

APPLICATION OF FUNCTION OF COMPLIANCE BY BANK PERKREDITAN RAKYAT

(Circular Letter of Financial Service Authority Number
6/SEOJK.03/2016, dated March 16, 2016)

WITH THE BLESSING OF THE ONE AND ONLY GOD

The Board of Directors of
Bank Perkreditan Rakyat
at location.

Referring to Regulation of Financial Service Authority Number 4/POJK.03/2015, concerning Application of System Management on Bank Perkreditan Rakyat (Statute Book of the Republic of Indonesia Year 2015 Number 72, Supplement to Statute Book Number 5685), hereinafter referred to as POJK System Management of BPR, it is necessary to govern implementation of POJK System Management of BPR in Circular Letter of Financial Service Authority as follows:

I. GENERAL PROVISION

1. in line with Article 51 POJK System Management of BPR, BPR shall be obliged to ascertain compliance with Regulation of Financial Service Authority and other statutory regulation.
2. Function of compliance is instrument to pre-

vent and ensure that the policy, terms and conditions, system, and procedure, as well as business activities conducted by BPR justify with the Regulation of Financial Service Authority and other statutory regulation, and ensure compliance by BPR with the commitment formulated by BPR on Financial Service Authority and/or other authorities, such as Bank Indonesia (BI), Center for Reporting and Analysis of Financial Transaction (PPATK), and/or Deposit Underwriting Institution (LPS).

3. In applying the function of compliance by BPR, BPR shall be obliged to submit:
 - a. report on the principal implementation of duty of members of the Board of Directors supervising the function of compliance;
 - b. special report on policy and/or decision made by the Board of Directors deviating from the Regulation of Financial Service Authority and other statutory regulation; and

- c. report on temporary replacement of terms of office of Director supervising the function of compliance.

II. IMPLEMENTATION OF FUNCTION OF COMPLIANCE BY BPR

1. The Board of Directors shall be responsible on the implementation of the function of compliance by BPR and the Board of Commissioners shall supervise implementation of the function of compliance by BPR.
2. All members of the Board of Directors shall be responsible to develop and achieve implementation of compliance with in all levels of organization and in business activity of BPR.
3. In line with Article 52 POJK System Management of BPR, in supporting implementation of the duty of members of the Board of Directors supervising the function of compliance, BPR shall be obliged to establish work unit or appoint an Executive Official to carry on the function compliance in accordance with the core capital of the BPR concerned as follows.
 - a. BPR possessing core capital of minimum Rp.50.000.000.000,00 (fifty billion Rupiah) shall be obliged to establish independant compliance work unit against the operational work unit.

What is meant by operational work unit shall be work unit exercising activity on providing credit, collecting fund, and other operational activity. As such, the compliance work unit may also carry out the function of non-operation such as risk management and anti-money laundry as well as prevention of financing terrorism (APU and PPT).

- b. BPR possessing core capital less than Rp.50.000.000.000,00 (fifty billion Rupiah) shall be obliged to appoint independant Executive Official against BPR operations to carry out the function of compliance.

What is meant by independant against BPR operation shall be refrain from handling activity that directly relates to provision of credit and collection of fund. As such, the Executive Official handling the function of compliance may also exercise the operational function not relating to credit provision and fund collection such as human resource, risk management, and APU and PPT.

4. In exercising the function of compliance by BPR, BPR shall have members of the Board of Directors supervising the function of compliance.
5. The work unit or Executive Official as referred to in figure 3 shall be directly responsible to the members of the Board of Directors supervising the function of compliance.
6. Imposition of penalty on failure to comply with organizational structure to implement the function of compliance by BPR including members of the Board of Directors supervising the function of compliance takes effect on April 1, 2017.

III. APPOINTMENT, DISMISSAL AND/OR RESIGNATION OF MEMBERS OF THE BOARD OF DIRECTORS SUPERVISING THE FUNCTION OF COMPLIANCE

1. In line with Article 54 paragraph (1) POJK System Management of BPR, appointment, dismissal, and/or resignation of members of the Board of Directors supervising the function of compliance shall refer to the provisions governing appointment, dismissal, and/or resignation of members of the Board of Directors as referred to in Regulation of Financial Service Authority on Bank Perkreditan Rakyat.
2. In line with Article 54 paragraph (2) POJK System Management of BPR, member of the Board of Directors supervising the function of compliance is temporarily absent causing the terms of office thereof fails to operate for more than ten (10) working days consecutively, implementation of the duty concerned must be carried out temporarily by the other member of the Board of Directors until such member of the Board of Directors supervising the function of compliance may resume the terms of office back.
3. What is meant by temporarily absent causing him/her to be unable to carry out his/her duty shall be temporarily absence due to leave, ill, and exercising duty of terms of office.

Also included in the meaning of temporarily absent shall be if member of the Board of Directors supervising the function of compliance shall be under legal process as suspect.

4. The term of temporary absent for member of the Board of Directors supervising the function of compliance is 90 (ninety) working days effective as of the person concerned is unable to carry out his/her duty of terms of office.
5. In line with Article 54 paragraph (7) POJK System Management of BPR, BPR shall be obliged to report temporary replacement of the terms of office of Director supervising the function of compliance to the Financial Service Authority supported by data on the report that at least cover:
 - a. reason for temporary replacement of member of the Board of Directors supervising the function of compliance;
 - b. profile member of the Board of Directors temporarily replacing member of the Board of Directors supervising the function of compliance;
 - c. term of temporary replacement; and
 - d. photocopy of Minutes of Hand-Over from (BAST) the Director supervising the function of compliance to the other Director as approved by the Commissioner or photocopy of approval of either of the Shareholders on appointment of member of the Board of Directors to supervise the function of compliance, if member of the Board of Directors supervising the function of compliance fails to draw up Minutes of Hand-Over BAST.
6. Procedure to submit report on temporary replacement shall be as follows:
 - a. report on temporary replacement of member of the Board of Directors supervising the function of compliance must be submitted to the Financial Service Authority for the attention of the Office of Region or the local Office of Financial Service Authority.
 - b. report on temporary replacement must be submitted to Financial Service Authority within ten (10) working days at the latest as of the date temporary replacement takes effect.
7. If such member of the Board of Directors supervising the function of compliance is temporarily absent for a period exceeding the limit of term as referred to in figure 4, such member of the Board of Directors

supervising the function of compliance shall be considered as absent permanently.

Other than exceeding the term referred to in figure 4, also included as permanent absent shall be as cited below.

- a. dies;
- b. encountering physical defect and/or mental defect or other condition that make it impossible for the person concerned to carry out duties as Director of BPR;
- c. committing violation of the Regulation of Financial Service Authority on:
 - a. prohibition to members of the Board of Directors to hold double terms of office, having family relationship or family in-laws relationship; and/or
 - b. requirements for possessing certificate of profession;
 - d. decided as fails based on the test result on capability and compliance with the Regulation of Financial Service Authority.

8. If such member of the Board of Directors supervising the function of compliance is permanently absent as referred to in figure 7, BPR shall be obliged to replace such member of the Board of Directors as guided by the Regulation of Financial Service Authority mengenai BPR.

IV. GUIDELINE KERJA, SISTEM, DAN PROCEDURE COMPLIANCE WITH

1. In line with Article 52 paragraph (5) POJK System Management of BPR, to ensure compliance with Regulation of Financial Service Authority and the statutory regulation, the Compliance Work Unit or Executive Official handling the function of compliance shall be obliged to compile and/or update the Guideline on operational system and procedure on compliance.
2. Guideline on operational system and procedure on compliance shall be compiled by the Compliance Operational System or Executive Official handling the function of compliance and approved by members of the Board of Directors supervising the function of compliance on the data that at least cover:

- a. the parties responsible for the function of compliance;
- b. standard procedure on compliance at each work unit of BPR such as:
 - 1) obligation of each work unit of BPR to run operational activity based on internal requirements and statutory regulation; and
 - 2) obligation to justify with internal requirements of BPR based on the prevailing statutory regulation;
- c. procedure for making decision by the management relating to the function of compliance;
- d. code of ethic on compliance in supporting accomplished value, conduct, and action that support accomplished compliance with the requirements of Financial Service Authority and other statutory regulation;
- e. channel of coordination and procedure for monitoring shall be, among other things:
 - 1) member of the Board of Directors supervising the function of compliance and other members of the Board of Directors;
 - 2) member of the Board of Directors supervising the function of compliance and the Compliance Work Unit or Executive Official handling the function of compliance; and
 - 3) Compliance Work Unit or Executive Official handling the function of compliance and other work unit of BPR;
- f. internal requirements relating to the function of compliance governing the duty and responsibility, such as:
 - 1) duty and responsibility of member of the Board of Directors supervising the function of compliance that at least:
 - a) stipulates the framework required to ensure that BPR complies with all the Regulation of Financial Service Authority and other statutory regulation in implementing the principles of prudence including giving different opinion (dissenting opinion) in the presence of policy and/or decision that deviate from the Regulation of Financial Service Authority and/or other statutory regulations;

- b) monitors and maintains that the business operation of BPR is not violating the statutory regulation;
 - c) monitors and maintains compliance by BPR with all commitments agreed upon by BPR to Financial Service Authority and other authorities;
 - d) ensure continuous socialization and training provided to all work units pertaining to the latest updated Regulation of Financial Service Authority and other relevant statutory regulation;
 - e) report to the members of the Board of Directors and Board of Commissioners in writing pertaining to violation of compliance with by the employees of BPR; and
 - f) report to the Board of Commissioners in writing pertaining to violation on compliance with exercised by members of the Board of Directors of BPR;
- 2) duty and responsibility of work unit on compliance or Executive Official handling the function of compliance covering at least:
- a) monitor and perceive any progress on the Regulation of Financial Service Authority and other statutory regulation pertaining to business operation of BPR;
 - b) conduct continuous socialization and training to all work units relating to the latest Regulation of Financial Service Authority and other related statutory regulation;
 - c) ensure that the respective work unit justifies with internal requirements in the Regulation of Financial Service Authority and other related statutory regulation;
 - d) provide consultation to the work unit or employees of BPR on compliance with the Regulation of Financial Service Authority and other statutory regulation;
 - e) recommend the products, operation, and transactions initiated by BPR in accordance with the statutory regulation;
 - f) ensure application of procedure of compliance by the work unit of BPR;

- g) coordinate and give recommendation to Internal Audit Work Unit or Executive Official handling the function of internal audit intern pertaining to violation of compliance by employees of BPR;
- h) report the implementation of the function of compliance and any violation to compliance to the member of the Board of Directors handling the function of compliance;
- i) identify, evaluate, monitor, and control as risk on compliance by referring to Regulation of Financial Service Authority on Application of Risk Management on Bank Perkreditan Rakyat, in coordination with the Work Unit of Risk Management or Executive Official handling Risk Management;
- j) analyse, assess, and evaluate risk of compliance that relates to business operation of BPR; and
- k) evaluate the procedure on monitoring and develop it effectively and efficiently.

3. Work Unit of compliance or Executive Official handling the function of compliance shall update the work guideline, system, and procedure for compliance.

V. REPORT ON PRINCIPAL IMPLEMENTATION OF DUTY BY MEMBERS OF THE BOARD OF DIRECTORS SUPERVISING THE FUNCTION OF COMPLIANCE

1. Report on Principal Implementation of Duty of Members of the Board of Directors supervising the Function of Compliance that at least cover

a. General Information of BPR according to the latest condition that at least cover:

(1) organization structure covering the Board of Directors, Board of Commissioners, and Executive Official;

(2) formation of human resource in every work area, education, and duration of terms of office in the present position, including the members of the Board of Directors and Board of Commissioners; and

- (3) internal requirements already held including date of enforcement.
- b. Information on implementation of the function of compliance by BPR at least cover:
 - (1) provision of continuous socialization and training to all work units of BPR concerned, on Regulation of Financial Service Authority and other updated and relevant statutory regulation;
 - (2) application of the function of compliance by all work units at BPR including plan for justification to internal requirements that are not in line yet with the provisions and compliance with organizational structure and human resource;
 - (3) deviation from statutory regulation including clarification on the effort taken to prevent deviation; and
 - (4) implementation of compliance with commitment to Financial Service Authority and other authorities such as BI, PPATK, and LPS.
- 2. The report referred to in figure 1 shall be prepared by the Compliance Wor Unit or Executive Official handling the function of compliance and signed by members of the Board of Directors supervising the function of compliance.
- 3. The report referred to in figure 1 shall be submitted to Financial Service Authority for attention of Regional Office or the local Office of Financial Service Authority.
- 4. The report referred to in figure 1 shall be compiled by BPR periodically at the end of December and submitted to Financial Service Authority within three (3) months at the latest as of the end of the reporting month.

VI. SPECIAL REPORT

- 1. Special report on policy and/or decision of the Board of Directors which in the opinion of members of the Board of Directors supervising the function of compliance that deviated from Regulation Financial Service Authority and/or other statutory regulation. This special report covers:

- a. policy and/or decision that deviates from Regulation of Financial Service Authority and other statutory regulation; and
 - b. effort of prevention exercised to maximum by members of the Board of Directors supervising the function of compliance against the policy and/or decision that deviated from Regulation of Financial Service Authority and other statutory regulation.
2. The report referred to in figure 1 is prepared based on the result of monitoring and coordination with members of the Board of Directors supervising the function of compliance and the Compliance Work Unit or Executive Official handling the function of compliance.
 3. The report referred to in figure 1 must be signed by members of the Board of Directors supervising the function of compliance addressed to Financial Service Authority for the attention of Regional Office of the local Office of Financial Service Authority.
 4. The report referred to in figure 1 must be submitted to Financial Service Authority within ten (10) working days as of the date of deviation.

VII. CLOSING

The provisions in this Circular Letter of Financial Service Authority takes effect on the date it is stipulated.

Stipulated in Jakarta

Dated March 10, 2016

HEAD OF EXECUTIVE BANKING SUPERVISORY
OF FINANCIAL SERVICE AUTHORITY,

sgd

NELSON TAMPUBOLON

(MA)