

This is the unofficial translation of Law Number 24 Year 2004 concerning Deposit Insurance Corporation.

**THE LAW of REPUBLIC OF INDONESIA
NUMBER 24 YEAR 2004
CONCERNING
DEPOSIT INSURANCE CORPORATION**

**IN THE NAME OF GOD ALMIGHTY
THE PRESIDENT OF THE REPUBLIC OF INDONESIA,**

- Considering :
- a. that with to substantiate the realization of a stable and strong economic environment, a sound and stable banking system is required;
 - b. that with to contribute to a sound and stable banking system an improvement is required for the savings insurance;
 - c. that with to implement the savings insurance, an independent institution needs to be established that will be assigned with duties and responsibilities to execute the aforementioned program;
 - d. that taking into account the issues as stipulated in point a, point b and point c, a regulation on Deposit Insurance Corporation is necessarily to be established;

- In view of:
1. Article 5 clause (1), Article 20 clause (1), Article 23, and Article 33 of the 1945 Constitution as has been revised a few times as last amended with the Fourth Amendment of Constitution of the Republic of Indonesia Year 1945;
 2. Act Number 7 Year 1992 on Banking (State Gazette Year 1992 Number 31; Supplement to State Gazette Number 3472), as revised with Act Number 10 Year 1998 (State Gazette of the Republic of Indonesia Year 1998 Number 182; Supplement to State Gazette Number 3790);
 3. Act Number 23 Year 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia Year 1999 Number 66; Supplement to State

Gazette Number 3843); as changed with Act Number 3 Year 2004 (State Gazette Year 2004 Number 7, Supplement to State Gazette Number 4357);

4. Act Number 17 Year 2003 on State Monetary Affairs (State Gazette Year 2003 Number 47; Supplement to State Gazette Number 4287);
5. Law Number 1 Year 2004 regarding State Treasury (State Gazette Year 2004 Number 5; Supplement to State Gazette Number 4355);

In acclamation between

THE PARLIAMENT of THE REPUBLIC of INDONESIA

and

The PRESIDENT of the REPUBLIC of INDONESIA

HEREBY DECIDE TO ISSUE :

To set forth: THE ACT ON DEPOSIT INSURANCE CORPORATION.

CHAPTER I

GENERAL TERMS AND GUIDELINES

Article 1

Definitions of terms used in this Act:

1. Deposits/Savings are the deposits/savings as stipulated in the Banking Act.
2. Bank is the Commercial Bank and the Rural Bank as stipulated in the Banking Act.

3. The Banking Supervisory Institution, herewith called the LPP, is Bank Indonesia or the supervising institution of the financial services sector as stipulated in the Bank Indonesia Act.
4. Bank Indonesia is the central bank of the Republic of Indonesia as stipulated in the Bank of Indonesia Act.
5. Depositors are the depositors as stipulated in the Banking Act.
6. Debtors are the debtors as stipulated in the Banking Act.
7. A 'Failing Bank' is a bank that experiences financial difficulties and endangering the continuation of its business and is declared cannot be rescued by the LPP in accordance with its authorities.
8. The Bank Deposit Insurance, herewith stated as Deposit Insurance, is the insurance implemented by the IDIC (Indonesia Deposit Insurance Corporation) on bank customers' deposits.
9. The Coordinating Committee is the Committee whose members are the Ministry of Finance, LPP, Bank of Indonesia, and the IDIC that determines the resolution and handling policy of a Failing Bank that is predicted to have a systemic effect.
10. The Insurance Reserve is the fund allocated partially from the IDIC surplus, which is allocated to fulfill future obligation(s) under its duties and responsibilities.
11. The Special Reserve is the fund allocated partially from the DIC surplus for certain purposes such as the replacement or refurbishment of fixed assets and accessories that is used to carry out its duties and responsibilities.
12. The IDIC Regulations are the regulations that are issued by the IDIC, for the deposit insurance, resolution and handling of the Failing Bank in accordance with the provisions in this Act.
13. The Board of Commissioners is the highest organs in IDIC.
14. Board of Commissioners' Decree is the decree issued by the IDIC Board of Commissioners that contain internal regulation.
15. GSM is the General Shareholders Meeting as stipulated in the law and regulations.

CHAPTER II

ESTABLISHMENT, STATUS, AND DOMICILE

Article 2

- (1) This Act hereby establishes a Deposit Insurance Institution, hereinafter referred to as IDIC.
- (2) The IDIC as stipulated in clause (1) is a legal entity.
- (3) The IDIC is an independent institution, transparent, and accountable for the implementation of its duties and authorities.
- (4) The IDIC is accountable to the President.

Article 3

- (1) The IDIC resides in the capital of the Republic of Indonesia.
- (2) The IDIC may open representative offices within the territory of the Republic of Indonesia.
- (3) The terms and conditions on requirements and procedures of opening representative offices are governed by Board of Commissioners' Decree.

CHAPTER III

FUNCTION, DUTIES, AND AUTHORITY

Article 4

The functions of the IDIC are:

- a. insure customers' deposits; and
- b. actively participate in maintaining the stability of banking system in accordance with its authorities.

Article 5

- (1) In carrying out its functions as stipulated in Article 4 point a, the IDIC has the following tasks:
 - a. to formulate and determine implementation policies of deposit insurance;
and
 - b. to implement the deposit insurance program.
- (2) In carrying out its functions as stipulated in Article 4 point b, the IDIC has the following tasks:
 - a. to formulate and determine policies in order to actively participate in maintaining the stability of the banking system;
 - b. to formulate, determine, and implement the resolution policy for Failing Banks that do not have a systemic effect; and
 - c. to perform the handling of Failing Bank that has a systemic effect.

Article 6

- (1) In carrying out its duties as stipulated in Article 5, the IDIC has the following authorities:
 - a. to determine and collect insurance premiums;
 - b. to determine and collect contributions from banks' upon becoming member of IDIC;
 - c. to manage IDIC assets and liabilities;
 - d. to obtain customers' deposit data, the bank's soundness report, bank's financial statement, and the bank examination report as long as it does not violate the bank's secrecy;
 - e. to perform reconciliation, verification, and/or confirmation on data as stipulated in point d;
 - f. to determine terms and conditions, procedures, and requirements on claim payments;

- g. to appoint, delegate, and/or assign other parties to act in the interest and/or on behalf of the IDIC, to perform tasks;
- h. to carry out public awareness programs to the banks and the general public on deposit insurance;
- i. to place administrative sanctions.

(2) IDIC may carry out the resolution and handling of Failing Bank with the following authorities:

- a. to take-over and exercise all rights and powers of the shareholder, including right and power of the GSM;
- b. to possess and manage assets and liabilities of the Failing Bank that is rescued;
- c. to review, annul and terminate and/or alter any contracts between the Failing Bank that is rescued and third parties that are burdensome to the bank;
- d. to sell and/or transfer Failing Bank assets without debtor consent and/or Failing Bank liabilities without creditor consent.

Article 7

- (1) In the course of its duties and authorities, the IDIC can request data, information, and/or document from other parties.
- (2) All parties, from which the data, information, and or document are requested as stipulated in clause (1), are obliged to surrender it to the IDIC.

CHAPTER IV

DEPOSIT INSURANCE for DEPOSITORS

Section One

Membership

Article 8

- (1) Every bank that operates within the territory of the Republic of Indonesia is obligated to become a member of the Deposit Insurance.
- (2) The bank's obligation to become a member of Deposit Insurance as stipulated in article (1) shall not include Rural Credit Union.

Article 9

As a member of the Deposit Insurance as stipulated in Article 8, each bank is obliged to:

- a. Submit the following documents:
 - 1) copy of bank's Articles of Association;
 - 2) copy of banking licenses;
 - 3) letter from LPP on bank's rating with its supporting documents;
 - 4) statement from the commissioners, the directors and the bank's shareholders, that contains:
 - i. commitment and willingness from the commissioners, the directors and the bank's shareholders to comply with all conditions as stipulated in the IDIC Regulations;
 - ii. willingness to take personal responsibility for any negligence and/or unlawful act that results in a loss or endangering the continuity of the bank's operations; and
 - iii. willingness to release and surrender to the IDIC all entitlements, proprietorship, management, and/or interests should the bank become a Failing Bank and is decided to be rescued or liquidated;
- b. to pay membership contribution in the amount of 0.1 percent (one over a thousand) from the bank's own equity at the end of the previous fiscal year or from the initial capital for new banks;
- c. to pay the insurance premium;
- d. to submit periodical reports in the predetermined format;

- e. to provide data, information, and documents needed in order to carry out the deposit insurance program; and
- f. to display the membership certificate or its copy inside the bank's office or other areas in the bank that can be easily seen by the public.

Section Two

Insured Deposits

Article 10

The IDIC insures bank deposits in the form of current accounts, term deposits, term deposit with original issued discount, savings accounts, and/or other forms of deposits that are equivalently treated as those mentioned earlier.

Article 11

- (1) The insured deposit limit for each depositor per bank is Rp 100.000.000,00 (one hundred million rupiah).
- (2) The insured deposit amount may be adjusted should one or more of the following criteria occur:
 - a. there is a substantial amount of fund being withdrawn simultaneously in the banking industry;
 - b. there is a significant change in the economic inflation rate within a few years; or
 - c. the number of depositors whose deposits are all covered within the limit has decreased to less than 90% (ninety percent) from the total number of depositors from all banks.
- (3) The adjustments made on the deposit insured limit as stipulated in point (2) shall be done with consultation to and approval from the Parliament.
- (4) The result of the consultation as stipulated in article (3) is determined by government regulations.

- (5) Further ruling on the terms and conditions on the determination of the deposit insured for each depositor in the bank as stipulated in point (1) is governed by IDIC Regulations.

Section Three

Premiums

Article 12

- (1) The insurance premiums as stipulated in Article 9 letter c are paid 2 (two) times a year for:
- a. payment period 1st of January through 30th of June; and
 - b. payment period 1st of July through 31st of December.
- (2) The premium for each period as stipulated in clause (1) shall be paid no later than:
- a. 31st of January for the period as stipulated in clause (1) letter a; and
 - b. 31st of July for the period as stipulated in clause (1) letter b;
- based on the average monthly balance of total deposits from the previous period.
- (3) The premium as stipulated in clause (2) is added or subtracted in accordance with the actual average monthly balance of total deposits of the respective period.
- (4) The addition or subtraction of the premium as stipulated in point (3) shall be accounted for in the payment for the next period.
- (5) Further ruling on the terms and conditions on premium payment is determined by IDIC Regulation.

Article 13

- (1) The premium for each period as stipulated in Article 12 is flat for all banks at an amount of 0.1% (one over a thousand) from the average monthly balance of total deposits in each period.
- (2) The premium rate as stipulated in clause (1) may be adjusted should a minimum of one of the following criteria occur:
 - a. there is a change in the insurance coverage limit per depositor per bank as stipulated in Article 11 clause (1);
 - b. the accumulation of insurance reserves has exceeded its target of 2.5% (twenty five over a thousand) of the total deposits in all banks; or
 - c. there is a change in the risk exposure in the banking industry.
- (3) The adjustment on premium rate as stipulated in clause (2) shall be done in consultation with the Parliament.
- (4) The result of the consultation as stipulated in clause (3) is determined further by the government regulation.

Article 14

- (1) The banks perform the premium calculation them self.
- (2) The IDIC may conduct verification on premium calculation as stipulated in clause (1).
- (3) Verification as stipulated in clause (1) can be conducted through document verifications, calling forth relevant bank officials, and/or conducting onsite verification to the bank.
- (4) Onsite verification the bank as stipulated in clause (3) is performed by LPP upon a request from IDIC.
- (5) The LPP has to complete onsite verification on the bank as stipulated in article (3) at the latest 3 (three) months after LPP receives request from IDIC.
- (6) In the instance that there is a difference between the premium calculation by the bank and the verification result as stipulated in clause (2), the bank must make the

adjustment to the premium paid on the next payment period according to the IDIC result on verification.

Article 15

- (1) The flat premium rate as stipulated in Article 13 clause (1) may be adjusted to risk based premium.
- (2) In the event of risk-based premium is established, the difference between the minimum and the maximum premium rate shall not exceed 0.5% (five over a thousand).
- (3) The adjustment in premium assessment and premium rate to the risk based as stipulated in clause (1) shall be done in consultation with the Parliament.
- (4) The result of the consultation as stipulated in article (3) is determined further by government regulation.

Section Four **Payment on Insurance Claims**

Article 16

- (1) The IDIC is obliged to pay claims to Depositors from the bank whose license has been revoked.
- (2) The IDIC has the right to obtain data on Depositors and other information deemed necessary as of the date that the bank's license is revoked from LPP and or the bank in order to proceed with the calculation and payment of insurance claims.
- (3) The IDIC must determine the eligible deposits, after the reconciliation and verification on the data obtained as stipulated in clause (2), at the latest 90 (ninety) working days from the day the bank's license is revoked.
- (4) The IDIC shall start to pay the eligible deposits at the latest 5 (five) days from the date the verification began.

- (5) In the process of reconciliation and verification as stipulated in clause (3), share holders, board of commissioners, directors, and staff of the bank whose license has been revoked, and other parties related with the aforementioned bank, is obliged to assist in providing all data and information required by IDIC.
- (6) The IDIC shall announce the starting date for insurance claim submission by publishing the information in a minimum of 2 (two) newspapers with national circulation.
- (7) The time frame for submission of insurance claims by the Depositors to IDIC is 5 (five) years from the date the bank's license is revoked.
- (8) Further rules on reconciliation, verification processes, eligibility of deposits, and procedures on insurance claim and payment will be determined in the IDIC Regulation.

Article 17

- (1) The payment of insurance claims may be done in cash and/ or with any other equivalent payment instrument.
- (2) All insurance payment shall be done in Rupiah currency.
- (3) The payment for insurance claim for deposits in foreign currencies shall be done in Rupiah based on the median exchange rate of Bank Indonesia.
- (4) The payment instrument used in paying the insurance claim and median exchange rate is further determined by IDIC Regulations.

Article 18

In the event that the Depositors also have loans in the bank, the insurance payment is done after the loans are subtracted from to the deposits as governed by the prevailing laws and regulations.

Article 19

- (1) The Insurance claim shall be declared ineligible, if based on the reconciliation and/or verification:

- a. the Deposit(s) are not recorded in the bank;
 - b. the Depositors are the parties that benefited from un-prudential banking practices; and/or
 - c. the Depositors are the parties that are responsible for the bank's insolvency.
- (2) Further ruling on the parties that are benefited from un-prudential banking practices and parties that responsible for the bank's insolvency is governed by the IDIC Regulation.

Article 20

- (1) In the instance the Depositors as stipulated in Article 19 clause (1) experience detriment, the said depositors may:
- a. file an objection to the IDIC substantiate with factual and clear evidence;
or
 - b. undertake judicial attempt through the court of law.
- (2) In the event that the IDIC accommodates the Depositors' objection or the court has granted the Depositors' judicial attempt as stipulated in clause (1), the IDIC shall only pay in accordance with the deposit insurance terms and conditions including the appropriate interest.

CHAPTER V RESOLUTION AND HANDLING OF FAILING BANKS

Section One

Decision Making

Article 21

- (1) IDIC receives notification from LPP regarding problem banks that are under special supervision designed to return the bank to solvency as stipulated regulations stated in the Banking Act;
- (2) IDIC perform the resolution of a Failing Bank that does not have a systemic effect after LPP or the Coordinating Committee hands over resolution to the IDIC.
- (3) IDIC performs the handling the Failing Bank that has a systemic effect after the Coordinating Committee hands over the handling of the bank to IDIC.

Article 22

- (1) The resolution or handling of a Failing Bank as stipulated in Article 21 clause (2) and clause (3) is performed by IDIC with the following procedures:
 - a. The resolution of a Failing Bank that does not have a systemic effect is done by rescuing or not rescuing the aforementioned Failing Bank;
 - b. The handling of a Failing Bank that has a systemic effect is done by rescuing the Failing Bank with or without existing shareholders' participation.
- (2) The decision to rescue or not to rescue a Failing Bank as stipulated in clause (1) letter a. is determined by IDIC, should consider, at a minimum, the estimated costs of rescuing or not rescuing the aforementioned Failing Bank.
- (3) IDIC conducts calculations on the estimated costs of rescuing or not rescuing a Failing Bank as stipulated in clause (2).

Article 23

- (1) Estimated costs of rescuing a bank as stipulated in Article 22 clause (2) includes capital injections until the bank fulfills the solvability and liquidity level.
- (2) The estimated cost of not conducting a rescue as stipulated in Article 22 clause (2) takes into consideration the cost of payment of insured deposits, advances for employee remuneration, advances for employee severance, and projected recovery from the sale of the bank's assets whose license has been revoked.

Part Two

Rescuing A Failing Bank That Does Not Have A Systemic Effect

Article 24

(1) IDIC determines to rescue a Failing Bank that does not have a systemic effect if the following conditions apply:

- a. the estimated cost of rescuing the bank is significantly lower than the estimated cost of not rescuing the aforementioned bank;
- b. after the rescue, the bank exhibits good business prospect;
- c. there is a statement from the GSM of the bank that, at a minimum, exhibits agreement to:
 - 1) surrender the rights and powers of the GSM to IDIC;
 - 2) surrender the management of the bank to IDIC; and
 - 3) not to press charges against IDIC or other parties appointed by IDIC if the rescue process was not successful, as long as IDIC or the other parties appointed by IDIC conducts its duties in accordance with the prevailing laws and regulations; and
- d. the banks provides IDIC with documents pertaining to:
 - 1) Utilization of funding facilities from Bank Indonesia;
 - 2) Financial data of Debtors;
 - 3) Capital structure and the composition of shareholders for the past (3) three years; and
 - 4) Other information that is related with assets, liabilities, including bank capital, which are required by IDIC.

(2) Further rulings on the requirements of rescuing the bank as stipulated in clause (1) is governed by the IDIC Regulations.

Article 25

After all the requirements as stipulated in Article 24 are fulfilled, the GSM hands over all their rights and powers to IDIC.

Article 26

Subsequent to the handover of all their rights and powers from the GSM to the IDIC as stipulated in Article 25, the IDIC may perform the following course of actions:

- a. to occupy, manage and foreclosure assets that belong to or become the subjective rights and/ or liabilities of the bank;
- b. to make temporary capital placements;
- c. to sell and/or transfer Failing Bank assets without debtor consent and/or Failing Bank liabilities without creditor consent;
- d. to hand over the management of the bank to another parties;
- e. to merge or consolidate with other banks;
- f. to transfer the bank's ownership; and
- g. to review, annul and terminate and / or alter any contracts between the Failed Bank and third parties that are burdensome to the bank;

Article 27

All funds injected by IDIC to rescue the bank shall become the IDIC temporary capital placement in the bank.

Article 28

- (1) In the case that the bank's equity is positive at the time of surrender to the IDIC as stipulated in Article 25, the IDIC and the former shareholders shall sign an agreement that governs the proceed of sale of rescued bank's shares.
- (2) In the case that the bank's equity is zero or negative at the time of surrender to the IDIC as stipulated in Article 25, the former shareholders reserves no rights upon the sale of the rescued bank's shares.

Article 29

- (1) The agreement as stipulated in Article 28 clause (1) determines the use of the proceeds from sale of the rescued bank's shares with the following hierarchy:
 - a. refund of all rescue costs that have been paid by the IDIC;
 - b. refund to the former shareholders up to the value of their equity at the time of surrender as stipulated in Article 25;
- (2) Should there be any excess after the distribution as stipulated in clause (1), such excess shall be distributed proportionately to the IDIC and the former shareholders in accordance with the ratio in letter a and b of clause (1).

Article 30

- (1) The IDIC must dispose all of the rescued bank's shares within the period of maximum 2 (two) years after the surrender as stipulated in article 25.
- (2) The disposal of the shares as stipulated in clause (1) shall be done in an open and transparent manner, while considering the optimum return for the IDIC.
- (3) The optimum return as stipulated in clause (2) shall be at a minimum of the total temporary capital placement by the IDIC.
- (4) In the instance of the optimum return as stipulated in clause (2) and clause (3) cannot be realized within the maximum period of 2 (two) years, the period as stipulated in clause (1) may be extended for a maximum of 2 (two) times with 1 (one) year period for each extension.
- (5) In the instance of the optimum return as stipulated in clause (2) and clause (3) cannot be realized within the extended period of time as stipulated in clause (4),

the IDIC shall dispose the rescued bank's shares without the consideration that of as stipulated in clause (3) within a one year period.

Section Three

Not Rescuing Failing Banks That Do Not Have A Systemic Effect

Article 31

- (1) In the instance of the failure to meet the terms and conditions as stipulated in Article 24 or the IDIC has decided not to continue to rescue the bank, IDIC will request that the license of the bank to be revoked in accordance with the prevailing laws and regulations.
- (2) The IDIC shall pay the insurance claim to the depositors of the bank which license was revoked as stipulated in clause (1) in accordance with the condition in Chapter IV Section Four.

Section Four

Handling Of A Systemic Failing Bank With Capital Injection By The Shareholders

Article 32

The handling of a systemic Failing Bank shall be performed by the IDIC by involving the shareholders (open bank assistance).

Article 33

- (1) The handling of a systemic Failing Bank as stipulated in Article 32 may only be implemented if:
 - a. the shareholders of the Failing Bank inject a minimum 20% (twenty percent) capital from the estimated handling cost;
 - b. there is a statement from the GSM of the bank that contain a minimum agreement to:

- 1) surrender the rights and powers of the GSM to IDIC ;
 - 2) surrender the management of the bank to IDIC; and
 - 3) not to press charges against the IDIC or other parties appointed by the IDIC in the instance of unsuccessful handling, as long as IDIC and the other parties appointed by the IDIC has performed the duties in accordance with the prevailing laws and regulations.
- c. the bank shall surrender to the IDIC the documents concerning:
- 1) Utilization of funding facilities from Bank Indonesia;
 - 2) Financial data of Debtors;
 - 3) Capital structure and the composition of shareholders for the past (3) three years; and
 - 4) Other information that is related with assets, liabilities, including bank capital, which are required by IDIC.
- (2) Further rulings on the requirements of handling the bank as stipulated in clause (1) are governed by the IDIC Regulations.

Article 34

As of the date as the IDIC determine to handle the Failing Bank as stipulated in Article 33, in accordance with the provision of this Act:

- a. the shareholders and the bank management shall release and surrender to the IDIC all the rights, the title of ownership, management, and / or other interest on the bank;
- b. the shareholders and the bank management shall not press charges against the IDIC or other parties appointed by the IDIC in the instance of unsuccessful handling, as far as IDIC and the other parties appointed by the IDIC has performed the duties in accordance with the prevailing laws and regulations.

Article 35

- (1) In the case that the bank's equity is positive after the former shareholders inject temporary capital, IDIC and the former shareholders shall sign an agreement that governs the proceeds of sale of the bank's shares.
- (2) In the case that the bank's equity is zero or negative after the former shareholders inject capital, the former shareholders reserves no rights upon the sale of the bank's shares.

Article 36

- (1) The agreement as stipulated in Article 35 clause (1) determines the use of the proceed of sale of the bank's shares with the following hierarchy:
 - a. refund of all handling costs that have been paid by IDIC;
 - b. refund to the former shareholders up to the value of the equity right after the capital injection by the former shareholders as stipulated in Article 33 letter a.
- (2) Should there be any excess after the distribution as stipulated in clause (1), such excess shall be distributed proportionately to the IDIC and the former shareholders in accordance with the ratio in letter a and b of clause (1).

Article 37

- (1) IDIC is responsible for the shortfall of the bank's handling cost subsequent to the capital injection by the former shareholders as stipulated in Article 33 letter a.
- (2) The handling cost of the Failing Bank incurred by the IDIC shall become the IDIC temporary capital placement in the bank.

Article 38

- (1) The IDIC must dispose all share of the bank under handling within a period of maximum 3 (three) years as stipulated in Article 34 letter a.
- (2) The disposal of the shares as stipulated in clause (1) shall be done in an open and transparent manner, while considering the optimum return for the IDIC.
- (3) The optimum return as stipulated in clause (2) shall be at a minimum of the total temporary capital placement by the IDIC.

(4) In the instance of the optimum return as stipulated in clause (2) and clause (3) cannot be realized within the maximum period of 3 (three) years, the period as stipulated in clause (1) may be extended for a maximum of 2 (two) times with 1 (one) year period for each extension.

(5) In the instance of the optimum return as stipulated in clause (2) and clause (3) cannot be realized within the extended period of time as stipulated in clause (4), the IDIC shall dispose the bank's shares without the consideration that of as stipulated in clause (3) within a 1 (one) year period.

Section Five

Handling of Systemic Failing Bank without Capital Injection by the Shareholders

Article 39

In the instance of the handling of the Failing Bank as stipulated in Article 32 cannot be carried out, the IDIC shall undertake the handling of the Failing Bank without shareholders' participation.

Article 40

As of the date as the IDIC determines to perform the handling of the Failing Bank as stipulated in Article 39, in accordance with provision of this Act:

- a. The IDIC shall take over all the rights and powers of the GSM, the title of ownership, management, and / or other interest on the bank;
- b. The shareholders and the bank management shall not press charges against the IDIC or any other parties appointed by the IDIC in the instance of unsuccessful handling, as long as the IDIC and the other parties appointed by the IDIC has performed the duties in accordance with the prevailing laws and regulations;

Article 41

- (1) After the IDIC takes over all the rights and power of the GSM, the title of ownership, management, and or other interest on the bank as stipulated on Article 40 letter a, the IDIC can perform all the actions as stipulated in Article 26.
- (2) All funds injected by the IDIC to handle the Failing Bank shall become the IDIC temporary capital placement in the bank.
- (3) Further ruling on the handling the Failing Bank as stipulated in clause (1) is governed by the IDIC Regulation.

Article 42

- (1) The IDIC must dispose all of the bank's shares within the period of maximum 3 (three) years from the date of handling the Failing Bank as stipulated in Article 39.
- (2) The disposal of the shares as stipulated in clause (1) shall be done in an open and transparent manner, while considering the optimum return for the IDIC.
- (3) The optimum return as stipulated in clause (2) shall be at a minimum of the total temporary capital placement by the IDIC.
- (4) In the instance of the optimum return as stipulated in clause (2) and clause (3) cannot be realized within the maximum period of 3 (three) years, the period as stipulated in clause (1) may be extended for a maximum of 2 (two) times with 1 (one) year period for each extension.
- (5) In the instance of the optimum return as stipulated in clause (2) and clause (3) cannot be realized within the extended period of time as stipulated in clause (4), the IDIC shall dispose the bank's shares without the consideration that of as stipulated in clause (3) within a 1 (one) year period.
- (6) In the case that the bank's equity is positive at the time of surrender to the IDIC as stipulated in Article 40 letter a, the proceed of sale of the bank's shares shall be utilized in such a way as stipulated in Article 29.
- (7) In the case that the bank's equity is zero or negative at the time of surrender to the IDIC as stipulated in Article 40 letter a, the former shareholders reserves no rights upon the sale of the bank's shares.

CHAPTER VI

LIQUIDATION

Section One

Liquidation of Failing Banks by the IDIC

Article 43

In the process of liquidating a Failing Bank whose license is revoked, the IDIC shall undertake the following course of actions:

- a. assume the authorities as stipulated in Article 6 clause (2);
- b. provide advance payment for the accrued and unpaid staff remuneration and severance pay in accordance with the minimum severance payment amount according to the prevailing laws and regulations;
- c. take necessary actions in order to preserve the asset of the bank prior to the liquidation process; and
- d. decide to dissolve the bank's legal entity, appoint a liquidation team, and announce the bank's status as under liquidation, based on the authorities as stipulated in letter a.

Article 44

- (1) Liquidation Team consists of a maximum of 9 (nine) persons.
- (2) If necessary, one of the board of directors, the board of commissioners or shareholders may be appointed as a member of the liquidation team.

Article 45

- (1) The decision to dissolve the bank's legal entity as stipulated in Article 43 letter d must be:
 - a) registered in the Business Directory and at the State Court house of which the bank is under its jurisdiction;
 - b) published in the State Gazette of the Republic of Indonesia and in 2 (two) newspapers with the most circulation; and

- c) advised to institutions in authority.
- (2) The announcement as stipulated in clause (1) letter b shall also include a statement depicting that all assets and liabilities of the bank under liquidation shall be under the responsibility and administration of the liquidation team.

Article 46

- (1) The Liquidation of the bank shall be done by the Liquidation Team.
- (2) With the establishment of the Liquidation Team, the responsibility and management of the bank under liquidation will be carried out by the Liquidation Team.
- (3) In the course of its duty, the Liquidation Team is authorized to act on behalf of the bank under liquidation in every aspects pertaining to the settlement of the rights and liabilities of the bank.

Article 47

- (1) As of the establishment of the Liquidation Team, the board of directors and the board of commissioners of the bank under liquidation become inactive.
- (2) The shareholders, board of directors and board of commissioners as well as employees and former employees of the bank under liquidation are obliged at all times to provide assistance in furnishing all data and information needed by the Liquidation Team.
- (3) The shareholders, board of directors, and board of commissioners as well as employees of the bank under liquidation are prohibited from directly or indirectly obstructing the liquidation process.

Article 48

The liquidation of the bank must be completed within the maximum of 2 (two) years from the date the establishment of the Liquidation Team and may be extended by the

IDIC for a maximum of 2 (two) times with a maximum of 1 (one) year period for each extension.

Article 49

The supervision of the liquidation of the bank is conducted by the IDIC.

Article 50

In the case of dispute in the liquidation process, such dispute shall be settled through the commercial court of justice according to the applicable regulatory provision

Article 51

- (1) In the course of duty, the members of the Liquidation Team either individually or collectively are prohibited to perform any actions for the advantage of personal or other unlawful parties.
- (2) The members of the Liquidation Team shall be held personally responsible should he/she violate the statement as stipulated in clause (1) during his/her course of duty.

Article 52

- (1) In the interest of the assets and the liabilities of the bank under liquidation, the Liquidation Team may request cancellation from the commercial court of justice for every transaction of the bank that has an impact on reduction of the assets value or increasing the liability to the bank, which are undertaken within the period of 1 (one) year prior to the revocation of the bank's license.
- (2) With the exception from the stipulation in clause (1) is the lawful action undertaken by the bank by the order of law.

Article 53

The bank liquidation shall be conducted in the following ways:

- a. disposal of the assets and / or collection of receivables from debtors, followed by the payments of the bank's liabilities to creditors from the proceed of disposal and / or collection; or
- b. transfer of the bank's assets and liabilities to other parties based on approval from the IDIC.

Article 54

- (1) The payments of the bank's liabilities to the creditors from the disposal of the assets and / or collection of receivables as stipulated in Article 53 shall be exercised in the following hierarchy:
 - a. refund of the advance payment made to the accrued and unpaid remuneration for staff;
 - b. refund of the advance payment for the severance payment for the staff;
 - c. judicial fees and charges at the court of law, cost of unpaid auction expenses, and cost of operational expenses;
 - d. resolution cost incurred by the IDIC and / or payments on insured deposit to be paid by the IDIC;
 - e. unpaid taxes;
 - f. uninsured portion of deposits and ineligible deposits; and
 - g. other creditors.
- (2) All costs pertaining to the liquidation process and listed in the list of liquidation expenses shall become the liabilities of the bank under liquidation and shall be paid first from every proceed made.
- (3) The remuneration of the Liquidation Team as a part of expenses as stipulated in clause (2) shall be determined according to the IDIC regulation.
- (4) If subsequent to the fulfillment of all the liabilities of the bank under liquidation as stipulated in clause (1), there were still excess resulting from the liquidation, such excess shall be handed over to the former shareholders.
- (5) If subsequent to the disposal of all the assets of the bank under liquidation as stipulated in clause (1), there were still other liabilities toward other parties, such

liabilities must be paid by the former shareholder that is proven to be responsible for making the bank failed.

Article 55

Subsequent to the completion of the liquidation process in such a way as stipulated in Article 53 or to the maximum period as stipulated in Article 48, the Liquidation Team shall submit the final balance sheet of the liquidation and account for the implementation of its duty to the IDIC.

Article 56

After accepting the justification from the liquidation team as stipulated in Article 55, the IDIC shall:

- a. request the Liquidation Team:
 - 1) to announce the completion of liquidation by publishing the information in the State Gazette of the Republic of Indonesia and in 2 (two) newspapers with the most circulation;
 - 2) to advise the authorized institution in order that the bank's legal entity be deleted from the list of companies;
- b. dissolve the liquidation team.

Article 57

Any claims filed after the completion of liquidation process may be charged to the remaining liquidation proceed that belong to the shareholders.

Article 58

The existence of the legal status of the liquidated bank is eradicated as of the announcement date of the completion of the liquidation process in the State Gazette of the Republic on Indonesia as stipulated in Article 56 letter a number 1.

Article 59

- (1) In the case of the branch office of a bank whose head office resides overseas has its license revoked by LPP, the following conditions shall be put in force:
 - a. all of the assets of the aforementioned branch office shall be prioritized to pay all of its liabilities in Indonesia;
 - b. the head office of the aforementioned bank shall be responsible to fulfill its Indonesia branch office's liabilities.
- (2) In the implementation of condition as stipulated in clause (1), the IDIC shall form the Settlement Team that is equipped with the rights, responsibilities and authorities as that of the Liquidation Team.
- (3) In the implementation of the condition as stipulated in clause (1) letter b, the IDIC shall work together with the LPP.
- (4) The settlement period of the liabilities as stipulated in clause (2) for the branch office of the bank residing overseas shall be no later than 2 (two) years from the date the Settlement Team is established and may be extended by the IDIC for a maximum period of 1 (one) year.

Article 60

If in IDIC's judgment a member of the Liquidation Team does not perform his/her duties in a satisfactory manner and / or have violated the prevailing laws and regulations, the IDIC terminates the aforementioned member and appoints a replacement.

Section Two

Bank Liquidation by the Shareholders

Article 61

- (1) The liquidation of a bank whose license is revoked by request from its shareholders shall be performed by the aforementioned shareholders.

- (2) The IDIC does not pay the claim of Insured Depositors whose bank license was revoked by the request of its own shareholders as stipulated in clause (1).

CHAPTER VII
ORGANIZATION

Section One

Body of IDIC

Article 62

The Body of the IDIC consists of The Board of Commissioners and the Chief Executive.

Article 63

- (1) The Board of Commissioners is the administrator of the IDIC.
- (2) The Board of Commissioners shall formulate and determine policy as well as perform supervision in order to carry out duties and authorities of IDIC in accordance with the provisions of this Act.
- (3) The Board of Commissioners is led by a Chairman of the Board of Commissioners.
- (4) The rules, procedures and implementing regulations on the duties and authorities of the Board of Commissioner shall be governed by the Board of Commissioners' Decree.

Article 64

- (1) One of the members of the Board of Commissioners appointed as the Chief Executive, shall oversee the operational activities of the IDIC.
- (2) The duties and authorities of the Chief Executive are determined in the Board of Commissioners' Decree.

Section Two

The Board of Commissioners

Article 65

- (1) The Board of Commissioners shall be composed of 6 (six) persons, comprised of the following:
 - a. 1 (one) official equivalent to the echelon I from the Ministry of Finance appointed by the Minister of Finance;
 - b. 1 (one) of the member of the Board of Commissioner from LPP appointed by the Chairman of LPP;
 - c. 1 (one) of the member of the Board of Governor from Bank Indonesia appointed by the Governor of Bank Indonesia;
 - d. 3 (three) members originating from inside or outside of the IDIC.
- (2) The members of the Board of Commissioners as stipulated in clause (1) are appointed by the President after nomination from the Minister of Finance.
- (3) The number of candidate for the Board of Commissioner members as stipulated in clause (1) letter d are nominated by the Minister of Finance for 2 (two) persons for each appointment of member of the Board of Commissioners.
- (4) In the instance of none of the candidates proposed by the Minister of Finance as stipulated in clause (3) for each appointment is not approved by the President, the Minister of Finance shall nominate another 2 candidates within the period of no later than 14 (fourteen) days.

Article 66

- (1) One of the Board of Commissioner members as stipulated in Article 65 clause (1) letter d, shall be designated as the Chairman of the Board of Commissioner by the President.

- (2) One of the Board of Commissioner members as stipulated in Article 65 clause (1) letter d who is not the Chairman of the Board of Commissioners, shall be appointed as the Chief Executive by the President.
- (3) The members of the Board of Commissioners shall serve office for a term of 5 (five) years and may be re-elected for the same position, for the maximum 1 (one) time period.
- (4) The member of the Board of Commissioners as stipulated in Article 65 clause (1) letter d functions on a full-time basis and may not have other executive positions elsewhere, except as determined in relation to the position currently held or is part of a social activity.

Article 67

In order to be eligible for the appointment of member of the Board of Commissioners, the candidate shall meet the following criteria:

- a. An Indonesian citizen;
- b. capable to act legally;
- c. physically and mentally healthy;
- d. maximum of 63 years of age;
- e. is not engaged or employed as a consultant, staff, part of the management or board, and / or owner, direct or indirectly, of a bank;
- f. does not pose a management position in a political party;
- g. has experience and expertise in economics, finance, banking, and or law;
- h. has never been convicted of a felony;
- i. has never been declared bankrupt, or has never been part of a management or board of a bank/company that lead the bank/company into bankruptcy or liquidation; and
- j. is not recorded as black listed person in the financial services field in accordance with the prevailing laws and regulations.

Article 68

Members of the Board of Commissioner shall not be allowed to have a next of kin relationship to the second degree or by in-laws within the Board of Commissioners.

Article 69

(1) The member of the Board of Commissioner shall only be terminated by the President in the event of:

- a. permanently disable;
- b. expiration of period of duty;
- c. voluntary resignation;
- d. absence in the Board of commissioners meeting for 4 (four) times in a row without any reason;
- e. negligence of duties and responsibilities as members of the Board of Commissioners for more than 6 (six) months notwithstanding that a justification is presented;
- f. having a next of kin relationship to the second degree or by in-laws with another member of the Board of Commissioners, and none of them resigns; or
- g. Failure to meet the requirements as stipulated in Article 67.

(2) Members of the Board of Commissioners as stipulated in Article 65 clause (1) letter a, letter b, and letter c shall be terminated from the designated position for the reason as stipulated in clause (1) or because the member no longer holds an echelon I equivalent position at the Ministry of Finance, member of Board of Commissioners in LPP, or member of the Board of Governor of Bank Indonesia.

(3) The termination as stipulated in clause (1) and clause (2) shall be set forth by Presidential Decree, based on the proposal from the Minister of Finance.

(4) The termination of member(s) of the Board of Commissioners and the nomination of new member(s) shall be exercised in such a manner that the total number of the Board of Commissioners shall always be a minimum of 3 (three) persons.

- (5) In the instance that a member(s) of the Board of Commissioners is terminated, the replacement shall be appointed no later than 3 (three) months from the date of termination.
- (6) The designated period of the member(s) appointed to replace the terminated member(s) that is not resulting from the expiration of the designated period as stipulated in clause (1) letter c is the remaining period of the member(s) of the Board of Commissioners being replaced.

Article 70

- (1) The Board of Commissioners has the authority to act on behalf of IDIC inside and outside the court of law.
- (2) The Board of Commissioners may delegate the authorities as stipulated in clause (1) to the Chief Executive or other Board of Commissioners members, with or without the rights of substitution.
- (3) The terms and conditions on delegation of authorities as stipulated in clause (2) is determined by the Board of Commissioners' Decree.

Article 71

- (1) The Board of Commissioners shall conduct a regular meeting at a minimum of 1 (one) time in a month with the agenda of:
 - a. to set forth the policy on Deposit Insurance in accordance with the provisions of this Act;
 - b. to set forth policy for the IDIC in the effort to support the stability of the banking system;
 - c. to evaluate of implementation of the Deposit Insurance and implementation of the role of the IDIC to support banking system stability;
 - d. to receive and evaluate of other affairs being reported by the Chief Executive;
 - e. other matters related to the duties and responsibilities of the IDIC.

- (2) The Chairman of the Board of Commissioners shall lead the Board of Commissioners meeting.
- (3) In the case of the Chairman of the Board of Commissioners may not attend and lead the meeting, the Chairman of the Board of Commissioners may appoint a member of the Board of Commissioners to lead the meeting.
- (4) In the case of the Chairman of the Board of Commissioners may not attend and lead the meeting, and may not appoint member of the Board of Commissioners to lead the meeting, therefore the other members of the Board of Commissioners shall discuss amongst themselves to reach a consensus to appoint one of them to lead the meeting.
- (5) Further ruling on procedures to conduct the Board of Commissioners' meetings shall be governed by the Board of Commissioners' Decree.

Article 72

- (1) The decision making process by the Board of Commissioners shall be performed by discussion to reach a consensus.
- (2) In the case of discussion to reach a consensus as stipulated in clause (1) may not be met, the decision shall be based on the highest number of vote.
- (3) In reaching a decision as stipulated in clause (1) and clause (2), the Chief Executive does not have any voting rights.
- (4) The decision of the Board of Commissioners is legitimate if it is based on the Board of Commissioners' meeting.
- (5) The meeting of the Board of Commissioners is legitimate if it is attended by more than half of the number of members in the Board of Commissioners that have the right to vote.
- (6) The decision of the Board of Commissioners binds all members of the Board of Commissioners.
- (7) All notes and data including argumentation presented by members of the Board of Commissioners in the process of making decision of the Board of Commissioners

shall be recorded in the minutes of meeting and must be duly signed by all members of the Board of Commissioners who attend the meeting.

- (8) Further ruling on procedures of decision-making process by the Board of Commissioners shall be governed by the Board of Commissioners' Decree.

Article 73

In the instance that member of the Board of Commissioners has any personal interests, whether direct or indirectly, which may create conflict of interest with the object upon which decision is to be made, therefore the aforementioned member shall be prohibited to vote for decision as stipulated in Article 72 clause (1) and clause (2).

Article 74

- (1) The Board of Commissioners shall determine the organizational structure, job description and position, and IDIC operational procedures.
- (2) The Board of Commissioners establishes an Audit Committee, Information Committee, and other committees as necessary to meet the requirements.
- (3) Organizational structure, job description and position, IDIC operational procedures as stipulated in clause (1) and the establishment, staffing, and task of the committee as stipulated in clause (2) shall be determined by the Board of Commissioner's Decree.

Article 75

- (1) The Board of Commissioners may delegate duties and / or authorities on IDIC operation to IDIC employee and / or other parties specifically appointed for that purpose with the exception of the authority to delegate as stipulated in Article 70.
- (2) In the execution of duties and or authorities being delegated as stipulated in clause (1), the employee who receives the delegation must execute it as per delegation.
- (3) Further ruling on delegation of duties and authorities as stipulated in clause (1) and clause (2) shall be determined by the Board of Commissioners' Decree.

Article 76

- (1) Remuneration, other benefits, and facilities for the Chairman and the Board of Commissioners member shall be determined by the Board of Commissioners' Decree.
- (2) The remuneration package and other benefits for the Chairman of the Board of Commissioners as stipulated in clause (1) shall be set to a maximum of twice of the remuneration and other benefits of the highest ranking officer.

Section Three

The Chief Executive and the Director

Article 77

- (1) The Chief Executive shall be assisted by not more than 5 (five) directors.
- (2) The Directors as stipulated in clause (1) shall be appointed and terminated by the Board of Commissioners.
- (3) The Chief Executive and the directors shall at the least carry out the function of the insurance, risk management, legal, finance, resolution, liquidation, and administration.
- (4) The Chief Executive may delegate the duties and or authorities to IDIC official and / or staff, with the exception of the authority to delegate.
- (5) Term and Conditions on the number of directors, conditions and procedures for directors' appointment, as well as the distribution of duties shall be determined by the Board of Commissioners' Decree.

Section Four
Employee Affairs

Article 78

- (1) The Board of Commissioners shall set forth the employment system, remuneration package system, reward system, pension and retirement benefits, as well as other benefit for IDIC staff.
- (2) The Chief Executive shall appoint and terminate the IDIC officials excluding the Directors.
- (3) The implementation of the condition as stipulated in clause (1) shall be determined by the Board of Commissioners' Decree.
- (4) The implementation of the condition as stipulated in clause (2) shall be determined by the Decree of the Chief Executive's Decree.

Article 79

- (1) In the instance that based on the verdict by the court of law that is law abiding, member(s) of the Board of Commissioners or former member(s) of the Board of Commissioners, Chief Executive or former Chief Executive, and / or employees of the IDIC or former employees of the IDIC, are obliged to compensate the loss to the other parties, as long as the aforementioned person perform the duties, responsibilities and or function in adherence to the prevailing laws and regulations, the IDIC shall compensate the aforementioned lost.
- (2) The cost of the court settlement as stipulated in clause (1) shall be borne by the IDIC.

Article 80

The IDIC staff that has any personal or any other interests on a bank, whether directly or indirectly, that may create conflict of interest in the course of duty, shall be prohibited to be involved in any assignment for the aforementioned bank.

CHAPTER VIII
CAPITAL, FINANCING, AND MANAGEMENT

Article 81

- (1) The initial capital of the IDIC is set forth to be a minimum of Rp. 4,000,000,000,000.00 (four trillion Rupiah) and a maximum of Rp. 8,000,000,000,000.00 (eight trillion Rupiah).
- (2) The IDIC asset is a separately allocated state asset.
- (3) The IDIC shall be responsible for the management and administration of its entire asset.

Article 82

- (1) The IDIC's assets may be in the form of investment and non-investment.
- (2) The investment asset shall only be placed in commercial papers issued by the Government and / or Bank of Indonesia;
- (3) The IDIC shall not place its investment in a bank or other companies, with the exception of temporary investment in order to perform resolution and handling of a Failing Bank.
- (4) IDIC may place its non-investment asset in its operational activities.

Article 83

- (1) The surplus obtained from its operational activities during a 1 (one) year period is allocated as follows:
 - a. 20% (twenty percent) shall be for Special Reserves;
 - b. 80% (eighty percent) shall be accumulated for Insurance Reserves.
- (2) In the event that the accumulated Insurance Reserves exceeds a target level of 2,5% (two and one half percent) from the total deposits in banking, the part of

surplus as stipulated in clause (1) letter b shall be regarded as Non - Tax State Revenue and paid to the Government of Indonesia.

- (3) Further ruling on surplus and its utilization as stipulated in clause (1) shall be determined by the Government Regulation.

Article 84

- (1) The deficit that occurs due to the payment of the claim in 1 (one) year shall be calculated as a subtraction of the Insurance Reserves.
- (2) In the instance that the Insurance Reserves is no longer available, therefore the deficit as stipulated in clause (1) shall be calculated as a subtraction of the IDIC's capital.

Article 85

- (1) In the instance that the capital be less than the initial capital stipulated in Article 81 clause (1), the Government with the approval from parliament shall make up the difference.
- (2) In the case of the IDIC experience liquidity difficulties, IDIC may seek for a loan from the Government.
- (3) The conditions on liquidity level as stipulated in clause (2) shall be determined by the Government Regulation.

CHAPTER IX

THE ANNUAL PLAN AND BUDGET

Article 86

- (1) Within the period of maximum 3 (three) months prior to new fiscal year, the Chief Executive shall submit the Annual plan and Budget for approval from the Board of Commissioners.

- (2) Simultaneously to the submission of the Annual Plan and Budget as stipulated in clause (1), the Chief Executive shall submit the evaluation on the implementation for the current fiscal year to the Board of Commissioners.
- (3) The format and structure of the Annual Plan and Budget as stipulated in clause (1) shall be determined by the Board of Commissioners' Decree.

CHAPTER X

REPORTING AND ACCOUNTABILITY

Article 87

The Board of Commissioners shall submit the approved Annual Plan and Budget, including the evaluation of the implementation of the budget for the current year as stipulated in Article 86 clause (1) and clause (2) to the President and the Parliament.

Article 88

- (1) The IDIC must prepare annual report for each year ending on 31st December.
- (2) The annual report as stipulated in clause (1) contains the operational activities and financial reports.
- (3) The financial report as stipulated in clause (2) shall be audited by the State Auditor.
- (4) The audit result on the financial report as stipulated in clause (3) shall be published no later than the 31st March the following year.
- (5) The format and structure of the annual reports as stipulated in clause (1) shall be determined by the Board of Commissioners' Decree.

Article 89

- (1) The IDIC must submit the annual report as stipulated in Article 88 to the President and the Parliament, no later than the 30th April of the following year.

- (2) The IDIC is obliged to announce the audited financial report in a minimum of 2 (two) newspapers with the most circulation, no later than the 30th April of the following year.
- (3) The format and structure of the annual report as stipulated in clause (2) shall be determined by the Board of Commissioners' Decree.

CHAPTER XI

RELATIONSHIPS WITH OTHER INSTITUTIONS

Article 90

- (1) In carrying out its duties, the IDIC may cooperate with either domestic or foreign organization or institution.
- (2) The IDIC may assume the role of a member of an organization or international institution on behalf of The Republic of Indonesia should there be a requirement that membership of the said organization or international institution represent a country.

CHAPTER XII

DATA CONFIDENTIALITY

Article 91

- (1) The Board of Commissioners, the Chief Executive, the IDIC staff, or every party employed for and on behalf of IDIC shall treat with strict confidentiality all classified documents, information, and records acquired or resulted from performing the duties in accordance to the prevailing laws and regulations.
- (2) Exempted for the rulings as stipulated in clause (1) are the legal actions of the Board of Commissioners, the Chief Executive, IDIC employees, or any party who bears the duty or act on behalf of IDIC according to the prevailing law.

CHAPTER XIII
ADMINISTRATIVE SANCTIONS AND CRIMINAL ACTS

Article 92

- (1) The IDIC shall pass administrative sanctions to banks that violate the regulation as stipulated in Article 9 letter c and letter d.
- (2) The administrative sanctions as stipulated in clause (1) may be in the form of administrative penalty and or interest.
- (3) The administrative penalty as stipulated in clause (2) shall abide with the following criteria:
 - a. against violation as stipulated in Article 9 letter c, it is set forth to be a maximum of 150% (one hundred and fifty percent) from the amount of premium payable for each period including interest;
 - b. against violation as stipulated in Article 9 letter d, it set forth to be a maximum of Rp 1.000.000,00 (one million rupiah) for each day of delay in submission of the report.
- (4) The administrative sanctions as stipulated in clause (3) shall be charged for no more than 12 (twelve) months.
- (5) Further ruling on the procedures of charging administrative sanction shall be governed by the IDIC Regulation.

Article 93

The IDIC shall submit the information to the LPP in regards with the bank that does not comply with the stipulation in Article 9 and Article 92.

Article 94

- (1) The Directors, the Commissioners, and or the shareholders who do not comply with the ruling as stipulated in Article 9 and letter a, letter b, letter e, letter f, and / or cause the bank not to comply with the ruling as stipulated in Article 9 letter a,

letter, b, letter e and letter f as well as article 92 within the specified period of time, shall be threatened with imprisonment of minimum 2 (two) years and of maximum 10 (ten) years, and a minimum fine of Rp.2,000,000,000.00 (two billion rupiah) and a maximum fine of Rp.3,000,000,000.00 (three billion rupiah).

- (2) The Directors, the Commissioners, and or the shareholders who cause the bank not to comply with the ruling as stipulated in Article 9 letter c in 12 (twelve) months from the deadline as stipulated in Article 12 clause (2), shall be threatened with imprisonment of minimum 2 (two) years and of maximum 10 (ten) years, and a minimum fine of Rp.2,000,000,000.00 (two billion rupiah) and a maximum fine of Rp.3, 000,000,000.00 (three billion rupiah).

Article 95

- (1) The shareholders, directors, board of commissioners, employees and or former employees of the bank under liquidation violating the rule as stipulated in Article 16 clause (5) and/or Article 47 clause (2) or clause (3) shall be subject to imprisonment of a minimum 1 (one) year and of maximum 3 (three) years, and a fine of minimum Rp. 2.000.000.000,00 (two billion rupiah) and of maximum Rp 3.000.000.000,00 (three billion rupiah).
- (2) The members of The Board of Commissioners, the Chief Executive and the IDIC employees, or other party appointed or approved by IDIC to run specified duties, that violate the rule as stipulated in Article 91 clause (1), shall be subject to imprisonment of a minimum 1 (one) year and of maximum 3 (three) years, and a fine of minimum Rp 2.000.000.000,00 (two billion rupiah) and of maximum Rp 3.000.000.000,00 (three billion rupiah).
- (3) Every person or entity providing data, information, and or reports which are wrong, false, and / or misleading, in relevance with the deposit Insurance as stipulated in Article 9 and Article 7, shall be subject to imprisonment of a minimum 1 (one) year and of maximum 3 (three) years, and a fine of minimum Rp 2.000.000.000,00 (two billion rupiah) and of maximum Rp 3.000.000.000,00 (three billion rupiah).
- (4) Every person or entity that decline to render to the IDIC data, information, and or document as stipulated in Article 7 clause (2) shall be subject to with

imprisonment of a minimum 1 (one) year and of maximum 3 (three) years, and a fine of minimum Rp 2.000.000.000,00 (two billion rupiah) and of maximum Rp3.000.000.000,00 (three billion rupiah).

CHAPTER XIV OTHER INJUNCTIONS

Article 96

- (1) The IDIC shall exercise its function as stipulated in Article 4 to the bank that based their operation on the principles of *sharia* (Islamic Law).
- (2) Further rule on the implementation of the IDIC functions as stipulated in clause (1) shall be governed by the government regulation.

CHAPTER XV RESETTLEMENT CONDITIONS

Article 97

- (1) At the point of time this regulation becomes effective, banks that possess licenses are declared as members of the Deposit Insurance.
- (2) The banks as stipulated in clause (1) are obliged to comply with the rule as stipulated in Article 9 letter a, letter b, and letter c within a maximum period of 2 (two) months after the IDIC has become fully operational.

Article 98

The liquidation process that commenced prior to the enforcement of this Act shall be carried out in accordance with the bank liquidation rule as governed by the Government Regulation Number 25 Year 1999 on the Revocation of a Bank's License, Dissolution and Liquidation.

Article 99

- (1) As long as the banking supervision is still performed by Bank Indonesia, the position of the member of the Board of Commissioners who originates from the LPP as stipulated in Article 65 clause (1) letter b shall also be held by a member of the Board of Commissioners from Bank Indonesia as stipulated in Article 65 clause (1) letter c.
- (2) As long as the position of the member of the Board of Commissioners from LPP is held by a member of the Board of Commissioners from Bank Indonesia, the member of the Board of Commissioners who originate from inside or outside of IDIC consist of 4 (four) people.

CHAPTER XVI CLOSING INJUNCTIONS

Article 100

- (1) The condition as stipulated in Article 11 clause (1) shall be put enforced in 18 (eighteen) months after this Act become effective.
- (2) Within the period of 18 (eighteen) months as stipulated in clause (1) the transition of the insured deposit coverage shall be carried out with the following conditions:
 - a. for the period of 6 (six) months from the effective enforcement of this Act, the entire value of the deposit is insured;
 - b. For the next 6 (six) months period from the expiration of the period as stipulated in letter a, the limit of insured deposit coverage shall be Rp. 5.000.000.000,00 (five billion rupiah).
 - c. For the next 6 (six) months period from the expiration of the period as stipulated in letter b, the limit of insured deposit coverage shall be Rp. 1.000.000.000,00 (one billion rupiah).

(3) Under certain circumstances as stipulated in Article 11 clause (2), the transition of insured deposit coverage as stipulated in clause (2) may be altered by the Government Regulation.

Article 101

At the first instance, members of the Board of Commissioners shall be assigned with the following period of duty:

- a. The members of the Board of Commissioners who serve as the Chairman of the Board of Commissioners shall be inaugurated for 5 (five) years;
- b. The Chief Executive shall be inaugurated for 4 (four) years of employment;
- c. The members of the Board of Commissioners as stipulated in Article 65 clause (1) letter d who are neither serve as the Chairman of the Board of Commissioners nor the Chief Executive shall be inaugurated for 3 (three) years.

Article 102

The regulation in regards with the liquidation of a bank in the Government Regulation Number 25 Year 1999 on Revocation of a bank's License, Dissolution and Liquidation shall no longer be applicable in the liquidation of a bank that take place after this Act is effectively in force.

Article 103

This Regulation shall be effective 12 (twelve) months after enactment.

In order that all will be informed, this Act shall be enacted by publication in the State Gazette of the Republic of Indonesia.

Approved in Jakarta

On the day of 22 September 2004

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

MEGAWATI SOEKARNOPUTRI

Enacted in Jakarta

Dated 22 September 2004

**STATE SECRETARIAT/THE CABINET OF THE REPUBLIC OF
INDONESIA**

BAMBANG KESOWO

**STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2004
NUMBER 96.**

This copy is in accordance with the original version,

Cabinet Deputy Secretary

Law and Regulations

Lambock V. Nahattands