

## INDONESIAN

Type: LAW (UU)  
By: THE PRESIDENT OF THE REPUBLIC OF INDONESIA  
Number: 7 YEAR 1992 (7/1992)  
Date: 25 MARCH 1992 (JAKARTA)  
Reference: LN 1992/31; TLN NO. 3472  
Title: BANKING  
Index: ADMINISTRATION ECONOMY BANK MONEY

The President of the Republic of Indonesia,

Considering:

- a. that to maintain continuity in the implementation of national development to create a just and prosperous Indonesian society based on Pancasila and the 1945 Constitution, the implementation of economic development founded on familial principles must pay greater heed to harmony, synergy, and the balance of the components of the Development Trilogy;
- b. that banking founded on the principles of economic democracy with the primary function as a collector and distributor of public funds, plays a strategic role in supporting the implementation of national development, with regard to improving the fair distribution of development and its results, economic growth and national stability, with a view towards raising the standard of living of society as a whole;
- c. that the national banking sector must constantly respond to the rapid pace of national and international economic developments and the increasing challenges that accompany them, as it carries out its functions and responsibilities to the public;
- d. that Law Number 14 Year 1967 regarding Basic Principles of Banking, and a number of other Laws in the banking sector that currently prevail, can no longer keep pace with national and international economic developments;
- e. that, in order to achieve the aforementioned ends, a new Law regarding Banking is needed;

In view of:

1. Article 5 paragraph (1), Article 20 paragraph (1), and Article 33 of the 1945 Constitution;
2. Law Number 5 Year 1962 regarding Regional Companies (State Gazette Year 1962 Number 10, Supplement to State Gazette Number 2387);
3. Law Number 12 11 Year 1967 regarding the Basic Principles of Cooperatives (State Gazette Year 1967 Number 23, Supplement to State Gazette Number 2832);
4. Law Number 13 Year 1968 regarding the Central Bank (State Gazette Year 1968 Number 63, Supplement to State Gazette Number 2865);
5. Law Number 9 Year 1969 regarding the Stipulation of the Government Regulation in

Lieu of Law Number 1 Year 1969 regarding Forms of State Enterprises (State Gazette Year 1969 Number 16, Supplement to State Gazette Number 2890) as Law (State Gazette Year 1969 Number 40, Supplement to State Gazette Number 2904);

With the approval of  
THE PEOPLE'S REPRESENTATIVE ASSEMBLY OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To stipulate: THE BANKING LAW.

## CHAPTER I GENERAL PROVISIONS

### Article 1

In this Law, what is meant by:

1. Bank is a business entity that collects funds from the public in the form of savings, and distributes them to the public in respect of raising the standard of society as a whole;
2. Commercial Bank is a bank that can provide savings in payment transactions;
3. Rural Credit Bank is a bank that accepts deposits only in the form of time deposits, savings, and/or other similar forms;
4. Joint Venture Bank is a Commercial Bank jointly founded by one or more Commercial Banks located in Indonesia and founded by Indonesian citizens and/or an Indonesian legal entity wholly owned by Indonesian citizens, with one or more banks domiciled overseas;
5. Branch Office is any office of a bank that is directly accountable to the head office of the bank concerned, with permanent business premises where the said branch office conducts its activities;
6. Savings are funds entrusted by the public to banks in the form of demand deposits, time deposits, savings, and/or other equivalent forms;
7. Demand deposits are savings that may be used as a means of payment and may be withdrawn at any time by using a check, other payment order facilities, or by transfer of account;
8. Time Deposits are savings which may only be withdrawn at a certain time, in accordance with the agreement between the depositor and the bank concerned;
9. Certificate of Deposit is a time deposit where the proof of saving may be traded;
10. Savings are deposits which may only be withdrawn in accordance with certain agreed conditions, but may not be withdrawn by check or other equivalent means;
11. Commercial Papers are promissory notes, bills of exchange, shares, bonds, credit security, or any derivative of commercial papers or other interests, or an obligation from the issuer, in forms customarily traded on the capital market and on money markets;
12. Credit is the provision of money or equivalent claims, based on a lending approval or agreement between banks and other parties that require the borrower to settle its debts after a specified period with an amount of interest, compensation or distribution of profits;
13. Depository is the deposit of assets based on a contract between a Commercial Bank and the depositor wherein it is stipulated that the Commercial Bank concerned shall

- conducts the deposit of the assets without having any rights of ownership to such assets;
14. Trust Agent is a Commercial Bank, based on an agreement between the said Commercial Bank with the issuer of commercial paper, appointed to represent the interests of all the holders of the commercial paper concerned;
15. Affiliated Party is:
- any member of the board of commissioners or supervisors, board of directors, official, or bank employee;
  - any member of the management, auditing agency, board of directors, official, or bank employee, specifically for banks that are in legal form of cooperatives, in accordance with prevailing laws and regulations;
  - any party providing its services to the bank concerned, including consultants, legal consultants, public accountants, and appraisers;
  - any party which, based upon the provisions stipulated by Bank Indonesia, plays a part in influencing the management of the bank.
16. Bank Secrecy is all matters concerning finance and other matters pertaining to the bank's customers that, according to custom in the banking world, must be kept confidential;
17. Bank Indonesia is the Central Bank of the Republic of Indonesia as intended in the prevailing Laws.
18. Monetary Council is a monetary council as referred to in the prevailing Laws.
19. the Minister is the Minister of Finance of The Republic of Indonesia.

## CHAPTER II FOUNDATIONS, FUNCTIONS AND AIMS

### Article 2

Indonesian banking business is founded on an economic democracy by the use of prudential principles.

### Article 3

The primary function of Indonesian banking is the collection and distribution of public funds.

### Article 4

The aim of Indonesian banking is to support the implementation of national development in respect of raising even distribution, economic growth, and national stability directed at improving the welfare of the people.

## CHAPTER III TYPES AND BUSINESS OF BANKS

### Part One Types of Bank

### Article 5

- (1) Banks consist of:
- Commercial Banks;

- b. Rural Credit Banks.
- (2) Commercial Banks may specialize in conducting certain activities, or afford greater attention to certain activities.

Part Two  
Commercial Bank Business

Article 6

Commercial Bank Business shall include:

- a. the collection of funds from the public in the form of savings consisting of demand deposits, time deposits, savings, and/or other equivalent forms;
- b. the extension of credit;
- c. the issuing of promissory notes;
- d. the purchase, sale or guarantee at its own risk, or on behalf of and at the order of its clients, of:
  - 1. bills of exchange including notes accepted by banks whose validity is no longer than is customary in the trading of such papers;
  - 2. promissory notes and other trading papers whose validity is no longer than is customary in the trading of such papers;
  - 3. state treasury notes and government guarantee certificates;
  - 4. Bank Indonesia Certificates;
  - 5. bonds;
  - 6. trading papers with a maturity of up to 1 (one) year;
  - 7. other commercial paper instruments with a maturity of up to 1 (one) year;
- e. the transfer of money, whether in the bank's own interest or on behalf of its clients;
- f. the placing of funds in, the borrowing of funds from, or the lending of funds to another bank, whether by mail, telecommunication facilities or through a bearer note, check or other means;
- g. accepting payment for claims on commercial paper, and conducting calculations with or between third parties;
- h. providing a place to deposit goods and commercial paper;
- i. conducting depository activities on behalf of other parties based on a contract;
- j. carrying out the placement of clients' funds with other clients in the form of commercial paper that is not listed on the stock exchange;
- k. Purchasing collateral through auction, whether in its entirety or in part, in the event that a debtor does not fulfill his obligations to a bank, with the provision that such purchased collateral must be liquidated as soon as possible;
- l. conduct factoring activities, credit card business, and trust agent activities;
- m. provide financing to clients based on the principle of profit-sharing in accordance with the provisions stipulated by Government Regulations;
- n. conduct the other activities usually performed by a bank insofar as they do not contravene this Law and prevailing laws and regulations.

Article 7

In addition to conducting the business referred to in Article 6, Commercial Banks may also:

- a. conduct business in foreign currency while fulfilling the provisions stipulated by Bank Indonesia.
- b. conduct capital investment activities with banks or other companies in the financial sector, such as capital lease, venture capital, securities and insurance companies, as

- well as clearing, settlement and depository institutions, while fulfilling the provisions stipulated by Bank Indonesia.
- c. conduct temporary capital investment to overcome the consequences of credit failure, with the condition that the investment must be recovered, while fulfilling the provisions stipulated by Bank Indonesia.
  - d. act as a founder and manager of pension funds in accordance with the provisions in the prevailing laws and regulations governing pension funds.

#### Article 8

In the provision of credit, Commercial Banks must have assurance of the ability and willingness of the debtors to settle their debts in accordance with the agreement.

#### Article 9

- (1) A Commercial Bank that arranges deposit activities, as referred to in Article 6 letter i, shall be responsible for the storing of assets belonging to the depositors, and fulfill other obligations in accordance with the contract.
- (2) Deposited assets must be entered in the books and recorded separately.
- (3) In the event that the bank undergoes bankruptcy, no assets deposited with the said bank may be included in bankruptcy assets, but must be returned to the depositors concerned.

#### Article 10

Commercial Banks shall be prohibited from:

- a. conducting capital investment, except as referred to in Article 7 letter b and letter c;
- b. conducting insurance business;
- c. conducting any business other than the business activities referred to in Article 6 and Article 7.

#### Article 11

- (1) Bank Indonesia shall stipulate provisions regarding the Legal Lending Limit, provision of guarantees, investment placement of commercial paper, or other such matters, which may be extended by a bank to a borrower or a group of connected borrowers, including to companies within the same group as the bank concerned.
- (2) The maximum limit referred to in paragraph (1) may not be more than 30% (thirty percent) of bank capital, which is in accordance with provisions stipulated by Bank Indonesia.
- (3) Bank Indonesia shall stipulate provisions regarding the Legal Lending Limit, provision of guarantees, investment placement of commercial paper, or other such matters, which may be extended by a bank to:
  - a. shareholders owning 10% (ten percent) or more of the bank's paid up capital;
  - b. members of the board of commissioners;
  - c. members of the board of directors;
  - d. relatives of a party referred to in letter a, letter b and letter c; and
  - e. other bank officials; as well as
  - f. companies which represent the interests of those parties referred to in letter a, letter b, letter c, letter d, and letter e.
- (4) The maximum limit referred to in paragraph (3) may not exceed 10% (ten percent) of

- bank capital, which is in accordance with provisions stipulated by Bank Indonesia.
- (5) The implementation of the provisions referred to in paragraph (1) and paragraph (3) must be reported in accordance with provisions stipulated by Bank Indonesia.

#### Article 12

The government may assign Commercial Banks to implement government programs in order to develop specific economic sectors, or to give greater attention to cooperatives and entrepreneurs from the weaker economic classes/small businessmen in respect of raising the standard of living of the majority of the people, based on provisions which shall be further stipulated by Government Regulations.

### Part Three

#### Rural Credit Bank Business

#### Article 13

Rural Credit Bank business shall include:

- a. the collection of funds from the public in the form of savings which represent time deposits, savings, and/or other equivalent forms;
- b. the provision of credit;
- c. the provision of financing to clients based on the principle of profit-sharing in accordance with provisions stipulated by Government Regulations;
- d. the placement of their funds in the form of Bank Indonesia Certificates (SBI), time deposits, certificates of deposit and/or savings with other banks.

#### Article 14

Rural Credit Banks shall be prohibited from:

- a. accepting savings in the form of demand deposits and participating in payment transactions;
- b. conducting business in foreign currency;
- c. conducting capital investment;
- d. conducting insurance business;
- e. conducting any business other than the business activities referred to in Article 13.

#### Article 15

The provisions referred to in Article 8 and Article 11 shall also apply to Rural Credit Banks.

## CHAPTER IV

### LICENSING, LEGAL STATUS AND OWNERSHIP

#### Part One

#### Licensing

#### Article 16

- (1) Any party that conducts the collection of funds from the public in the form of deposits representing demand deposits, time deposits, certificates of deposit, savings, and/or other equivalent forms, must first obtain a business license as a Commercial Bank or Rural Credit Bank from the Minister, unless such collection of funds from the public is

- set forth in a separate Law.
- (2) Commercial Bank and Rural Credit Bank business licenses shall be issued by the Minister after hearing the considerations of Bank Indonesia.
  - (3) In order to obtain the Rural Credit Bank and Commercial Bank business licenses referred to in paragraph (2), conditions must be met regarding:
    - a. organization structure;
    - b. capital;
    - c. ownership;
    - d. expertise in the banking sector;
    - e. feasibility of the work plan; and
    - f. other matters stipulated by the Minister, after hearing the considerations of Bank Indonesia.
  - (4) In order to obtain a Rural Credit Bank business license, in addition to fulfilling the conditions referred to in paragraph (3), the conditions regarding the location of the head office of a Rural Credit Bank in a sub-district must also be met.
  - (5) Without prejudicing the provisions referred to in paragraph (4), by complying with the provisions which shall be further set forth in a Government Regulation, Rural Credit Banks may be established in a regency capital or municipality, provided that such regency capital or municipality does not yet have a Rural Credit Bank.
  - (6) The conditions referred to in paragraph (3), paragraph (4), paragraph (5), and the procedure for licensing, shall be further governed by Government Regulation.

#### Article 17

In order to obtain a business license for a Commercial Bank in the form of a Joint Venture bank, the conditions referred to in Article 16 paragraph (3) and paragraph (6) must be met, as well as the provisions stipulated by Government Regulation which govern:

- a. the permitted level of ownership and management by foreign parties;
- b. those parties permitted to cooperate;
- c. other matters that, according to the Monetary Council, need to be regulated in the interests of national development.

#### Article 18

- (1) The opening of a Commercial Bank branch office may only be conducted with a license from the Minister, after hearing the considerations of Bank Indonesia.
- (2) The opening of a branch or representative office of an overseas-based Commercial Bank may only be conducted with a license from the Minister, after hearing the considerations of Bank Indonesia.
- (3) The opening of a Commercial Bank office below a branch office must be reported to Bank Indonesia.
- (4) The conditions and procedures for opening the Commercial Bank offices referred to in paragraph (1), paragraph (2), and paragraph (3) shall be stipulated by the Minister after hearing the considerations of Bank Indonesia.

#### Article 19

- (1) The opening of a Rural Credit Bank branch office in the national capital, a provincial capital, a regency capital and a municipality, may only be conducted with a license from the Minister, after hearing the considerations of Bank Indonesia.
- (2) The opening of a branch office outside the national capital, a provincial capital, a

- regency capital or a municipality, as well as the opening of a Rural Credit Bank office below a branch office, must be reported to Bank Indonesia.
- (3) The conditions and procedures for opening the Rural Credit Bank offices referred to in paragraph (1), paragraph (2), and paragraph (3) shall be stipulated by the Minister after hearing the considerations of Bank Indonesia.

#### Article 20

- (1) The opening of a branch office, sub-branch office or representative office of a bank domiciled overseas may only be conducted with a license from the Minister, after hearing the considerations of Bank Indonesia.
- (2) The opening of an office below the level of sub-branch office by a bank referred to in paragraph (1) must be reported to Bank Indonesia.
- (3) The conditions and procedures for opening the offices referred to in paragraph (1) and paragraph (2) shall be further regulated by Government Regulation.

### Part Two Legal Status

#### Article 21

- (1) The legal entity of a Commercial Bank may take the form of one of the following:
- A Company;
  - A Regional Company;
  - A Cooperative;
  - A Limited Liability Company.
- (2) The legal entity of a Rural Credit Bank may take the form of one of the following:
- A Regional Company;
  - A Cooperative;
  - A Limited Liability Company;
  - Another form stipulated by Government Regulation.
- (3) The legal entity of representative offices and branch offices of banks domiciled overseas shall be in accordance with the legal entity of their respective head offices.

### Part Three Ownership

#### Article 22

A Commercial Bank may only be founded by:

- Indonesian citizens and/or an Indonesian legal entity which is wholly-owned by Indonesian citizens and/or an Indonesian legal entity; or
- A bank whose founder is as referred to in paragraph a, with a bank domiciled overseas.

#### Article 23

A Rural Credit Bank may only be founded and owned by Indonesian citizens, Indonesian legal entities all of whose owners are Indonesian citizens, a regional government, or it may be jointly owned by any combination of the above.

## Article 24

For Commercial Banks and Rural Credit Banks in the legal form of cooperatives, ownership shall be regulated on the basis of the provisions of the prevailing Law regarding cooperatives.

## Article 25

For Commercial Banks and Rural Credit Banks in the legal form of limited liability companies, shares may only be issued in the form of registered shares.

## Article 26

- (1) Commercial Banks may issue shares through a stock exchange in Indonesia.
- (2) Indonesian citizens, foreign citizens, Indonesian legal entities and/or foreign legal entities may buy shares in Commercial Banks that are sold on the basis of the provisions referred to in paragraph (1).
- (3) Foreign citizens and/or foreign legal entities may buy Commercial Bank shares through the stock exchange, with the provision that they may not become majority holders.
- (4) Specifically for state-owned Commercial Banks, the issue of shares as referred to in paragraph (1) may only be conducted where such does not result in a change in the state's majority share ownership.
- (5) The implementation of the provisions referred to in paragraph (2), paragraph (3), and paragraph (4) shall be further regulated by Government Regulation.

## Article 27

Changes in bank ownership must:

- a. comply with the provisions referred to in Article 16 paragraph (6), Article 17, Article 22, Article 23, Article 24, Article 25, and Article 26;
- b. be reported to Bank Indonesia.

## Article 28

- (1) Mergers and consolidations between banks, as well as bank acquisitions, must obtain prior permission from the Minister after hearing the considerations of Bank Indonesia.
- (2) Provisions regarding mergers, consolidations, and acquisitions shall be stipulated by Government Regulation.

## CHAPTER V DEVELOPMENT AND SUPERVISION

## Article 29

- (1) The development and supervision of banks shall be conducted by Bank Indonesia.
- (2) Bank Indonesia shall stipulate provisions regarding the health of banks with due attention to aspects of capital, asset quality, management quality, profit potential, liquidity, solvency, and other aspects relating to banking business.

- (3) The bank must maintain the soundness of the bank in accordance with the provisions referred to in paragraph (2) and must conduct its business in accordance with prudential principles.
- (4) In providing credit and conducting other business activities, the bank must adopt procedures which do not disadvantage the bank or the clients who have entrusted their funds to it.
- (5) In the interests of the clients, the bank shall make available any information regarding the possibility of a risk of loss arising for transactions conducted by clients through the bank.

#### Article 30

- (1) The bank must submit to Bank Indonesia all information, and explanations concerning its business, according to the procedures stipulated by Bank Indonesia.
- (2) The bank, at the request of Bank Indonesia, must provide opportunities for the audit of the books and documents held therein, and must also provide any assistance needed in respect of ascertaining the truth of all information, documents and explanations reported by the bank concerned.
- (3) Information regarding banks obtained on the basis of the provisions referred to in paragraph (1) and paragraph (2) shall not be announced and are confidential.

#### Article 31

- (1) Bank Indonesia shall audit the bank, whether periodically or whenever deemed necessary.
- (2) In the event that the stipulation of macro policies is required, the Monetary Council may ask Bank Indonesia to:
  - a. submit any reports required concerning the result of the bank audit;
  - b. conduct a special audit of the bank, and report the results of such audit.

#### Article 32

If it is deemed necessary, the Minister may also request that Bank Indonesia submit a report concerning the result of a bank audit or request that Bank Indonesia conduct a special audit of the bank and report the results of such audit.

#### Article 33

- (1) The report on the bank audit referred to in Article 31 and Article 32 shall be confidential.
- (2) The requirements and procedures for the audit referred to in Article 31 and Article 32 shall be stipulated by Bank Indonesia.

#### Article 34

- (1) The bank must submit to Bank Indonesia its balance sheet and annual profit-loss statement, accompanied by explanations thereof, as well as other periodic statements, within the period and in the form stipulated by Bank Indonesia.
- (2) The balance sheet and annual profit-loss statement referred to in paragraph (1) must first be audited by a public accountant.
- (3) The bank's financial year shall be the calendar year.

## Article 35

The bank must announce its balance sheet and profit-loss statement within the period and in the form stipulated by Bank Indonesia.

## Article 36

Bank Indonesia may stipulate exceptions to the provisions referred to in Article 34 paragraph (2) for Rural Credit Banks.

## Article 37

- (1) If, according to the appraisal of Bank Indonesia, a bank is thought to be experiencing difficulties that threaten the continuation of its business, Bank Indonesia shall inform the Minister of such matter.
- (2) In the event that a bank experiences difficulties that threaten the continuation of its business, Bank Indonesia may:
  - a. take action so that:
    1. shareholders increase their capital;
    2. shareholders replace the board of commissioners and/or board of directors of the bank;
    3. the bank writes off bad debts, and calculates the losses of the bank with its capital;
    4. the bank enters into a merger or consolidation with another bank;
    5. the bank is sold to a buyer who is prepared to take over all its obligations;
  - b. take other action in accordance with prevailing laws and regulations.
- (3) If, according to the appraisal of Bank Indonesia:
  - a. the condition of a bank threatens the banking system; or
  - b. the actions referred to in paragraph (2) are not sufficient to overcome the difficulties faced by the bank;  
Bank Indonesia shall propose that the Minister revoke the business license of such bank.
- (4) Upon the proposal from Bank Indonesia referred to in paragraph (3), the Minister shall revoke the concerned bank's business license and order the board of directors to liquidate the said bank.
- (5) In event that the board of directors fails to liquidate the bank as referred to in paragraph (4), the Minister, after hearing the considerations of Bank Indonesia, shall ask the Court to liquidate the bank concerned.

CHAPTER VI  
THE BOARD OF COMMISSIONERS, BOARD OF DIRECTORS  
AND FOREIGN STAFF

## Article 38

- (1) Membership appointments to the board of commissioners and board of directors of a bank must comply with the provisions referred to in Article 16 paragraph (6) and Article 17.
- (2) Any changes in the membership of a bank's board of commissioners and board of

---

directors referred to in paragraph (1) must be reported to Bank Indonesia.

#### Article 39

- (1) In operating its business, a bank may employ foreign staff.
- (2) Conditions regarding the employment of foreign staff referred to in paragraph (1) shall be stipulated by Government Regulation.

### CHAPTER VII BANK SECRECY

#### Article 40

- (1) A bank shall be prohibited from providing information recorded at the bank concerning the financial condition or any other matters of its clients, which must be kept confidential according to custom in the banking world, except in such cases referred to in Article 41, Article 42, Article 43, and Article 44.
- (2) The provisions referred to in paragraph (1) shall also apply to affiliated parties.

#### Article 41

- (1) For tax purposes, the Minister shall have the authority to issue a written order to a Bank to provide information and show tax officials written evidence and documents concerning the financial condition of certain clients.
- (2) The written order referred to in paragraph (1) must state the name of the tax official and the name of taxpaying client concerning whom such information is desired.

#### Article 42

- (1) In the interests of justice in a criminal case, the Minister may give permission to the police, public prosecutor or a judge to obtain information from a bank regarding the financial condition of the suspected/defendant at the bank.
- (2) The permission referred to in paragraph (1) shall be given in writing at the written request of the Chief of Police of the Republic of Indonesia, the Attorney-General, or Chairman of the Supreme Court.
- (3) The request referred to in paragraph (2) must state the name and position of the police officer, public prosecutor or judge, the name of the suspect/defendant, the reasons the information is required and the connection between the criminal case concerned and the information required.

#### Article 43

In a civil case between a bank and its client, the board of directors of the bank concerned may inform the court of the financial condition of the client concerned, and provide other information relevant to the said case.

#### Article 44

- (1) In respect of the exchange of information between banks, the bank's board of directors may inform another bank of the financial condition of its clients.
- (2) Provisions regarding the exchange of information referred to in paragraph (1) shall

be further set forth by Bank Indonesia.

#### Article 45

Any party who considers himself to be disadvantaged by the information provided by a bank as referred to in Article 41, Article 42, Article 43, and Article 44, shall be entitled to know the contents of such information and request corrections if there are any errors in the information provided.

### CHAPTER VIII PROVISIONS FOR CRIMINAL AND ADMINISTRATIVE SANCTIONS

#### Article 46

- (1) Whomsoever collects funds from the public in the form of savings representing demand deposits, time deposits, certificates of deposit, savings, and/or other equivalent forms without a business license from the Minister as referred to in Article 16 and Article 17, shall be threatened with a prison sentence of a maximum of 15 (fifteen) years and a fine of up to Rp. 10,000,000,000.- (ten billion rupiah).
- (2) In the event that the activities referred to in paragraph (1) are conducted by a legal entity in the form of a limited liability company, an association, a foundation or cooperative, then prosecution of such entities shall be conducted of either those who order such actions, or those who act as leaders in such actions, or both.

#### Article 47

- (1) Whomsoever intentionally forces the bank or affiliated parties to provide information referred to in Article 40, without a written order from the Minister to the bank as referred to in Article 41, or without the permission of the Minister referred to in Article 42, shall be threatened with a prison sentence of a maximum of 3 (three) years and a fine of up to Rp. 3,000,000,000.- (three billion rupiah).
- (2) Members of the board of commissioners or board of directors, bank employees or affiliated parties who deliberately provide information that must be kept confidential according to Article 40, shall be threatened with a prison sentence of a maximum of 2 (two) years and a fine of up to Rp. 2,000,000,000.- (two billion rupiah).

#### Article 48

- (1) Members of the board of commissioners, board of directors or bank employees who deliberately withhold information that must be provided as referred to in Article 30 paragraph (1) and paragraph (2) and Article 34 paragraph (1) and paragraph (2), shall be threatened with a prison sentence of a maximum of 2 (two) years and a fine of up to Rp. 2,000,000,000.- (two billion rupiah).
- (2) Members of the board of commissioners, board of directors or bank employees who neglect to provide information that must be provided as referred to in Article 30 paragraph (1) and paragraph (2) and Article 34 paragraph (1) and paragraph (2), shall be threatened with a prison term of a maximum of 1 (one) year and a fine of up to Rp. 1,000,000,000.- (one billion rupiah).

#### Article 49

- (1) Members of the board of commissioners, board of directors or bank employees who deliberately:
  - a. make or cause there to be a false record in the bookkeeping or in a report, whether in a document or report on business activities, transaction report or account statement;
  - b. remove or fail to include or cause the non-inclusion of a record in the bookkeeping or in a report, whether in a document or report on business activities, transaction report or account statement;
  - c. change, obscure, hide, delete, or lose any record in the bookkeeping or in a report, whether in a document or report on business activities, transaction report or account statement, or deliberately change, obscure, lose, hide or damage such bookkeeping records, shall be threatened with a prison sentence of a maximum of 15 (fifteen) years and a fine of up to Rp. 10,000,000,000.- (ten billion rupiah).
- (2) Members of the board of commissioners or board of directors or bank employees who deliberately:
  - a. request or receive, permit or approve the receipt of any payment, commission, additional money, service, money or valuable goods, for personal benefit or for the benefit of their family, with respect to obtaining, or seeking to obtain for another person, an advance payment, bank guarantee, or bank credit facilities, or with regard to the buying or discounting by a bank of drafts, promissory notes, checks, and other trading papers or proof of obligations, or with respect to giving approval for others to withdraw funds in excess of their credit limit with the bank;
  - b. do not take the necessary measures to ensure that the bank complies with the provisions in this Law and the provisions in other laws and regulations which prevail for banks, shall be threatened with a prison sentence of a maximum of 6 (six) years and a fine of up to Rp. 6,000,000,000.- (six billion rupiah).

#### Article 50

Affiliated parties who deliberately fail to take the necessary measures to ensure that the bank complies with the provisions in this Law, and in other laws and regulations which prevail for banks, shall be threatened with a prison sentence of a maximum of 6 (six) years and a fine of up to Rp. 6.000.000.000,- (six billion rupiah).

#### Article 51

- (1) The criminal offenses referred to in Article 46, Article 47, Article 48 paragraph (1), Article 49, and Article 50 are felonies.
- (2) The criminal offense referred to in Article 48 paragraph (2) is a violation.

#### Article 52

Without prejudicing the criminal provisions referred to in Article 47, Article 48, and Article 49, Bank Indonesia may stipulate administrative sanctions for a bank that fails to meet its obligations as stipulated in this Law or submit its considerations to the Minister for the revocation of the business license of the bank concerned.

#### Article 53

Without prejudicing the criminal provisions referred to in Article 50, Bank Indonesia may stipulate administrative sanctions for an affiliated party that fails to meet its obligations as stipulated in this Law or submit its considerations to institutions with the authority to revoke the license concerned.

## CHAPTER IX TRANSITIONAL PROVISIONS

### Article 54

- (1) By this Law coming into effect:
  - a. Government Regulation in Lieu of Law Number 21 Year 1960 concerning the Indonesian Development Bank (State Gazette Year 1960 Number 65, Supplement to State Gazette Number 1996);
  - b. Law Number 13 Year 1962 concerning Basic Provisions for Regional Development Banks (State Gazette Year 1962 Number 59, Supplement to State Gazette Number 2490);
  - c. Law Number 17 Year 1968 concerning Bank Negara Indonesia 1946 (State Gazette Year 1968 Number 70, Supplement to State Gazette Number 2870);
  - d. Law Number 18 Year 1968 concerning Bank Dagang Negara (State Gazette Year 1968 Number 71, Supplement to State Gazette Number 2871);
  - e. Law Number 19 Year 1968 concerning Bank Bumi Daya (State Gazette Year 1968 Number 72, Supplement to State Gazette Number 2872);
  - f. Law Number 20 Year 1968 concerning Bank Tabungan Negara (State Gazette Year 1968 Number 73, Supplement to State Gazette Number 2873);
  - g. Law Number 21 Year 1968 concerning Bank Rakyat Indonesia (State Gazette Year 1968 Number 74, Supplement to State Gazette Number 2874);
  - h. Law Number 22 Year 1968 concerning Bank Ekspor Impor Indonesia (State Gazette Year 1968 Number 75, Supplement to State Gazette Number 2875), shall remain in effect for a period of up to 1 (one) year from the implementation of this Law.
- (2) During the period referred to in paragraph (1), a bank founded on the basis of the Laws referred to in paragraph (1) must comply with the provisions of this Law.
- (3) In the case of a bank referred to in paragraph (2) which has already accommodated the provisions of this Law prior to the period referred to in paragraph (1), the Laws referred to in paragraph (1) shall be null and void.

### Article 55

- (1) A bank that is already licensed by the Minister when this Law comes into effect shall be declared to have obtained a business license based on this Law.
- (2) A bank referred to in paragraph (1) must accommodate the provisions of this Law within a period of 1 (one) year from the implementation of this Law.
- (3) A Rural Credit Bank that is already licensed when this Law comes into effect, and is located in the national capital, a provincial capital, a regency capital, or a municipality, may continue to operate its business as a Rural Credit Bank so that it may be upgraded to a Commercial Bank.

### Article 56

The bank must comply with the Legal Lending Limit as referred to in Article 11 paragraph (2) and paragraph (4) within a period of 5 (five) years from when this Law comes into effect.

#### Article 57

Non-Bank Financial Institutions that already possess a business license from the Minister when this Law comes into effect may adjust their business activities to those of a bank based on the provisions of this Law, within a period of no more than 1 (one) year from the implementation of this Law.

#### Article 58

Village Banks, Paddy Banks, petty traders, Employee Banks, State Paddy Banks (LPN), Rural Credit Institutions (LPD), Rural Credit Agencies (BKD), Sub-district Credit Agencies (BKK), Credit to Small Scale Enterprises (KURK), Sub-district Credit Institutions (LPK), Rural Production Banks (BKPD) and/or other equivalent institutions shall be granted the status of Rural Credit Banks on the basis of this Law by fulfilling the conditions and procedures stipulated by Government Regulations.

#### Article 59

Laws and regulations issued before this Law comes into effect, provided they do not contravene this Law, shall remain in effect until they are revoked, replaced or updated.

### CHAPTER X CONCLUDING PROVISIONS

#### Article 60

By this Law coming into effect:

- a. Staatsblad Year 1929 Number 357 dated 14 September 1929 regarding Regulations concerning Rural Credit Agencies in the provinces of Java and Madura outside municipal districts;
- b. Law Number 12 Year 1962 regarding Private Development Banks (State Gazette Year 1962 Number 58, Supplement to State Gazette Number 2489);
- c. Law Number 14 Year 1967 regarding Basic Principles of Banking (State Gazette Year 1967 Number 34, Supplement to State Gazette Number 2842), shall be declared null and void.

#### Article 61

This Law shall come into effect on the date of its enactment.

For public cognizance, the enactment of this Law shall be placed in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta

On this date 25 March 1992

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

SOEHARTO

Enacted in Jakarta

On this date 25 March 1992

MINISTER/STATE SECRETARY  
OF THE REPUBLIC OF INDONESIA

MOERDIONO

ELUCIDATION  
OF  
THE LAW OF THE REPUBLIC OF INDONESIA  
NUMBER 7 YEAR 1992  
REGARDING  
BANKING

GENERAL

In respect of creating a just and prosperous Indonesian society based on Pancasila and the 1945 Constitution, continuity and improvement in the implementation of national development based on familial principles needs to be constantly upheld. In order to achieve this goal, the implementation of economic development must pay greater heed to harmony, synergy, and the balance of the components of the fair distribution of development, economic growth, and national stability.

One of the facilities that plays a strategic role in harmonizing and balancing each of the components of the Development Trilogy is banking. The said strategic role is largely a result of the bank's primary function as a vehicle for the effective and efficient collection and distribution of the public's funds, which is founded on an economic democracy supporting the implementation of national development, in respect of improving the fair distribution of development and its results, economic growth and national stability, aimed at raising the standard of living of society as a whole.

With due attention to the strategic role of banking institutions in achieving the goals of national development, such banking institutions need constant and effective leadership and supervision, based on strong foundations for mobilizing banking institutions in Indonesia so that they are capable of functioning in an efficient, sound, and fair manner, capable of facing competition that is becoming increasingly global in nature, able to provide proper protection for the funds deposited with them by the public, and capable of channeling such public funds to productive sectors for the achievement of development targets.

In efforts to support continuity and improvement in the implementation of development, banking institutions have shown rapid development, in line with the progress of Indonesian development and international economic developments, together with increasing public demand and need for sound and reliable banking services.

With such rapidly increasing need for banking services, it is felt that the time has come for the current foundations of banking to be adjusted in order to be able to accommodate the demand for the development of banking services.

In order that progress made by banking institutions may be continually increased and give real benefits in the implementation of national development, and in order to guarantee the continuation of economic democracy, so that all the potential, initiative and creativity of the people may be mobilized and developed into a real force in raising the prosperity of society, the development and supervision of banking, together with the foundations of banking that until now have been based on the provisions of the 1967 Banking Law, must be expanded and improved. With such improvement, banking may become better prepared to play a

greater role in supporting the development process, which faces ever greater challenges from international economic development.

The said 1967 Banking Law was drafted at a time when the economic climate and conditions were far removed from those of the present. In the performance of its functions and responsibilities, national banking must always be ready to respond to the constant and rapid pace of development in both the national and international economy, accompanied by ever greater challenges, such that national banking needs:

1. to be arranged in a more efficient institutional structure with a broader basis and a clearer operational scope;
2. afforded the opportunity to broaden the extent of its services to all corners of the nation, be this commercial banking services that reach all levels of society, or rural credit banking, which provides services for the weaker economic groups/small businessmen;
3. strengthened by the necessary legal foundations for the organization of development and supervision that helps to raise the capacity of banks in performing their functions in a sound, proper and efficient manner, and also allowing Indonesian banking to carry out necessary adjustments in accord with the development in international banking standards.

Furthermore, with regard to improving Indonesian banking procedures, the following measures, among others, shall be undertaken:

1. The simplification of the various types of bank into Commercial Banks and Rural Credit Banks, and the clarification of the scope and limits of activities that may be performed;
2. The basic conditions for establishing a bank shall be set forth in detail, so that the provisions for implementation related to banking activities shall be clearer and more focused;
3. Improved protection for public funds entrusted to banking institutions through the application of prudential principles and compliance with the provisions for bank solvency;
4. Improved professionalism in the banking sector;
5. Expanded opportunities to undertake activities in the banking sector in a sound and responsible manner, while preventing the occurrence of practices that harm the interests of society as a whole.

It is intended that, through such improvement efforts, Indonesian banking will have a responsive attitude to national development, such that its role in raising the standard of society as a whole, fairer distribution of development and its results, as well as increasing economic growth and national stability, may be better realized in practice, in respect of creating a just and prosperous Indonesian society based on Pancasila and the 1945 Constitution.

## ARTICLE BY ARTICLE

### Article 1

Numbers 1 up to and including 20  
Sufficiently clear

### Article 2

What is meant by "economic democracy" is an economic democracy based on Pancasila

Article 3

Sufficiently clear

Article 4

Sufficiently clear

Article 5

Paragraph (1)

Sufficiently clear

Paragraph (2)

What is meant by "specialize in conducting certain activities" includes long-term financing activities, financing for the development of cooperatives, the development of entrepreneurs from weaker economic groups/small businessmen, the development of non-oil and gas exports, and the development of real estate.

Article 6

A Commercial Bank may conduct some or all of the business activities referred to in letter a up to and including letter n. Each bank may choose a type of business appropriate to its expertise and the business sector that is intended to be developed. In this way, the public's need for a variety of banking services can be met by the banking world without disregarding the principles of soundness and efficiency.

Letter a

Sufficiently clear

Letter b

Sufficiently clear

Letter c

A bank may issue promissory notes, whether short-term or long-term in nature. Short-term promissory notes as referred to in Article 100 up to and including Article 229 k of the Commercial Code, which are known in the money market as Money Market Securities (SPBU), are promissory notes and drafts, as well as other types that may be developed in the future. Long-term promissory notes may take the form of bonds or credit security. Business referred to here includes the purchase, sale or guarantee of commercial papers such as those mentioned in the elucidation of letter c and commercial papers issued by the government and/or Bank Indonesia.

Point 1

Sufficiently clear

Point 2

Sufficiently clear

Point 3

Sufficiently clear

Point 4

Sufficiently clear

Point 5

Sufficiently clear

Point 6

Sufficiently clear

Point 7

This provision is meant to accommodate the possibility of types of commercial papers other than those mentioned in points 1 up to and including point 6.

Letter e

Sufficiently clear

Letter f

Sufficiently clear

Letter g

This activity includes, among others, the cashing and clearing of checks.

Letter h

What is meant by "providing a place" in this provision is a banking activity that involves only the renting out of a place to store goods and commercial paper (a safe deposit box) without need for the bank to know the contents or any changes thereof.

Letter i

In conducting depository activities, the bank accepts the deposit of the depositor's assets and administers them separately from the bank's assets. Transfers of the deposited goods are conducted by the bank upon the order of the depositor.

Letter j

In this activity, the bank acts as the liaison between a client in need of funds and a client who has funds.

Letter k

The obligations of the bank in this provision are intended for the immediate liquidation of collateral purchased through auction, in order that the funds coming from the liquidation through the sale of the said collateral may be exploited by the bank as soon as possible. If there is any remaining balance from the proceeds of the auction after calculation of the customer's obligations to the bank, such shall be enjoyed by the customer.

Letter l

Factoring transactions represent the settlement of accounts receivable or short-term claims from domestic or overseas trading transactions, carried out through the takeover or purchase of such accounts receivable.

Credit card business represents the provision of credit or financing for the purchase of goods or services where the withdrawal is made by card. Technically, the credit card functions as

an account transfer facility when conducting the payment of a transaction.

Letter m

Sufficiently clear

Letter n

Other transactions usually performed by a bank in this matter are business activities other than those activities mentioned in letter a up to and including letter m, that do not contravene the prevailing laws and regulations, such as providing bank guarantees, acting as a designated bank, interest swap, assisting in the administration of clients' businesses, and so on.

Article 7

Sufficiently clear

Article 8

The provision of credit by a bank entails risk, thus in the implementation thereof, the bank must pay attention to sound credit principles. To reduce such risk, the guarantee for the extension of credit, meaning an assurance that the debtor has the capacity and is able to settle his debts as agreed, is an important factor which must be taken into consideration by the bank.

In order to obtain such assurance, before extending the credit, the bank must conduct a thorough appraisal of the disposition, capacity, capital, collateral, and business prospects of the debtor.

Considering that collateral is one of the components of the guarantee for credit extension, if assurance has been obtained on the basis of other components that the debtor is capable of repaying his debt, collateral may take only the form of goods, projects, or rights to claims financed by the credit concerned. Land, the ownership of which is based on traditional law, that is, land with proof of ownership in the form of proof of tax payment (girik), government letter (petuk), and other similar forms, may be used as collateral. A bank shall not be required to request that collateral be in the form of goods not directly connected with the object being financed, which is usually known as "additional collateral".

Article 9

Paragraph (1)

Sufficiently clear

Paragraph (2)

Sufficiently clear

Paragraph (3)

Sufficiently clear

Article 10

Letter a

Sufficiently clear

Letter b

Sufficiently clear

Letter c

The other business prohibited under letter c includes conducting activities as an underwriter.

#### Article 11

The extension of credit by a bank entails the risk of failure or hindrance in its settlement, which may influence the solvency of the bank. Considering that such credit originates from public funds deposited in the bank, the risk faced by the bank may also influence the security of these public funds. Therefore, in order to protect their solvency and improve their resilience, banks are obliged to spread their risk by organizing the channeling of credit, provision of guarantees and other facilities of a similar nature, such that it is not concentrated on a particular debtor or group of debtors.

#### Paragraph (1)

A group is a collection of individuals or entities which have equal involvement with regard to ownership matters, leadership, and/or financial relations.

#### Paragraph (2)

Bank Indonesia may stipulate the maximum limit at less than 30% (thirty percent) of a bank's capital. The definition of bank capital is stipulated by Bank Indonesia in accordance with the definition used in the appraisal of a bank's solvency. The maximum limit referred to is for each borrower or group of borrowers, including companies in the same group.

#### Paragraph (3)

Letter a

Sufficiently clear

Letter b

Sufficiently clear

Letter c

Sufficiently clear

Letter d

What is meant by "family" in this provision includes family relations up to and including the second degree according to the lineal or lateral line, including parents-in-law, sons- or daughters-in-law and brothers- or sisters-in-law.

Letter e

Sufficiently clear

Letter f

Sufficiently clear

#### Paragraph (4)

Bank Indonesia may stipulate a maximum limit of less than 10% (ten percent) of bank capital. The definition of bank capital is stipulated by Bank Indonesia in accordance with the definition used in the appraisal of a bank's solvency.

Paragraph (5)  
Sufficiently clear

#### Article 12

What is meant by "The government may assign Commercial Banks", is in respect of clarifying the provisions regarding the principles, functions, and aims of banking referred to in Chapter II, the organization of which is constantly adjusted to the demands of the expansion of national development.

What is meant by "specific economic sectors", are, among other things, programs to advance housing development, as well as the development of non-oil and gas exports.

Within the said Government Regulations, provisions are also set forth regarding the implementation of specific programs by one or a number of specified Commercial Banks.

#### Article 13

##### Letter a

The reference to "other equivalent forms" is meant to cover the possibility of a form of collection of funds from the public by a Rural Credit Bank which is similar to time deposits or savings, but not demand deposits or other deposits which may be withdrawn by check.

Letter b  
Sufficiently clear

Letter c  
Sufficiently clear

Letter d  
Sufficiently clear

#### Article 14

This prohibition is meant to adapt to the business activities of Rural Credit Banks which are primarily directed towards serving small businesses and communities in rural areas. The types of service that may be offered by Rural Credit Banks shall be adapted for such purpose.

Letter a  
Sufficiently clear

Letter b  
The prohibition referred to in this letter does not include money changing activities. To conduct money changing activities, Rural Credit Banks must comply with the provisions of Bank Indonesia.

Letter c  
Sufficiently clear

Letter d  
Sufficiently clear

Letter e

Sufficiently clear

Article 15

Sufficiently clear

Article 16

Paragraph (1)

The collection of funds from the public by any party whatsoever is an activity which must be supervised, in view of the fact that this activity concerns the interests of the public whose funds are deposited with a party that collects such funds.

In respect of the above, this paragraph confirms that a party may only collect funds from the public in the form of savings after the party concerned has obtained a business license, as either a Commercial Bank or as a Rural Credit Bank.

Nevertheless, in the community there are other types of institutions which also collect funds from the public in the form of savings or types of savings, such as the post office, pension funds, or insurance companies. The activities of such institutions are not included as banking practices, based on the provision in this paragraph. The collection of funds from the public by such institutions is governed by a separate Law together with its implementing regulations.

Paragraph (2)

Sufficiently clear

Paragraph (3)

Sufficiently clear

Paragraph (4)

What is meant by "sub-district" in this paragraph is sub-districts outside the capital of a regency, a municipality, a provincial capital or the national capital. This is meant so that Rural Credit Banks can continue to function in support of development and modernization in rural areas.

Paragraph (5)

In respect of supporting a more even increase in development, Rural Credit Banks may be founded specifically in the cities referred to in this paragraph by the local regional government, whether independently or jointly with cooperatives, state-owned banks and/or regional government banks.

Paragraph (6)

In the Government Regulations for the implementation of paragraph (3), paragraph (4), and paragraph (5), the provisions pertaining to cooperatives as set forth in the Law concerning Cooperatives, for example those regarding organizational structure, ownership, and management, must be given due attention.

Article 17

Letter a

The provision regarding the level of ownership and management by foreign parties also

includes a definition of the process of 'Indonesianization'.

With the existence of this provision, it is hoped that national banking can increasingly rest on its own strengths.

Letter b

Sufficiently clear

Letter c

The other matters necessary in respect of the drafting of such Government Regulations shall be obtained from the Monetary Council, due to the fact that functionally, the tasks of the Monetary Council pertain to the formulation of policy in the monetary sector, in accordance with prevailing Laws. Nevertheless, in the formulation of the Government Regulations concerned, input may also be requested from other government agencies.

Article 18

Paragraph (1)

Sufficiently clear

Paragraph (2)

Sufficiently clear

Paragraph (3)

Sufficiently clear

Paragraph (4)

Sufficiently clear

Article 19

Paragraph (1)

To allow for service to the weaker economic groups/small businessmen in urban areas, the Minister, after hearing the considerations of Bank Indonesia, may license a Rural Credit Bank to open a branch office in the regency capital, municipality and/or provincial capital concerned. Such a license may also be granted to Rural Credit Banks domiciled in sub-districts around the national capital to open branch offices in the national capital.

Paragraph (2)

Sufficiently clear

Paragraph (3)

To uphold the continuity of business of Rural Credit Banks, the Minister, after hearing the considerations of Bank Indonesia, shall stipulate the conditions and procedures for opening a Rural Credit Bank office, including the conditions of solvency of the bank and its readiness to open an office. Specifically for Rural Credit Banks which open offices in the national capital, a provincial capital, a regency capital, and a municipality, they must meet, in addition to the conditions on bank solvency and readiness to open an office, the other conditions such as capitalization and the provision of professional manpower.

Article 20

## Paragraph (1)

What is meant by "a bank domiciled overseas" is a bank established under foreign law and having its head office overseas. Therefore, such a bank is subject to the law of wherever the bank was established.

## Paragraph (2)

Sufficiently clear

## Paragraph (3)

Sufficiently clear

## Article 21

## Paragraph (1)

## Letter a

Sufficiently clear

## Letter b

Sufficiently clear

## Letter c

Sufficiently clear

## Letter d

Sufficiently clear

## Paragraph (2)

## Letter a

Sufficiently clear

## Letter b

Sufficiently clear

## Letter c

Sufficiently clear

## Letter d

This provision is intended to provide for an umbrella institution for the organization of banking institutions smaller than Rural Credit Banks, such as Village Banks, Paddy Banks, Rural Credit Agencies, and other institutions referred to in Article 58.

## Paragraph (3)

Sufficiently clear

## Article 22

## Letter a

In the event that the founder of a bank is a legal entity, then the legal entity concerned must be wholly-owned by Indonesian citizens. The definition of Indonesian legal entities includes, among other things, state-owned enterprises, regionally-owned enterprises, cooperatives

Letter b  
Sufficiently clear

Article 23

In the event that a Rural Credit Bank is owned by an Indonesian legal entity, then all owners of such Indonesian legal entity must be Indonesian citizens.

Article 24

Sufficiently clear

Article 25

The intention of bank shares being in the form of registered shares is so that changes in the ownership of the bank shares may be known.

Article 26

Paragraph (1)  
Sufficiently clear

Paragraph (2)  
Sufficiently clear

Paragraph (3)  
What is meant by "majority" is no less than 51% (fifty-one percent) of the total of all shares sold via the stock exchange.

Paragraph (4)  
What is meant by "majority share ownership by the state" is no less than 51% (fifty-one percent) of paid-up capital.

Paragraph (5)  
Sufficiently clear

Article 27

Letter a  
Sufficiently clear

Letter b  
Sufficiently clear

Article 28

Paragraph (1)  
A merger is the joining of two or more banks, where the status of one of the banks is maintained and the other banks are liquidated. A consolidation is the joining of two or more banks, with a new bank being established and the existing banks being liquidated. An

acquisition is the takeover of a bank's ownership.

In the case of state-owned commercial banks, a merger or consolidation may only take place between state-owned commercial banks. Thus, private ownership of state-owned commercial bank shares may only take place via the stock exchange.

In implementing mergers, consolidations and acquisitions, the emergence of a concentration of economic strength in the hands of one group in the form of a monopoly that is detrimental to the public, must be avoided.

In the same way, any mergers, consolidations or acquisitions that take place may not harm the interests of the customers.

Paragraph (2)

Sufficiently clear

Article 29

Paragraph (1), paragraph (2), paragraph (3), and paragraph (4)

In view of the fact that banks work primarily with funds from the public which are deposited with the banks on the basis of trust, each bank needs to continuously maintain its soundness and protect the public's trust in it. At the same time, Bank Indonesia shall be given the authority and obligation to guide and conduct supervision of banks by taking measures, both of a preventative nature, in the form of provisions, guidelines, advice, leadership and direction, and of a repressive nature, in the form of audits followed by corrective action.

Paragraph (5)

The information to be made available to clients referred to includes information regarding the level of risk from activities that are the objective of the use or placement of funds. If this information has been made available the bank is considered to have implemented this provision. Such information must be provided by the bank, in cases where the bank acts as the agent in conducting the placement of clients' funds or the purchase/sale of commercial papers on behalf of and on the orders of its clients.

Article 30

Paragraph (1) and paragraph (2)

The obligation to submit information and explanations relating to the business activities of a bank to Bank Indonesia is necessary in view of the fact that such information is needed to monitor the condition of a bank. Monitoring the condition of a bank must be done in respect of protecting public funds and preserving the existence of banking institutions.

Public trust in banking institutions can be cultivated only if the banking institutions constantly maintain a sound condition in the conduct of their business. Therefore, in respect of ascertaining the truth of statements submitted by banks, Bank Indonesia shall be given the authority to audit the books and documents held by the bank.

Paragraph (3)

Sufficiently clear

Article 31

Paragraph (1)

Sufficiently clear

Paragraph (2)  
Sufficiently clear

#### Article 32

A request from the Minister that Bank Indonesia conduct a special audit of a bank, or a request for a report on the results of the bank audit, shall be made wherever there are signs that, in the view of the Minister, threaten the bank's soundness and daily operations as well as the public interest and the continuation of national development.

#### Article 33

Paragraph (1)  
Sufficiently clear

Paragraph (2)  
What is meant by "the conditions and procedures for the audit" includes the type of audit, the auditing procedures, the scope of the audit, reporting, and further action to be taken as a result of the audit with regard to development and supervision.

#### Article 34

Paragraph (1)  
Sufficiently clear

Paragraph (2)  
Sufficiently clear

Paragraph (1)  
Sufficiently clear

#### Article 35

Sufficiently clear

#### Article 36

This exception may be made with regard to the capacity of the Rural Credit Bank concerned.

#### Article 37

Paragraph (1)  
Sufficiently clear

Paragraph (2)  
This paragraph stipulates actions that may be taken by Bank Indonesia against banks experiencing difficulties that threaten their business operations, prior to the revocation of a business license and/or liquidation. Such actions are to be taken in respect of retaining/restoring the bank as an institution of public trust.

Paragraph (3)

Sufficiently clear

Paragraph (4)

Sufficiently clear

Paragraph (5)

Sufficiently clear

Article 38

Paragraph (1)

The provisions in this Article shall also apply in the case of appointments or changes of management officials at the level of the board of directors and members of the board of commissioners, for banks in the legal form of cooperatives.

Paragraph (2)

Sufficiently clear

Article 39

Paragraph (1)

The employment of foreign staff by a bank is allowed in accordance with the needs of the bank concerned.

In the case of Rural Credit Banks and Commercial Banks, such foreign workers shall be temporary and limited to specialists, advisors and consultants, in accordance with the needs of the bank concerned. In the case of joint venture banks and branches of banks domiciled overseas, such foreign workers shall be consistent with the nature of the foreign ownership. Nevertheless, the employment of foreign workers in joint venture banks and branches of banks domiciled overseas must be in accordance with the program of Indonesianization.

Paragraph (2)

What is stipulated in the said Government Regulation concerns among other things the conditions that clarify the provision in paragraph (1), such as the type of work or expertise that still requires foreign staff and the period for their employment, in accordance with prevailing manpower laws and regulations.

Article 40

Paragraph (1)

In this regard, that which customarily must be kept confidential by the bank is all data and information concerning all matters in connection with financial and other matters relating to people or entities that are known to the bank because of their business activities.

Such secrecy is necessary in the interests of the bank itself, which needs the trust of the public that deposits its funds with the bank. The public will only entrust their funds to a bank or make use of the bank's services if there is a guarantee from the bank that its knowledge concerning the savings and financial condition of the customers will not be misused. The said provision confirms that banks must firmly uphold bank secrecy. Nevertheless, the provision of data and information to other parties may be allowed on the basis of Article 41, Article 42, Article 43, and Article 44.

## Paragraph (2)

Sufficiently clear

## Article 41

## Paragraph (1)

Sufficiently clear

## Paragraph (2)

Sufficiently clear

## Article 42

## Paragraph (1)

In the interests of justice in a criminal case, at the request of the Chief of Police of the Republic of Indonesia, the Attorney General, or the Chairman of the Supreme Court, the Minister may issue written permission to obtain information from banks regarding the financial condition of clients who are suspected/accused. The word "may" is meant to stress that the permission of the Minister will be given provided that the administrative conditions/procedures for giving permission are met by the party requesting permission, such as the name, rank, NRP/NIP and position of the police officer, prosecutor or judge, the reason for the investigation, the official authorized to submit the request to the Minister, the name of the client who is suspected/accused, as well as the reasons the information is needed in connection with the criminal case concerned.

## Paragraph (2)

Sufficiently clear

## Paragraph (3)

Sufficiently clear

## Article 43

In the case of a civil case between a bank and its client(s) as referred to in this Article, the bank may provide information regarding the financial condition of a client in the case, along with other information connected with the said case, without permission from the Minister.

## Article 44

## Paragraph (1)

The exchange of information between banks is intended to expedite and safeguard the bank's business activities, in order to, among other things, avoid concurrent credit and be aware of the condition and status of another bank. A bank may thus appraise the level of risk faced prior to conducting a transaction with a client or with another bank.

## Paragraph (2)

The provisions which are to be stipulated further by Bank Indonesia shall govern, among others things, the procedure for submitting and requesting information as well as the specific forms and types of information which may be exchanged, such as broad indications of the credit received by the client, collateral, and the inclusion or otherwise of the debtors concerned on the list of bad debts.

---

Article 45

If a request for correction by a party which feels disadvantaged by the information provided by a bank is not fulfilled by the bank, then this problem may be taken to the authorized Court by the party concerned.

## Article 46

Paragraph (1)  
Sufficiently clear

Paragraph (2)  
Sufficiently clear

## Article 47

Paragraph (1)  
Sufficiently clear

Paragraph (2)  
What is meant by "bank employees" are all officials and employees of a bank.

## Article 48

Paragraph (1)  
What is meant by "bank employees" are the bank officials with the authority and responsibility for conducting the bank's operational tasks, and employees with access to information regarding the condition of the bank.

Paragraph (2)  
Sufficiently clear

## Article 49

Paragraph (1)  
What is meant by "bank employees" are all officials and employees of a bank.

Paragraph (2)  
Letter a  
What is meant by "bank employees" are all officials and employees of a bank.

Letter b  
What is meant by "bank employees" are the bank officials with authority and responsibility regarding matters connected with the business of the bank concerned.

## Article 50

Sufficiently clear

## Article 51

Paragraph (1)

Acts referred to in the articles mentioned in this paragraph are categorized as felonies, meaning that such acts shall be subject to the threat of heavier punishment than if they are only deemed to be violations. In this matter, considering that banks are institutions which keep the funds that are entrusted to them by the public, acts that damage the public's trust in the Bank, which will also harm the interests of both bank and public, must always be avoided.

By categorizing such acts as felonies, it is expected that there will be greater compliance with regard to the provisions in this Law.

Concerning felonies committed by members of the board of commissioners, board of directors or Rural Credit Bank employees, the provisions regarding criminal sanctions in Chapter VIII shall apply, in view of the fact that the nature of such criminal threat applies in general. In the determination of the maximum punishment for crimes committed, the degree of the sentence may be considered by taking into account, among other things, the damage caused.

Paragraph (2)  
Sufficiently clear

#### Article 52

The administrative sanctions in this article take the form of:

- a. fines, which are obligations to pay a specific sum of money as a consequence of non-compliance with the provisions in this Law;
- b. the issue of a written warning;
- c. a downgrading of the solvency of a bank;
- d. prohibition on participation in clearing;
- e. the suspension of business activities, whether total or for a number of branches;
- f. the revocation of a business license.

The further implementation of administrative sanctions shall be regulated by Bank Indonesia. Specifically with regard to letter e and letter f, these shall be implemented in accordance with provisions in the prevailing laws and regulations.

#### Article 53

The administrative sanctions in this article take the form of:

- a. fines, which are obligations to pay a specific sum of money as a consequence of non-compliance with the provisions in this Law;
- b. the issue of a written warning;
- c. a prohibition on carrying out their functions as directors or commissioner of the bank;
- d. a prohibition on the provision of their services to banking;
- e. the submission of a proposal to authorized agencies to revoke or cancel the business license as a provider of services to banks (for example for consultants, legal consultants, public accountants, appraisers).

#### Article 54

Paragraph (1)  
Sufficiently clear

## Paragraph (2)

Sufficiently clear

## Paragraph (3)

The conversion of the legal entity of state-owned banks as set forth in this Article is to be done based on Law Number 9 Year 1969 jo. Government Regulation Number 12 Year 1969. Thus, after the conversion of the legal entity of the said state-owned banks is concluded, the said Law regarding the establishment of banks shall be declared null and void.

Thus Law Number 13 Year 1962 shall also be null and void from 1 (one) year after this Law takes effect.

## Article 55

## Paragraph (1)

Sufficiently clear

## Paragraph (2)

Sufficiently clear

## Paragraph (3)

Sufficiently clear

## Article 56

This provision is meant to allow banks to comply with the provision on the legal lending limit based on this Law in phases, so that it does not create serious difficulties for banking in complying with the said provision, considering that under currently prevailing provisions the legal lending limit is higher than the provision referred to in Article 11 paragraph (2) and paragraph (4).

## Article 57

Adapting the business of Non-Bank Financial Institutions to that of banks based on this Law may be done within a period of not more than 1 (one) year from when this Law takes effect. Meanwhile, adapting the business of Non-Bank Financial Institutions to that of securities companies shall be based on the provisions in the capital market sector.

## Article 58

Considering that the institutions referred to in this Article have grown and developed out of the environment of Indonesian society, and that they are still needed by the public, the existence of the said institutions is accepted. Therefore, this Law clarifies the status of such institutions. Furthermore, to guarantee unity and uniformity in their establishment and supervision, the conditions and procedures for granting the said institutions the status of Rural Credit Banks shall be stipulated in Government Regulations.

## Article 59

This provision is intended to prevent a legal hiatus, and to accommodate the regulation of problems that arise until a new regulation is issued.

Article 60

Sufficiently clear

Article 61

Sufficiently clear.

-----

NOTE

SOURCE: STATE GAZETTE AND SUPPLEMENT TO STATE GAZETTE YEAR 1992