another Bank that is experiencing liquidity problems.
- (4) Systemic Banks that can receive placement of Indonesia Deposit Insurance Corporation's funds as referred to in Paragraph (1) are Systemic Banks designated as Banks under recovery experiencing liquidity problems, which do not fulfill the requirements as recipients of short-term liquidity loans or short-term liquidity financing based on Sharia principles from Bank Indonesia.
- (5) In the context of placement the funds of the Indonesia Deposit Insurance Corporation at a Systemic Bank designated as a Bank under recovery as referred to in Paragraph (1), the Indonesia Deposit Insurance Corporation shall coordinate through the coordination forum as referred to in Article 15A.
- (6) Every period of placement of the Indonesia Deposit Insurance Corporation's funds at a Systemic Bank designated as a Bank under recovery as referred to in Paragraph (1) is carried out no later than 90 (ninety) calendar days and can be extended up to 3 (three) times.
- (7) The Indonesia Deposit Insurance Corporation may provide additional funds placement periods and their extension as referred to in Paragraph (6) after Indonesia Deposit Insurance Corporation conducts discussions through a coordination forum as referred to in Article 15A.
- (8) Systemic Bank and/or Systemic Bank Controlling shareholders shall provide guarantees in the form of assets deemed eligible for the return of placement of funds.
- (9) Further provisions regarding the placement of funds of Indonesia Deposit Insurance Corporation in Systemic Banks designated as Banks under recovery as referred to in Paragraph (1) are regulated in a Government Regulation.

Elucidation of Article 20B

Paragraph (1) until Paragraph (8)

Sufficiently clear.

Paragraph (9)

Content material in the Government Regulation includes proposals for placement of funds, total placement of funds, and coordination between the Indonesia Deposit Insurance Corporation, the Financial Services Authority and Bank Indonesia.

Article 20C

- (1) For Systemic Banks that accept the placement of funds as referred to in Article 20B, Indonesia Deposit Insurance Corporation is authorized:
 - a. conducting an inspection of the usage of funds;
 - b. prohibiting Systemic Banks from performing certain actions;
 - c. appointing other parties to provide technical assistance;
 - d. ordering shareholders to replace members of the board of directors and/or members of the board of commissioners; and
 - e. appointing another party as the statutory manager with the authority as regulated in Article 16D.
- (2) After Systemic Banks receive fund placements from Indonesia Deposit Insurance Corporation, Financial Services Authority and Bank Indonesia supervise the banks receiving fund placements more intensively in accordance with their respective authorities.
- (3) To carry out the authority as referred to in Paragraph (1), Indonesia Deposit Insurance Corporation coordinates with the Financial Services Authority.
- (4) Further provisions regarding the implementation of the authority of Indonesia Deposit Insurance Corporation over Systemic Banks that accept the placement of funds of Indonesia Deposit Insurance Corporation as referred to in Paragraph (1) and Paragraph (3) is regulated in a Government Regulation.

Elucidation of Article 20C

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Supervision conducted by Bank Indonesia is related to daily monitoring of the history of the Bank's payment system.

Paragraph (3) until Paragraph (4)

Sufficiently clear.

Article 20D

- (1) During the period of placement of funds of Indonesia Deposit Insurance Corporation in Systemic Banks or if Systemic Banks have not returned placement of funds, Systemic Banks are prohibited from:
 - a. disbursing new loans and/or financing to systemic bank affiliated parties, except for the fulfillment of previously promised commitments;
 - b. realizing the withdrawal of funds by affiliated parties of Systemic Banks; and
 - c. distributing dividends.
- (2) The prohibition as referred to in Paragraph (1) does not negate any other prohibitions issued by the Financial Authorities.
- (3) Members of the board of directors, members of the board of commissioners, PSP, employees, and/or affiliated parties are prohibited from using the placement of funds of Indonesia Deposit Insurance Corporation for disbursement of funds and obtaining financial benefits for themselves.
- (4) The prohibition on disbursement of funds as referred to in Paragraph (3) does not apply to the payment of salaries of Systemic Bank employees.

Elucidation of Article 20D

Sufficiently clear.

14. The provisions of the Part Four of Chapter III are amended that it reads as follows:

Part Five

Handling Systemic Bank Solvency Problems

Elucidation

Sufficiently clear.

15. Article 21 is deleted.

Elucidation

Sufficiently clear.

16. The provisions of Article 23 are amended to read as follows:

Article 23

- (1) In the transfer of part or all of the assets and/or liabilities of a Systemic Bank to the receiving Bank as referred to in Article 22 Paragraph (1) Point a or to the Intermediary Bank as referred to in Article 22 Paragraph (1) Point b, Indonesia Deposit Insurance Corporation is authorized to:
 - a. determine the types and criteria of transferred assets and obligations of the Systemic Bank;
 - b. transfer the obligations of a Systemic Bank in accordance with the criteria as referred to in Point a to the receiving Bank or Intermediary Bank followed by the transfer of part or all the assets of the Systemic Bank without the approval of the creditor, debtor, and/or other parties;
 - c. make payments to the receiving Bank or Intermediary Bank for the shortage difference between the value of the assets and the value of the transferred Systemic Bank obligations; and
 - d. exercise other authority.
- (2) The types and criteria for transferable assets as referred to in Paragraph (1) point a include:
 - a. assets of current quality or of special concern, not in dispute, confiscated, and/or pledged;
 - b. fixed assets and inventory used in the Bank's business activities;
 - c. intangible assets utilized for the Bank's business activities;
 - d. assets that become collateral from liabilities transferred to the receiving Bank or Intermediary Bank; and
 - e. other assets designated by Indonesia Deposit Insurance Corporation.
- (3) The types and criteria of transferable obligations as referred to in Paragraph (1) point a include:

- a. depository customer deposits including deposits from other banks;
 - b. obligations to Bank Indonesia and Indonesia Deposit Insurance Corporation;
 - c. loans received from other Banks in the form of inter-Bank Money Market transactions; and
 - d. other obligations stipulated by Indonesia Deposit Insurance Corporation.
- (4) Provisions regarding the types and criteria of Bank assets and obligations transferred to the receiving bank or intermediary bank as referred to in Paragraph (1) to Paragraph (3) are regulated in the Regulation of Indonesia Deposit Insurance Corporation.

Elucidation of Article 23

Paragraph (1)

Point a

Sufficiently clear.

Point b

The functions and services of Systemic Banks, especially those with the potential to cause systemic impacts, need to be maintained in continuity by transferring them to other Banks in a thorough manner and in the shortest possible time. For this reason, the Indonesia Deposit Insurance Corporation shall have the authority to transfer the Bank's obligations attached to these functions and services, including customer deposits and inter-bank loans, without waiting for the approval of the parties having an interest in these obligations.

Other parties include corporate organs such as the board of commissioners and the general meeting of shareholders.

The total liabilities of the Systemic Bank transferred are equal to the balance of the Bank's liabilities in the form of deposits and loans received from other Banks which are recorded in the Bank's books at the time of transfer.

Point c

Sufficiently clear.

Point d

Other authorities possessed by the Indonesia Deposit Insurance Corporation and required to apply the handling method through the transfer of part or all the assets and/or liabilities of the Systemic Bank to the receiving Bank or to the Intermediary Bank include the authority to liquidate the Bank.

Paragraph (2) until Paragraph (4)

Sufficiently clear.

17. The provisions of Article 25 are amended to read as follows:

Article 25

- (1) Indonesia Deposit Insurance Corporation establishes an Intermediary Bank as referred to in Article 22 Paragraph (1) Point b to accept the transfer of part or all the assets and/or obligations of the Bank and carry out the Bank's business activities.
- (2) In the establishment of an Intermediary Bank by Indonesia Deposit Insurance Corporation as referred to in Paragraph (1), there is no provision that requires a limited liability company established by 2 (two) or more persons as referred to in the law regarding limited liability companies.
- (3) The Financial Services Authority grants intermediary bank licenses in 2 (two) stages:
 - a. principle approval to prepare for the establishment of the Bank; and
 - b. business license to carry out the Bank's business activities after the preparation as referred to in Point a is completed.
- (4) The principal approval as referred to in Paragraph (3) Point a is given after fulfilling the requirements:
 - a. articles of association that contain at least business activities as a Bank;
 - b. paid-up capital as stipulated in the law regarding limited liability companies; and
 - c. organizational structure and human resources for the establishment of a limited liability company.
- (5) The business license as referred to in Paragraph (3) Point b is granted after fulfilling the requirements:

- a. organizational structure; and
 - b. the action plan includes the manner and schedule of transferring, fulfilling, and managing human resources, as well as migrating the infrastructure of the Intermediary Bank.
- (6) Fit and proper test for members of the board of commissioners and directors of the Intermediary Bank is carried out by Financial Services Authority after the Intermediary Bank conducts business activities and before the Intermediary Bank is assessed for its soundness level by Financial Services Authority.
 - (7) Should the Financial Services Authority has not approved the ability and appropriateness test as referred to in Paragraph (6), the Financial Services Authority shall give temporary approval to candidates members of the board of commissioners and candidates for the board of directors of the Intermediary Bank, who are fully authorized to carry out their functions, duties, and actions as members of the board of commissioners and/or members of the board of directors.
 - (8) After the Financial Services Authority issues an Intermediary Bank business license as referred to in Paragraph (3) Point b, Bank Indonesia provides a confirmation of transfer of approvals and/or permits related to activities in monetary operations, the Payment System of Bank Indonesia, and payment system service providers.
 - (9) Financial Services Authority establishes different policies regarding the obligation to provide minimum capital and minimum core capital for Intermediary Banks for a certain period.
 - (10) Indonesia Deposit Insurance Corporation is authorized to provide loans to intermediary banks to support the liquidity and business activities of intermediary banks.
 - (11) Further provisions regarding the procedure for establishing an Intermediary Bank as referred to in Paragraph (1) to Paragraph (7) and a certain period as referred to in Paragraph (9) are regulated in the Financial Services Authority Regulations.
 - (12) Further provisions regarding confirmation of transfer of approvals and/or permits related to activities in monetary operations, payment systems, and payment system service providers as referred to in Paragraph (8) are regulated in the Bank Indonesia Regulation.

- (13) Further provisions regarding the loan of Indonesia Deposit Insurance Corporation to the Intermediary Bank as referred to in Paragraph (10) are regulated in Indonesia Deposit Insurance Corporation Regulation.

Elucidation of Article 25

Paragraph (1)

Basically, one Intermediary Bank is used to accept the transfer of assets and liabilities from one Systemic Bank. Under certain conditions, one Intermediary Bank may be used by the Indonesia Deposit Insurance Corporation to accept the transfer of assets and liabilities of more than one Systemic Bank.

Paragraph (2)

The term of "person" means an individual, both an Indonesian citizen and a foreign citizen, or a legal entity, both an Indonesian legal entity and a foreign legal entity. Under this provision, the Indonesia Deposit Insurance Corporation as a legal entity becomes the founder and sole shareholder of the Intermediary Bank. This exception is intended to give the Indonesia Deposit Insurance Corporation full control over the operation of the Intermediary Bank.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Point a until point b

Sufficiently clear.

Point c

Fulfillment of requirements can use a statement Letter from the Indonesia Deposit Insurance Corporation that these requirements will be fulfilled by using data and/or documents of the Systemic Bank to which part or all its assets and/or liabilities will be transferred.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

The fit and proper test for members of the board of commissioners and directors of the Intermediary Bank considers the need for the intermediary Bank to operate in the near future. Members of the board of commissioners and

directors of the Intermediary Bank are deemed to have met the fit and proper requirements if they are not included in the list of bad debts and the list of failures.

When the Intermediary Bank is sold by the Indonesia Deposit Insurance Corporation, members of the board of commissioners and directors of the Bank shall have met the generally accepted fit and proper requirements.

Paragraph (7)

Temporary approval for candidates for the board of commissioners and directors of the Intermediary Bank does not reduce the assessment of the capabilities and competencies concerned in carrying out their actions, duties, and functions as members of the board of commissioners and/or members of the board of directors.

Paragraph (8)

Bank Indonesia confirms the transfer of approvals and/or permits related to activities in monetary operations, Bank Indonesia payment systems, and payment system service providers after the Indonesia Deposit Insurance Corporation completes the documents according to Bank Indonesia regulations.

Paragraph (9)

The Intermediary Bank established by the Indonesia Deposit Insurance Corporation to accept the transfer of part or all of the Bank's assets and/or liabilities in the resolution will transfer its ownership to another party, so that the obligation to provide minimum capital and minimum core capital does not apply as long as the Intermediary Bank is still in the hands of the Indonesia Deposit Insurance Corporation until with a certain period.

Intermediary Banks are exempt from the designation of supervisory status as Banks under restructuring.

Paragraph (10) until Paragraph (13)

Sufficiently clear.

18. The provisions of Article 26 are amended to read as follows:

Article 26

- (1) Indonesia Deposit Insurance Corporation shall sell all shares of the Intermediary Bank to the Bank or other parties or transfer all assets and obligations of the Intermediary Bank to the Bank.
- (2) The sale of all shares of the Intermediary Bank or the transfer of all assets and obligations of the Intermediary Bank as referred to in Paragraph (1) is carried out after the main function of the Intermediary Bank is running and/or there are investors.
- (3) The sale of all shares of the Intermediary Bank or the transfer of all assets and obligations of the Intermediary Bank as referred to in Paragraph (1) is carried out based on fair value, openly, and transparently.
- (4) Should the sale of all shares of the Intermediary Bank is carried out, the loan given to the Intermediary Bank as referred to in Article 25 Paragraph (10) is converted into capital participation of Indonesia Deposit Insurance Corporation at the Intermediary Bank.
- (5) Should the transfer of all assets and obligations of the Intermediary Bank, the loan provided to the Intermediary Bank as referred to in Article 25 Paragraph (10) becomes a bank handling fee by Indonesia Deposit Insurance Corporation.
- (6) The party who buys shares of the Intermediary Bank must make capital adjustments in accordance with the provisions regarding the obligation to provide minimum capital and minimum core capital as stipulated in the laws and regulations.
- (7) Further provisions regarding the criteria for the main function of the Intermediary Bank that have been running and/or there are investors as referred to in Paragraph (2) are regulated in the Regulation of Indonesia Deposit Insurance Corporation.

Elucidation of Article 26

Paragraph (1) until Paragraph (2)

Sufficiently clear.

Paragraph (3)

The term "open" is that every potential investor who meets the requirements can participate.

The term "transparent" is that the sale and transfer process can be accessed by the public.

Paragraph (4) until Paragraph (7)

Sufficiently clear.

19. Article 27 is deleted.

Elucidation

Sufficiently clear.

20. The provisions of Article 28 are amended to read as follows:

Article 28

- (1) The shortage difference between the funds issued by Indonesia Deposit Insurance Corporation for:
 - a. the placement of funds to the Bank as referred to in Article 20B and the refund of the placement of funds from the Bank to Indonesia Deposit Insurance Corporation either through the execution of collateral or other means; and/or
 - b. handling and returning to Indonesia Deposit Insurance Corporation,is a cost in maintaining Financial System Stability and a cost for handling and resolutions of the Bank and does not constitute a financial loss to the state, if it is carried out in good faith, in accordance with the legal provisions, and good governance.
- (2) The surplus difference between the funds or costs incurred by Indonesia Deposit Insurance Corporation for handling Bank problems and returns to Indonesia Deposit Insurance Corporation is an increase in the wealth of Indonesia Deposit Insurance Corporation.

Elucidation of Article 28

Sufficiently clear.

21. Between Article 28 and Article 29 is inserted 1 (one) article, namely Article 28A that it reads as follows:

Article 28A

Provisions regarding taxation in handling systemic bank solvency problems are regulated in a Government Regulation.

Elucidation of Article 28A

Sufficiently clear.

22. Between Article 29 and Article 30 in the Part Five of Chapter III is inserted 1 (one) article, namely Article 29A so that it reads as follows:

Article 29A

Provisions regarding:

- a. fulfillment of special provisions regarding the capital adequacy ratio and liquidity adequacy ratio as referred to in Article 18;
 - b. preparation of a recovery action plan as referred to in Article 18A Paragraph (1), Paragraph (2) and Paragraph (4);
 - c. preparation of a resolution plan as referred to in Article 18B; and
 - d. assessment of resolution plans and resolvability tests as referred to in Article 18C,
- applies mutatis mutandis to Bank other than Systemic Bank.

Elucidation of Article 29A

The term of “mutatis mutandis” means the provisions regarding capital adequacy ratio, obligation to prepare recovery action plan, obligation to prepare resolution plan, and evaluation of resolution plan, with minor changes or which need to be adjusted, also applies to Banks other than Systemic Banks.

For example: for replacing the phrase "Systemic Bank" in Article 18 with the phrase "Bank other than Systemic Bank".

23. The provisions of Part Five of Chapter III are amended that it reads as follows:

Part Six

Handling Problems of Bank Other Than Systemic Bank

Elucidation

Sufficiently clear.

24. The provisions of Article 30 are amended to read as follows:

Article 30

Provisions regarding:

- a. providing short-term liquidity loans or short-term liquidity financing based on Sharia Principles as referred to in Article 20 and Article 20A; and
 - b. placement of funds of Indonesia Deposit Insurance Corporation in the Bank under recovery as referred to in Article 20B, Article 20C, and Article 20D,
- applies *mutatis mutandis* to Banks other than Systemic Banks.

Elucidation of Article 30:

The term “*mutatis mutandis*” are the provisions regarding the provision of short-term liquidity loans or short-term liquidity financing based on Sharia Principles to Systemic Banks and placement of Indonesia Deposit Insurance Corporation funds at Banks, with minor changes or that need to be adjusted, also applies to Banks other than Banks systemic.

Example: Replacing the phrase “Systemic Bank” in Article 20 with the phrase “Bank other than Systemic Bank”.

25. The provisions of Article 31 are amended to read as follows:

Article 31

- (1) Handling of Systemic Bank solvency problems as referred to in Article 22, Article 23 Paragraph (1) and Paragraph (2), Article 24, Article 25, Article 26, and Article 28 applies *mutatis mutandis* to the handling of solvency problems of Banks other than Systemic Banks.
- (2) Types and criteria for obligations of banks other than Systemic Banks transferred to receiving banks and/or intermediary banks includes:
 - a. deposits of depository customers that fulfill the criteria for deposits that are eligible to be paid in accordance with the provisions of deposit guarantee with a maximum amount of the value of deposits guaranteed by Indonesia Deposit Insurance Corporation;
 - b. obligations to the Bank and Indonesia Deposit Insurance Corporation; and
 - c. other obligations stipulated by Indonesia Deposit Insurance Corporation.
- (3) Provisions regarding taxation in handling solvency problems of banks other than systemic banks are regulated in a Government Regulation.
- (4) Provisions regarding the resolution of solvency problems of banks other than systemic banks as referred to in Paragraph (1) and Paragraph (2) are

regulated in the Regulation of Indonesia Deposit Insurance Corporation.

Elucidation of Article 31

Sufficiently clear.

26. Between Chapter III and Chapter IV is inserted¹ (one) Chapter, namely Chapter IIIA, so that it reads as follows:

CHAPTER IIIA
PROVISIONS FOR BANKS THAT ARE ISSUERS OR
PUBLIC COMPANIES

Elucidation

Sufficiently clear.

27. Between Article 31 and Article 32 is inserted 1 (one) article, namely Article 31A that it reads as follows:

Article 31A

- (1) Banks under recovery that accept the placement of funds of Indonesia Deposit Insurance Corporation as referred to in Article 20B and Article 30 Point b or the Bank under resolution carried out to handling the solvency problems as referred to in Article 22 and Article 31 Paragraph (1), which is an issuer or public company, and is ordered by Indonesia Deposit Insurance Corporation and/or Financial Services Authority to:
 - a. increase paid-up capital; and/or
 - b. make certain transactions that fulfill the criteria:
 1. certain material transaction; and/or;
 2. affiliate transactions and/or transactions with conflicts of interest,
 excluded from the legal provisions in the Capital Market field regarding pre-emptive rights to order securities, material transactions, affiliate transactions, and/or transactions containing conflicts of interest.
- (2) Actions of Indonesia Deposit Insurance Corporation against:
 - a. Bank under recovery that receive the placement of funds from Indonesia Deposit Insurance Corporation as referred to in Article 20B and Article 30 Point b; or
 - b. Bank under resolution carried out to handling the solvency problem as referred to in Article 22 and Article 31 Paragraph (1),
 which is an issuer or public company and results in Indonesia Deposit Insurance Corporation

- becoming the new controller of the said Bank, is not required to follow the legal provisions in the Capital Market field regarding the takeover of a public company and a mandatory tender offer.
- (3) The provisions as referred to in Paragraph (2) apply to *mutatis mutandis* for other parties ordered by Indonesia Deposit Insurance Corporation to take over the control of the Bank.
 - (4) In handling:
 - a. Bank under recovery that receive the placement of funds from Indonesia Deposit Insurance Corporation as referred to in Paragraph (2) Point a; or
 - b. Bank under resolution carried out to deal with the solvency problem as referred to in Paragraph (2) Point b,
 which is an issuer or public company, the custodian is required to carry out the order of Indonesia Deposit Insurance Corporation to issue securities and/or funds recorded on the securities account even if there is no written order from the securities account holder or a party authorized by the securities account holder to acting on its behalf as regulated in the law regarding capital markets.
 - (5) Further provisions regarding the order of Indonesia Deposit Insurance Corporation as referred to in Paragraph (4) are regulated in Indonesia Deposit Insurance Corporation Regulations.

Elucidation of Article 31A

Sufficiently clear.

28. Between Article 36 and Article 37 is inserted 3 (three) articles, namely Article 36A, Article 36B, and Article 36C that it reads as follows:

Article 36A

- (1) To handle Financial System Stability caused by crisis conditions, Bank Indonesia is authorized to:
 - a. buy long-term Government Securities in the primary market to deal with Financial System problems that risk the national economy;
 - b. buy/reverse repo (repurchase agreement) of Government Securities owned by Indonesia Deposit Insurance Corporation for the cost of handling Bank problems; and
 - c. provide access to funding to corporations/private companies by making repo (repurchase agreement) Government

Securities owned by corporations/private companies through banking.

- (2) The crisis condition as referred to in Paragraph (1) is stipulated by President.
- (3) The purchase of long-term Government Securities in the primary market as referred to in Paragraph (1) Point a is carried out based on the decision of the Financial System Stability Committee.
- (4) The scheme and mechanism for purchasing Government Securities in the primary market as referred to in Paragraph (1) Point a is stipulated in a joint decree of Minister of Finance and Governor of the Bank Indonesia.

Elucidation of Article 36A

Paragraph (1)

The Financial System Crisis includes crisis conditions that have an impact on the decline in financial sector performance. Thus, Bank Indonesia requires extraordinary authority to manage and recover from the crisis.

Point a

The authority of Bank Indonesia to purchase long-term Government Securities on the primary market to address Financial System problems that endanger the national economy is an exception to the prohibition against purchasing government bonds for oneself on the primary market as referred to in Article 55 Paragraph 4 of Law Number 23 of 1999 on Bank Indonesia as last amended by this Law.

Point b until point c

Sufficiently clear.

Paragraph (2) until Paragraph (4)

Sufficiently clear.

Article 36B

- (1) To handle Financial System Stability caused by crisis conditions, the Government is authorized to:
 - a. issue Government Securities with a specific purpose to be purchased by Bank Indonesia, state-owned enterprises, corporate investors, and/or retail investors;

- b. establish sources of budget financing originating from within the country and/or abroad;
 - c. provide loans to Indonesia Deposit Insurance Corporation;
 - d. carry out the national economic recovery program to protect, maintain and improve the economic capabilities of business actors from the real sector and the financial sector in carrying out their business;
 - e. make state capital participation through designated state-owned enterprises;
 - f. place Government funds and/or investments made directly by the Government and/or through financial institutions, investment managers, and/or other designated institutions;
 - g. conduct guarantee that can be carried out directly by the Government and/or through one or several designated guaranteed business entities; and
 - h. organizing guarantee program outside the deposit insurance program as regulated in law regarding Indonesia Deposit Insurance Corporation.
- (2) The crisis condition as referred to in Paragraph (1) is stipulated by President.
- (3) Further provisions regarding the implementation of handling Financial System Stability caused by crisis conditions as referred to in Paragraph (1) are regulated in Government Regulations.

Elucidation of Article 36B

Paragraph (1)

Crisis conditions include crisis conditions that impact the performance of the financial sector and the financial system crisis. For this reason, the Government needs to have extraordinary authority in handling and recovery the crisis conditions referred to.

Paragraph (2) until Paragraph (3)

Sufficiently clear.

Article 36C

- (1) Should there is a crisis threat that has the potential to cause a decline in public confidence in the banking industry and risk the Financial

System stability, Indonesia Deposit Insurance Corporation can provide guarantees for all Government-owned deposits at the Bank in order to implement policies to deal with national economic problems.

- (2) The amount of Government-owned deposits value guaranteed by Indonesia Deposit Insurance Corporation as referred to in Paragraph (1) is stipulated by a Government Regulations.

Elucidation of Article 36C

Paragraph (1)

Policies for handling national economic problems including the national economic recovery program.

The term of “government-owned deposits” means placements of funds made by the Government in Banks.

Paragraph (2)

Sufficiently clear.

29. The provisions of Article 41 are amended to read as follows:

Article 41

- (1) In the implementation of Banking Restructuring Program as referred to in Article 38, Indonesia Deposit Insurance Corporation has authority to:
- a. take over and exercise all rights and authorities of organs equivalent to shareholders and general meetings of shareholders of the Bank;
 - b. take over and exercise all rights and authorities of Board of Directors and Board of Commissioners of the Bank or other equivalent organs;
 - c. suspending the payment of certain obligations of Bank;
 - d. sell, auction, or transfer Bank’s wealth within the country or abroad, either directly or through public offerings;
 - e. sell, auction or transfer bank bills and/or hand over its management to other parties, without requiring the debtor customer’s approval;
 - f. transfer the management of all or part of the Banks’s assets, activities, and/or management to another party;

- g. make temporary capital participation in Bank directly or through the conversion of Indonesia Deposit Insurance Institution's bill to the Bank into Bank shares;
 - h. converting Bank's obligations to certain creditors into capital;
 - i. collect Bank's definite receivables with the issuance of a forced Letter;
 - j. empty land and/or building owned or entitled to Bank controlled by other parties, either alone or with the help of state authorized law enforcement tools;
 - k. research and examine to obtain all necessary information from and about Bank, and any parties involved or reasonably suspected of being involved, or aware of activities that are detrimental to the Bank;
 - l. calculate and determine the losses suffered by Bank and charge losses to the capital of the Bank concerned, and should the said loss occurs due to the fault or negligence of members of the board of directors, members of the board of commissioners or equivalent organs, and / or shareholders, such losses will be charged to the concerned;
 - m. require Bank's shareholders to increase capital in accordance with the additional amount of capital set by Indonesia Deposit Insurance Corporation;
 - n. suspend the assets belong to Bank's management, Bank's shareholders, and/or its affiliated parties who are indicated to have committed actions that are detrimental to the Bank, both within the country and abroad;
 - o. transfer part or all of Bank's assets and/or obligations to the receiving Bank or intermediary bank;
 - p. sell Bank to a buyer who is willing to take over the entire obligations;
 - q. guarantee a certain loan from the Bank;
 - r. provide lending to Bank; and
 - s. perform other duties established by Financial System Stability Committee.
- (2) In addition to the authority as referred to in Paragraph (1), to carry out Banking Restructuring Program, Indonesia Deposit Insurance Corporation may use all authority related to the handling of the Bank as regulated in the law regarding Indonesia Deposit Insurance Corporation.

- (3) The implementation of the authority to implement the Banking Restructuring Program for Bank in handling Banking Restructuring Program which is a limited liability company, issuer, or public company is excluded from the legal provisions regarding limited liability companies, legal provisions regarding banking, and legal provisions regarding the capital market.
- (4) Further provisions regarding the implementation of the authority of Indonesia Deposit Insurance Corporation in the implementation of Banking Restructuring Program as referred to in Paragraph (1) to Paragraph (3) are regulated in Government Regulations.

Elucidation of Article 41

Paragraph (1)

Point a

The Indonesia Deposit Insurance Corporation has the authority, under the law governing the Indonesia Deposit Insurance Corporation, to take over and exercise all the rights and powers of shareholders, including the rights and powers of the Bank's general meeting of shareholders.

Point b until point c

Sufficiently clear.

Point d

The sale or transfer of the Bank's assets by the Indonesia Deposit Insurance Corporation is followed by the transfer of property rights to the buyer. Thus, the buyer obtains legal certainty over the transfer of rights over said property. Sales or transfers can be made directly or through a public offering to obtain the best price.

Point e

The term "other parties" means individuals, state-owned enterprises, privately-owned enterprises, and/or other legal entities.

Point f

Sufficiently clear.

Point g

This provision emphasizes that temporary equity participation by the Indonesia Deposit Insurance Corporation can be

made directly through capital injection and/or through the conversion of claims by the Indonesia Deposit Insurance Corporation to the Bank into shares. Given the specificity of temporary equity participation by the Indonesia Deposit Insurance Corporation, its implementation is exempt from the provisions and procedures for increasing capital that apply to Banks whose shares are listed on the stock exchange.

Point h

To improve the capital structure and/or liabilities of the Bank, the Indonesia Deposit Insurance Corporation has the authority to convert the Bank's obligations to certain creditors into capital. Given the specificity of the conversion of liabilities into capital, its implementation is exempt from the provisions and procedures for increasing capital that apply to Banks whose shares are listed on the stock exchange.

Point i

According to this provision, the Indonesia Deposit Insurance Corporation may take action to collect receivables by issuing a coercive Letter based on the record of the debtor's debt to the Bank in the Banking Restructuring Program. This forced Letter contains a headline with the phrase "FOR JUSTICE BASED ON THE ALMIGHTY GOD" which has the same executive power and legal standing as a court decision that has obtained permanent legal force. In the event that the act of collecting receivables is not heeded by the debtor, the Indonesia Deposit Insurance Corporation may confiscate the assets of the debtor and may then conduct an auction on the assets of the debtor in order to return the said receivables. The debtor's assets that cannot be confiscated include household equipment, books, and work equipment for the debtor's survival. Although the Indonesia Deposit Insurance Corporation is authorized to carry out forced collection, the procedures for implementing it still pay attention to aspects of legal certainty and justice.

Point j

The emptying of land and/or buildings belonging to, or which are the rights of the Bank is carried out by the Indonesia

Deposit Insurance Corporation based on proof of ownership and/or proof of title which includes collateral rights held by the Bank as a creditor, in accordance with the legal provisions.

Point k

To obtain such information, the Indonesia Deposit Insurance Corporation may request assistance from authorized law enforcement officials.

The term “any party” means affiliated parties and other parties who are involved or reasonably suspected of being involved, including legal entities owned by the Bank or affiliated parties.

Point l until point s

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Exempted implementation of the authority to administer the Banking Restructuring Program includes approval from the general meeting of shareholders, filing objections by creditors, buying back Bank shares in Bank corporate actions, Bank mergers, acquisitions, and consolidations.

Paragraph (4)

Sufficiently clear.

30. Between Article 42 and Article 43 is inserted 1 (one) article, namely Article 42A that it reads as follows:

Article 42A

Provisions regarding tax treatment in the implementation of Banking Restructuring Program are regulated in Government Regulations.

Elucidation of Article 42A

Sufficiently clear.

31. Between Chapter IV and Chapter V is inserted 1 (one) chapter, Chapter IVA that it reads as follows:

CHAPTER IVA

ADMINISTRATIVE SANCTIONS

Elucidation of

Sufficiently clear.

32. Between Article 46 and Article 47 is inserted 2 (two) articles, namely Article 46A and Article 46B that it reads as follows:

Article 46A

- (1) Commercial bank that infringes the provisions of following obligations:
 - a. preparation of a recovery action plan for approval by the Financial Services Authority as referred to in Article 18A Paragraph (1); and submission of resolution plan as referred to in Article 18B Paragraph (1); and
 - b. carrying out the orders of Financial Services Authority as referred to in Article 16C Paragraph (7),
 is subject to administrative sanctions by Financial Services Authority in the form of written reprimands, administrative fines, and/or interest.
- (2) Administrative sanctions as referred to in Paragraph (1) are imposed according to the level of infringement committed.
- (3) Further provisions regarding administrative sanctions as referred to in Paragraph (1) and Paragraph (2) are regulated in Financial Services Authority Regulations.

Elucidation of Article 46A

Sufficiently clear.

Article 46B

- (1) Commercial bank that infringes the terms of obligations:
 - a. submission of resolution plan as referred to in Article 18B Paragraph (1); and/or
 - b. submission of recovery action plan, data and information and other documents needed in the context of preparing a resolution plan as referred to in Article 18C Paragraph (3),
 is subject to administrative sanctions by Indonesia Deposit Insurance Corporation in the form of fines.
- (2) Further provisions regarding the amount and period of imposition as well as procedures for imposing administrative sanctions for infringement of obligations as referred to in Paragraph (1) are regulated in the Regulation of Indonesia Deposit Insurance Corporation.

Elucidation of Article 46B

Sufficiently clear.

33. Between Article 47 and Article 48 is inserted 1 (one) article, Article 47A that it reads as follows:

Article 47A

Bank, member of the board of directors, member of the board of commissioners, shareholder, employee, and/or affiliated parties who infringe the provisions of the prohibition on the usage of placement funds as referred to in Article 20D Paragraph (1) and Paragraph (3) shall be sentenced with imprisonment for a minimum of 2 (two) years and a maximum of 10 (ten) years and a fine at minimum of Rp 10,000,000,000.00 (ten billion rupiah) and a maximum of Rp 50,000,000,000,000, 00 (fifty billion rupiah).

Elucidation of Article 47A

Sufficiently clear.

XII. THE PROVISIONS REGARDING ON INDONESIA EXPORT FINANCING INSTITUTION (LPEI) IN UU P2SK (CHAPTER XXII)

Article 277

To support the Government's policy to encourage national export programs, this Law amends and/or establishes new arrangements for several provisions regulated in Law Number 2 of 2009 on Indonesian Export Financing Institution (LPEI) (State Gazette of The Republic of Indonesia of 2009 Number 2, Supplement to the State Gazette of The Republic of Indonesia Number 4957).

Elucidation of Article 277:

Sufficiently clear.

Article 278

The provisions of Article 16 in Law Number 2 of 2009 on Indonesian Export Financing Institution (State Gazette of The Republic of Indonesia of 2009 Number 2, Supplement to the State Gazette of the Republic of Indonesia Number 4957) are amended so that it reads as follows:

Article 16

- (1) In carrying out its activities, LPEI participates in the national and international payment system.
- (2) LPEI can receive foreign exchange export proceeds for export transactions of LPEI debtors and enter the Indonesian financial system.
- (3) Foreign exchange receipts from export proceed as referred to in Paragraph (2) are accommodated in the debtor's account at LPEI.
- (4) Foreign exchange receipts from export by LPEI are not intended for fundraisings.

Elucidation of Article 278

Article 16

Paragraph (1)

To facilitate the implementation of National Export Financing, LPEI can participate as a participant in the national payment system. For this reason, LPEI is subject to the provisions stipulated by Bank Indonesia.

The term “national payment system” means the payment system as regulated in the law governing Bank Indonesia.

The term “international payment system” means a payment system commonly used to settle payment obligations between banks or interstate financial institutions.

Paragraph (2) until Paragraph (4)

Sufficiently clear.

XIII. ADMINISTRATIVE SANCTIONS IN UU P2SK (CHAPTER XXIII)**A. Administrative Sanctions Related to Financial Conglomerate (Chapter XXIII, Part Four)**

Administrative Sanctions Related to Financial Conglomerate is regulated in Chapter XXIII, Part Four, Article 283 UU P2SK which read as follows:

Article 283

- (1) Everyone who infringe the provisions as referred to in Article 206 Paragraph (1), Article 208 Paragraph (1), Article 209 Paragraph (1), and Article 210 Paragraph (2) is subject to administrative sanctions in the form of:
 - a. written reprimand;

- b. Management replacement commands;
 - c. reassessment of capability and propriety;
 - d. restrictions on business activities of Financial Conglomerate;
 - e. reduction of shareholding in controlled LJK;
 - f. administrative fines; and/or
 - g. cancelation of approval, registration, and attestation.
- (2) The imposition of administrative sanctions as referred to in Paragraph (1) is imposed in accordance with the level of infringement committed.
- (3) Further provisions regarding the procedure for imposing administrative sanctions as referred to in Paragraph (1) and Paragraph (2) are regulated in the Financial Services Authority Regulation.

Elucidation of Article 283

Sufficiently clear.

B. Administrative Sanctions Related to Financial Sector Technology Innovation (ITSK) (Chapter XXIII, Part Five)

Administrative sanctions related to ITSK is regulated in Chapter XXIII, Part Five, Article 284 UU P2SK which read as follows:

Article 284

- (1) ITSK organizer that:
- a. has obtained a license from the relevant financial sector authority that carries out activities not in accordance with its licensing; and/or
 - b. infringes the provisions as referred to in Article 220 Paragraph (1) and Article 221 Paragraph (1),
- is subject to administrative sanctions by financial sector authorities in accordance with their respective authorities.
- (2) Sanctions as referred to in Sub-Article (1) in the form of:
- a. written reprimand;
 - b. decreased level of soundness;
 - c. temporary suspension, partial, or all activities including the implementation of cooperation;
 - d. administrative fines;

- e. cancelation of approval;
 - f. cancellation of registration;
 - g. dismissal and/or replacement of administrators;
 - h. inclusion of members of the board, employees, shareholders in the list of despicable persons in the financial sector; and/or
 - i. license revocation.
- (3) The imposition of sanctions as referred to in Paragraph (2) is imposed in accordance with the level of infringement committed.
- (4) Further provisions regarding the types, criteria, and procedures for imposing sanctions as referred to in Paragraph (1) to Paragraph (3) are regulated in financial sector authorities in accordance with their respective authorities.

Elucidation of Article 284

Sufficiently clear.

C. Administrative Sanctions Related to Consumer Protection (Chapter XXIII, Part Six)

Administrative sanctions related to Consumer Protection is regulated in Chapter XXIII, Part Six, Article 295 UU P2SK which read as follows:

Article 285

- (1) Financial sector authorities have authority to impose administrative sanctions on PUSK who infringe the provisions of this Law and its implementing regulations.
- (2) PUSK that infringes the provisions as referred to in Article 226 Paragraph (1), Article 227, Article 236 Paragraph (3) Point a, Point b, Point d, Point e, Point j, Point k, Point n, or Point o, or Paragraph (4) Point c or Point g, Article 239 Paragraph (1), Article 242, or Article 246 Paragraph (1) is subject to administrative sanctions in the form of:
- a. written reprimand;
 - b. restrictions on products and/or services and/or business activities partially or completely;
 - c. suspension of products and/or services and/or business activities partially or completely;
 - d. dismissal of administrators;
 - e. administrative fines;

- f. revocation of product and/or service licenses;
and/or
 - g. business license revocation.
- (3) The imposition of administrative sanctions as referred to in Paragraph (2) is imposed in accordance with the level of infringement committed and the limit of fulfillment within a certain period.
 - (4) In the event that the administrative sanctions for infringement of Article 236 Paragraph (3) Point a, Point b, Point d, Point e, Point j, Point k, Point n, or Point o, or Paragraph (4) Point c or Point g are not fulfilled, PUSK may be subject to criminal sanction.
 - (5) Further provisions regarding the procedure for imposition and limits for the fulfillment of administrative sanctions as referred to in Paragraph (1) to Paragraph (3) are regulated in the Financial Services Authority Regulation and Bank Indonesia Regulation in accordance with their respective duties and authorities.

Elucidation of Article 285

Sufficiently clear.

D. Administrative Sanctions Related to Human Resources (Chapter XXIII, Part Seven)

Administrative sanctions related to Human Resources is regulated in Chapter XXIII, Part Seven, Article 286 UU P2SK which read as follows:

Article 286

PUSK, Financial Sector Professionals, Professional Associations, and/or Professional Certification Institutions that infringe the provisions as referred to in Article 252 Paragraph (3), Article 255, Article 258, Article 259 Paragraph (2) and Paragraph (5), Article 260 Paragraph (3), Article 261 Paragraph (1) and Paragraph (3), Article 262, Article 266, Article 267, Article 268, and Article 271 Paragraph (2) and Paragraph (7) are subject to administrative sanctions by the minister, institutions, or relevant authorities according to their respective authorities.

Elucidation of Article 286

Sufficiently clear.

XIV. CRIMINAL SANCTIONS IN UU P2SK (CHAPTER XXIV)

A. Criminal Sanctions Related to Money Market and Money Changer (Chapter XXIV, Part One)

Criminal sanctions related to money market and money changer is regulated in Chapter XXIV, Part One, Article 287 until Article 288 UU P2SK:

Article 287

- (1) Everyone who issues Money Market instruments as referred to in Article 28 Paragraph (2) to be traded on the secondary market without permission from Bank Indonesia, shall be sentenced with imprisonment for a minimum of 5 (five) years and a maximum of 10 (ten) years and a fine of at minimum Rp 500.000.000,00 (five hundred million rupiah) and a maximum of Rp 50.000.000.000,00 (fifty billion rupiah).
- (2) Should the activities as referred to in Paragraph (1) are carried out by a corporation or business entity either in the form of a legal entity or not in the form of a legal entity, or other entities, criminal charges against the entity are carried out both to the person who gave the order to do the act and to the one who acted as the administrator in the act or against both.

Elucidation of Article 287

Sufficiently clear.

Article 288

- (1) Everyone who carries out foreign exchange business activities without permission from Bank Indonesia as referred to in Article 50 Paragraph (2) shall be sentenced with imprisonment for a minimum of 1 (one) year and a maximum of 5 (five) years and a fine at minimum of Rp 50.000.000,00 (fifty million rupiah) and a maximum of Rp 2.000.000.000,00 (two billion rupiah).
- (2) Should the activities as referred to in Paragraph (1) are carried out by a corporation or business entity either in the form of a legal entity or not in the form of a legal entity, or other entities, criminal charges against the body are carried out both to the person who gave the order to do the act and to the one who acted as the leader in the act or against both.

Elucidation of Article 288

Sufficiently clear.

B. Criminal Sanctions Related to Special Purpose Vehicle and/or Trustee (Chapter XXIV, Part Two)

Criminal sanctions related to special purpose vehicle and/or trustee is regulated in Chapter XXIV, Part Two, Article 289 UU P2SK which read as follows:

Article 289

Shareholders, member of the board of directors, member of the board of commissioners, employee/officer of trustee, and parties acting for and on behalf of trustee who do not maintain the confidentiality of data and transactions of asset owners and beneficiaries in accordance with the legal provisions and maintain good governance as referred to in Article 35 Paragraph (1) shall be sentenced with imprisonment for a minimum of 1 (one) year and a maximum of 3 (three) years and a fine at minimum of Rp 100.000.000.00 (one hundred million rupiah) and a maximum of Rp 1.000.000.000.00 (one billion rupiah).

Elucidation of Article 289

Sufficiently clear.

Article 290

Governing body of special purpose vehicle and/or trustee who knowingly:

- a. infringes the provisions as referred to in Article 35 Sub-Article (3); and/or
- b. not carrying out the necessary steps to ensure compliance as referred to in Article 35 Paragraph (4),

shall be sentenced to a minimum imprisonment of 3 (three) years and a maximum of 5 (five) years and a fine at minimum of Rp 500.000.000,00 (five hundred million rupiah) and a maximum of Rp 2.000.000.000,00 (two billion rupiah).

Elucidation of Article 290

Sufficiently clear.

Article 291

Shareholders of special purpose vehicle and/or trustee who intentionally infringe the provisions as referred to in Article 35 Sub-Article (5) shall be sentenced with imprisonment for a minimum of 1 (one) year and a maximum of 3 (three)

years and a fine at minimum of Rp 100.000.000,00 (one hundred million rupiah) and a maximum of Rp 1.500.000.000,00 (one billion five hundred million rupiah).

Elucidation of Article 291

Sufficiently clear.

Article 292

Special purpose vehicle and/or trustee who intentionally infringe the provisions as referred to in Article 35 Sub-Article (6) shall be sentenced with imprisonment for a minimum of 1 (one) year and a maximum of 5 (five) years and a fine at minimum of Rp 200.000.000,00 (two hundreds of millions of rupiah) and a maximum of Rp 1.000.000.000,00 (one billion rupiah).

Elucidation of Article 292

Sufficiently clear.

Article 293

- (1) Criminal acts committed by special purpose vehicle and/or trustee as a corporation or business entity whether in the form of a legal entity or not in the form of a legal entity, or other entities, criminal charges and sanctions are imposed against:
 - a. special purpose vehicle) and / or trustee as a business entity both in the form of a legal entity and not in the form of a legal entity, or other entities; and/or
 - b. a person who gives orders to commit and/or who acts as a leader in the said crime.
- (2) For special purpose vehicles and/or trustee as business entities both in the form of legal entities and not in the form of legal entities, or other entities as referred to in Sub-Article (1) Point a shall be sentenced with a fine at minimum of Rp 500.000.000,00 (five hundred million rupiah) and a maximum of Rp 10.000.000.000.000,00 (ten trillion rupiah).

Elucidation of Article 293

Sufficiently clear.

C. Criminal Sanctions Related to Bullion (Chapter XXIV, Part Five)

Criminal sanctions related to bullion is regulated in Chapter XXIV, Part Five, Article 303 UU P2SK which read as follows:

Article 303

LJK that carry out bullion business activities without a business license from Financial Services Authority as referred to in Article 131 shall be sentenced to a minimum imprisonment of 5 (five) years and a maximum of 15 (fifteen) years and a fine at minimum of Rp 50.000.000.000,00 (fifty billion rupiah) and a maximum of Rp 600.000.000.000,00 (six hundred billion rupiah).

Elucidation of Article 303

Sufficiently clear.

D. Criminal Sanctions Related to ITSK (Chapter XXIV, Part Six)

Criminal sanctions related to ITSK is regulated in Chapter XXIV, Part Six which read as follows:

Article 304

Everyone who infringes the licensing provisions as referred to in Article 218 shall be sentenced to a minimum imprisonment of 5 (five) years and a maximum of 10 (ten) years and a fine at minimum of Rp 1.000.000.000,00 (one billion rupiah) and a maximum of Rp 1.000.000.000.000,00 (one trillion rupiah).

Elucidation of Article 304

Sufficiently clear.

E. Criminal Sanctions Related to Consumer Protection (Chapter XXIV, Part Seven)

The provisions regarding Consumer Protection are regulated in Chapter XXIV, Part Seven, Article 305 until Article 306 UU P2SK which read as follows:

Article 305

- (1) Everyone who intentionally infringes the provisions as referred to in Article 237 shall be sentenced with imprisonment for a minimum of 5 (five) years and a maximum of 10 (ten) years and a fine of at least Rp

1.000.000.000,00 (one billion rupiah) and a maximum of Rp 1.000.000.000.000,00 (one trillion rupiah).

- (2) Should the activity as referred to in Paragraph (1) is carried out by a legal entity in the form of a limited liability company, a criminal sentence is carried out against the legal entity, the party who gave the order to do the activities, and/or who led the activities.

Elucidation of Article 305

Sufficiently clear.

Article 306

- (1) PUSK that infringes the provisions as referred to in Article 236 Paragraph (3) Point c, Point f, Point g, Point h, Point i, Point l, or Point m, or Paragraph (4) Point a, Point b, Point d, Point e, or Point f, or Article 238 Paragraph (4) shall be sentenced with imprisonment at minimum of 2 (two) years and maximum of 10 (ten) years and a fine at minimum of Rp 25.000.000.000,00 (twenty-five billion rupiah) and maximum of Rp 250.000.000.000,00 (two hundred and fifty billion rupiah).
- (2) Should administrative sanctions as referred to in Article 285 Paragraph (4) are not implemented within the limit of fulfilling a certain period as referred to in Article 285 Paragraph (5), PUSK shall be sentenced with minimum imprisonment of 2 (two) years and maximum of 10 (ten) years and minimum fine of Rp 25.000.000.000,00 (twenty-five billion rupiah) and maximum of Rp 250.000.000.000,00 (two hundred and fifty billion rupiah).

Elucidation of Article 306

Sufficiently clear.