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By: PRESIDENT OF THE REPUBLIC OF INDONESIA
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Reference: LN 2016/70; TLN NO 5872
Title: PREVENTION AND MANAGEMENT OF FINANCIAL SYSTEM CRISIS

BY THE GRACE OF THE ALMIGHTY GOD

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

- a. whereas to realize the welfare of Indonesian people based on Pancasila and the 1945 Constitution of the Republic of Indonesia and to support the national economy through the implementation of economic democracy with the principles of togetherness, efficiency, equity, sustainability, environmental-oriented, autonomy, as well as maintaining the balance of progress and national economy unity, it is necessary to have strong financial system stability;
- b. whereas to realize a strong financial system stability for facing any threats, whether domestic or overseas, it is necessary to make efforts on prevention and management of financial system crisis;
- c. whereas based on the considerations as referred to in letter a and letter b, it is necessary to draft Law regarding Prevention and Management of Financial System Crisis;

In view of: Article 5 paragraph (1) and Article 20 of the 1945 Constitution of the Republic of Indonesia;

With a Joint Approval of
HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA
and
PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To stipulate: LAW REGARDING PREVENTION AND MANAGEMENT OF FINANCIAL SYSTEM CRISIS.

CHAPTER I
GENERAL PROVISION

Article 1

In this Law, referred to as:

1. Financial System shall be system that consists of financial service institution, financial market, and financial infrastructure, including payment system, which interacts with each other in facilitating the collection of public funds and their allocation to support the national economic activities.
2. Financial system stability shall be a condition in Financial System that is functioning effectively and efficiently as well as able to survive the fluctuations from domestic and overseas.
3. Financial System Crisis shall be a condition of Financial System in which it fails to implement its function and role effectively and efficiently, as shown by the worsening of multiple economic and financial indicators.
4. Bank shall be bank as referred to in Law regarding banking and Law regarding sharia banking.
5. Systemic Bank shall be a Bank which due to the size of its assets, capital, and liabilities; extensive network or complexity of transactions upon banking services; as well as linkage with other financial sector may cause failure in part or in whole, of other Banks or financial service sector entirely, whether operationally as well as financially, if such Bank suffers any interferences or failures.
6. Sovereign Securities shall be government securities as referred to in Law regarding government securities and government sharia securities as referred to in Law regarding government sharia securities.
7. Intermediary Bank shall be a commercial bank that is established by the Indonesian Deposit Insurance Corporation to be used as means for resolution by receiving transfer in part or in whole of the assets and/or liabilities of the Bank under the management of the Indonesian Deposit Insurance Corporation, and further engages in business activities in banking, and which ownership will be transferred to another party.
8. Bank Restructuring Program shall be a program implemented to handle banking issues that may jeopardize the national economy.
9. Bank Indonesia shall be the central bank of the Republic of Indonesia as referred to in the 1945 Constitution of the Republic of Indonesia.
10. Financial Service Authority shall be the Financial Service Authority as referred to in Law regarding Financial Service Authority.
11. Indonesian Deposit Insurance Corporation shall be the Indonesian Deposit Insurance Corporation as referred to in Law regarding Indonesian Deposit Insurance Corporation.
12. Central Government, hereinafter referred to as the Government, shall be the President of the Republic of Indonesia who holds the administrative power of the Republic of Indonesia and is assisted by the Vice President and ministers as referred to in the 1945 Constitution of the Republic of Indonesia.

13. Minister of Finance shall be the minister that organizes governmental affairs in the financial sector.

Article 2

Prevention and management of Financial System Crisis shall be organized based on the principles as follows:

- a. national interests;
- b. benefit;
- c. equity;
- d. cohesion;
- e. effectiveness;
- f. efficiency; and
- g. legal certainty.

Article 3

- (1) Prevention and management of Financial System Crisis shall include:
 - a. coordination of monitoring and maintenance of Financial System Stability;
 - b. management of Financial System Crisis; and
 - c. management of issues of Systemic Bank, whether in normal condition of Financial System Stability or condition of Financial System Crisis.
- (2) Coordination in the monitoring and maintenance of Financial system stability as referred to in paragraph (1) letter a shall include the following sectors:
 - a. fiscal;
 - b. monetary;
 - c. macroprudential and microprudential of financial services;
 - d. financial market;
 - e. financial infrastructure, including payment system and deposit guarantee; and
 - f. Bank resolution.
- (3) Management of Financial System Crisis as referred to in paragraph (1) letter b shall cover management of all sectors as referred to in paragraph (2).
- (4) Management of issues of Systemic Bank as referred to in paragraph (1) letter c shall include management of issues on liquidity and solvability of Systemic Bank.

CHAPTER II
COMMITTEE FOR FINANCIAL SYSTEM STABILITY

Part One
Establishment

Article 4

- (1) Committee for Financial System Stability shall be hereby established.
- (2) Committee for Financial System Stability as referred to in paragraph (1) shall organize prevention and management of Financial System Crisis for state interests and defense in economic sector.
- (3) Committee for Financial System Stability as referred to in paragraph (1) shall have the following members:
 - a. Minister of Finance as coordinator and concurrently as member with voting right;
 - b. Governor of Bank Indonesia as member with voting right;
 - c. Chairperson of the Board of Commissioners of Financial Service Authority as member with voting right; and
 - d. Chairperson of the Board of Commissioners of Indonesian Deposit Insurance Corporation as member without voting right.
- (4) Each member of the Committee for Financial System Stability as referred to in paragraph (3) shall act for and in the name of institution that he/she is leading in accordance with the provisions of laws and regulations.

Part Two
Duties and Authorities

Article 5

Committee for Financial System Stability shall have the following duties:

- a. to carry out coordination in the framework of monitoring and maintenance of Financial System Stability;
- b. to carry out management of Financial System Crisis; and
- c. to carry out management of issues of Systemic Bank, whether in normal condition of Financial System Stability or condition of Financial System Crisis.

Article 6

Committee for Financial System Stability shall have the authorities as follows:

- a. to determine decision regarding the management of Committee for Financial System Stability and secretariat of Committee for Financial System Stability;

- b. to establish task force or workgroup to assist the implementation of duties of Committee for Financial System Stability;
- c. to determine the criteria and indicator for the assessment of condition of Financial System Stability;
- d. to carry out assessment of the condition of Financial System Stability based on input from every member of the Committee for Financial System Stability, along with the supporting data and information;
- e. to determine coordination measures to prevent Financial System Crisis by taking into account recommendations from each member of Committee for Financial System Stability;
- f. to make recommendation to the President as to decision to change the status of Financial System Stability, from normal condition into the condition of Financial System Crisis or from the condition of Financial System Crisis into normal condition;
- g. to make recommendation to the President as to decision on measures on management of Financial System Crisis;
- h. to handover the management of solvability issues of Systemic Bank to Indonesian Deposit Insurance Corporation;
- i. to determine measures that a member of Committee for Financial System Stability must take to support the implementation of management of issues of Systemic Bank by the Indonesian Deposit Insurance Corporation;
- j. to determine the decision on purchase by Bank Indonesia of Sovereign Securities owned by the Indonesian Deposit Insurance Corporation for the Bank's management; and
- k. to make recommendation to the President on decision as to the organization and termination of Bank Restructuring Program.

Part Three Secretariat

Article 7

- (1) In performing the duties as referred to in Article 5 and authorities as referred to in Article 6, Committee for Financial System Stability shall be assisted by the secretariat of Committee for Financial System Stability that is led by the secretary of Committee for Financial System Stability.
- (2) Budget of the secretariat of Committee for Financial System Stability shall be derived from the State Revenues and Expenditures Budget.
- (3) Secretariat of Committee for Financial System Stability may convene meeting that is attended by officials of the Ministry of Finance, Bank Indonesia, Financial Service Authority, and Indonesian Deposit Insurance Corporation to prepare the implementation of meeting of Committee for Financial System Stability.

- (4) Organization and work mechanisms of secretariat of Committee for Financial System Stability shall be set forth by the Minister of Finance in accordance with the provisions of laws and regulations.

Part Four
Meeting and Procedures for Decision Making

Article 8

- (1) Committee for Financial System Stability shall convene periodic or on call meeting.
- (2) Periodic meeting as referred to in paragraph (1) shall be organized 1 (one) time every 3 (three) months.
- (3) On call meeting as referred to in paragraph (1) shall be organized based on request of member of Committee for Financial System Stability.

Article 9

- (1) Meeting of Committee for Financial System Stability must be attended by all members of Committee for Financial System Stability.
- (2) Meeting of Committee for Financial System Stability shall be led by the coordinator of Committee for Financial System Stability.
- (3) In the event that member of Committee for Financial System Stability is physically absent at the time and venue of meeting that has been determined, meeting of Committee for Financial System Stability may be organized through electronic communication facility that would allow the members of Committee for Financial System Stability to see each other and/or hear directly as well as participate in the meeting.
- (4) In the event that coordinator and/or member of Committee for Financial System Stability is permanently absent, the relevant coordinator and/or member of Committee for Financial System Stability shall be represented by a substitute official in accordance with the provisions of laws and regulations.
- (5) In the event that meeting of Committee for Financial System Stability is not attended by all members, whether physically or through electronic communication facility as referred to in paragraph (3) or by the substitute official as referred to in paragraph (4), the meeting shall be rescheduled.
- (6) In the event that the meeting as referred to in paragraph (5) is an on call meeting based on the request of member(s), rescheduling shall be carried out by no later than for 1x24 (one times twenty four) hours.
- (7) Meeting resulted from rescheduling as referred to in paragraph (5) and paragraph (6) shall be organized with the attendance of at least 2 (two) members with voting right and able to make decision.
- (8) Implementation of meeting of Committee for Financial System Stability must be fully documented starting from the beginning up to the end of meeting.

Article 10

- (1) Decision making of Committee for Financial system stability shall be carried out in the meeting of Committee for Financial System Stability.
- (2) Decision making as referred to in paragraph (1) shall be carried out by the Minister of Finance, Governor of Bank Indonesia, and Chairperson of the Board of Commissioners of Financial Service Authority.
- (3) Chairperson of the Board of Commissioners of Indonesian Deposit Insurance Corporation shall be entitled to convey opinion in the meeting of Committee for Financial System Stability, but has no right to vote in the decision making.

Article 11

- (1) Decision making as referred to in Article 10 paragraph (1) shall be carried out based on deliberation to reach consensus.
- (2) In the event that no consensus is reached, proposed decision submitted by member of Committee for Financial System Stability shall be declared rejected and final opinion of each member of Committee for Financial System Stability shall be documented.
- (3) Proposed decision that is declared rejected as referred to in paragraph (2) may be resubmitted in the meeting of Committee for Financial System Stability by no later than 1x24 (one times twenty four) hours.
- (4) In the event that meeting of Committee for Financial System Stability as referred to in paragraph (3) does not reach consensus, decision making shall be carried out based on majority votes.
- (5) Every decision of meeting of Committee for Financial System Stability shall be signed by all members of Committee for Financial System Stability as referred to in Article 4 paragraph (3).
- (6) Member of Committee for Financial System Stability that is not present in the meeting shall be considered to approve the decision made at the meeting without having to sign the meeting decision.

Part Five Exchange of Data and Information

Article 12

- (1) Member of Committee for Financial System Stability shall exchange of data and information as necessary among members in the framework of prevention and management of Financial System Crisis.
- (2) Exchange of data and information as referred to in paragraph (1) shall be exempted from the provision on confidentiality as set forth in laws and regulations.

Part Six Code of Ethics

Article 13

Committee for Financial System Stability shall determine and uphold the code of ethics of Committee for Financial system stability.

Part Seven
Accountability and Reporting

Article 14

- (1) Committee for Financial System Stability shall publish and provide the public access to information regarding decision of Committee for Financial System Stability.
- (2) Committee for Financial System Stability shall publish the implementation of duties and authorities as mandated by this Law.
- (3) Committee for Financial System Stability shall determine:
 - a. type of information that is confidential;
 - b. type of information that is not confidential; and
 - c. procedures for accessing information by the public,in accordance with the provisions of laws and regulations.
- (4) In the event that information is determined as type of information that is confidential as referred to in paragraph (3) letter a, every person who knows the information, whether due to their status, profession, as well as any relationship with the Committee for Financial System Stability shall be prohibited to use or disclose the relevant information to other party, unless for the implementation of functions, duties, and authorities, or mandatory by the Law.

Article 15

Committee for Financial System Stability shall report to the President regarding:

- a. condition of Financial System Stability every 3 (three) months;
- b. management of Financial System Crisis;
- c. management of issues on Systemic Bank; and/or
- d. implementation of Bank Restructuring Program by the Indonesian Deposit Insurance Corporation.

CHAPTER III
PREVENTION OF FINANCIAL SYSTEM CRISIS

Part One
General

Article 16

- (1) Member of Committee for Financial System Stability shall carry out monitoring and maintenance of Financial System Stability in accordance with the duties and authorities of each member to prevent the occurrence of Financial System Crisis.
- (2) Monitoring and maintenance of Financial System Stability by member of Committee for Financial System Stability shall be carried out based on Law and in accordance with the crisis management protocol of each member.
- (3) Member of Committee for Financial System Stability shall submit the result of monitoring and maintenance as referred to in paragraph (2) in the meeting of Committee for Financial System Stability.
- (4) Meeting of Committee for Financial System Stability as referred to in paragraph (3) shall formulate recommendation on policy that must be implemented by every member of Committee for Financial System Stability in accordance with the respective duties and authorities.

Part Two Systemic Bank

Article 17

- (1) To prevent Financial System Crisis in the banking sector, the Financial Service Authority shall coordinate with Bank Indonesia to determine Systemic Bank.
- (2) Determination of Systemic Bank as referred to in paragraph (1) for the first time shall be carried out in normal condition of Financial System Stability.
- (3) Financial Service Authority shall coordinate with Bank Indonesia to update the list of Systemic Bank periodically 1 (one) time in 6 (six) months.
- (4) Financial Service Authority shall deliver the result of determination and update of list of Systemic Bank as referred to in paragraph (2) and paragraph (3) to the Committee for Financial System Stability.

Article 18

- (1) Systemic Bank as referred to in Article 17 shall be obliged:
 - a. to comply with specific provisions regarding capital adequacy ratio and liquidity adequacy ratio; and
 - b. to prepare recovery plan for approval by the Financial Service Authority.
- (2) Recovery plan as referred to in paragraph (1) letter b shall include at least the obligation of controlling shareholders and/or other party to increase the capital of Bank and to change the type of particular debt into the Bank's capital.
- (3) Financial Service Authority shall have the authority to determine additional capital capacity for Systemic Bank that is used to absorb losses when the Bank suffers financial problems.
- (4) Provisions regarding capital adequacy ratio, liquidity adequacy ratio, and recovery plan as referred to in paragraph (1) and paragraph (2) as well as

additional capital capacity of Systemic Bank as referred to in paragraph (3) shall be set forth in a Regulation of Financial Service Authority.

Article 19

- (1) In the event that the Systemic Bank as referred to in Article 17 suffers financial difficulties, it shall apply the recovery plan as referred to in Article 18 paragraph (1) letter b and paragraph (2) that has been approved by the Financial Service Authority.
- (2) In the event that the recovery plan as referred to in Article 18 paragraph (1) letter b and paragraph (2) has not been approved by the Financial Service Authority, the Systemic Bank shall apply the restructuring steps as set forth by the Financial Service Authority.
- (3) Financial Service Authority shall ensure the implementation of recovery plan or restructuring steps by the Bank by issuing written instruction, placing statutory manager, and/or through other mechanism based on Law regarding Financial Service Authority.
- (4) Provisions regarding recovery plan and restructuring steps as referred to in paragraph (1), paragraph (2), and paragraph (3) shall be set forth in a Regulation of Financial Service Authority.

Part Three Management of Liquidity Issues of Systemic Bank

Article 20

- (1) Systemic Bank that suffers liquidity difficulty may submit an application to Bank Indonesia to obtain short-term liquidity loan or short-term liquidity financing based on sharia principles.
- (2) In granting short-term liquidity loan or short-term liquidity financing based on sharia principles as referred to in paragraph (1):
 - a. Financial Service Authority shall carry out assessment of fulfillment of requirements on solvability and soundness level of Systemic Bank; and
 - b. Bank Indonesia together with Financial Service Authority shall carry out assessment of the fulfillment of requirements on collateral and estimated capability of Systemic Bank to return the short-term liquidity loan or short-term liquidity financing based on sharia principles.
- (3) The granting of short-term liquidity loan or short-term liquidity financing based on sharia principles must be guaranteed by high quality collateral in the form of high rank and liquid securities.
- (4) In the event that the Systemic Bank does not have securities collateral as referred to in paragraph (3) in sufficient volume, it may use credit asset with current collectability as collateral for short-term liquidity loan or short-term liquidity financing based on sharia principles.

- (5) Based on the result of assessment as referred to in paragraph (2), Bank Indonesia shall decide the granting of short-term liquidity loan or short-term liquidity financing based on sharia principles.
- (6) The granting of short-term liquidity loan or short-term liquidity financing based on sharia principles as referred to in paragraph (5) shall be carried out based on this Law and Law regarding Bank Indonesia.
- (7) Financial Service Authority shall coordinate with Bank Indonesia in monitoring the Systemic Bank that receives short-term liquidity loan or short-term liquidity financing based on sharia principles as referred to in paragraph (5) to ensure the use and implementation of repayment plan in accordance with agreement.

Part Four Management of Solvability Issues of Systemic Bank

Article 21

- (1) In the event that a Systemic Bank experiences solvability issues, Financial Service Authority shall based on its authorities carry out management of solvability issues, including ensuring the implementation of recovery plan of Systemic Bank.
- (2) Financial Service Authority shall notify the Indonesian Deposit Insurance Corporation to carry out preparation of management of solvability issues of Systemic Bank as referred to in paragraph (1).
- (3) In the event that the condition of Systemic Bank as referred to in paragraph (1) is worsening and determined as Bank under special surveillance, the Financial Service Authority shall request the Indonesian Deposit Insurance Corporation to improve the intensity of preparation of management of Systemic Bank.
- (4) In increasing the intensity of preparation of management of Systemic Bank as referred to in paragraph (3), the Financial Service Authority shall, in coordination with the Indonesian Deposit Insurance Corporation:
 - a. request the Bank management to maintain its financial condition so as to avoid material decrease of assets and/or increase of liabilities of Systemic Bank;
 - b. request the Bank management to support the implementation of transfer of assets and liabilities of Systemic Bank; and/or
 - c. facilitate the Indonesian Deposit Insurance Corporation in carrying out marketing of assets and/or liabilities of Systemic Bank and facilitate prospective receiving Bank to carry out due diligence in the event of transfer of assets and/or liabilities of Systemic Bank.
- (5) In the event that management as referred to in paragraph (1) up to paragraph (4) is not able to overcome the solvability issues of Systemic Bank, the Financial Service Authority shall request the organization of meeting of Committee for Financial System Stability along with recommendation of steps on management of issues of Systemic Bank.

- (6) Meeting of Committee for Financial System Stability as referred to in paragraph (5) shall be organized to determine the steps on management of solvability issues of Systemic Bank.
- (7) Steps on management of solvability issues of Systemic Bank as referred to in paragraph (6) shall be carried out by:
 - a. deciding the handover of Systemic Bank to Indonesian Deposit Insurance Corporation for management based on this Law and Law regarding Indonesian Deposit Insurance Corporation; and
 - b. determining steps that must be taken by the Minister of Finance, Governor of Bank Indonesia, and Chairperson of the Board of Commissioners of Financial Service Authority in accordance with their respective authorities to support the implementation of management of Systemic Bank by the Indonesian Deposit Insurance Corporation.
- (8) Provisions regarding management of solvability issues of Systemic Bank as referred to in paragraph (1) and preparation of management of Systemic Bank as referred to in paragraph (2) shall be set forth in a Regulation of Financial Service Authority.

Article 22

- (1) Management of solvability issues of Systemic Bank by the Indonesian Deposit Insurance Corporation shall be carried out by way of:
 - a. transferring in part or in whole the assets and/or liabilities of Systemic Bank to the receiving Bank;
 - b. transferring in part or in whole the assets and/or liabilities of Systemic Bank to Intermediary Bank; or
 - c. carrying out management of Bank in accordance with Law regarding Indonesian Deposit Insurance Corporation.
- (2) Provisions regarding selection of methods of management of solvability issues of Systemic Bank and procedures on management of solvability issues of Systemic Bank as referred to in paragraph (1) shall be set forth in a Regulation of Indonesian Deposit Insurance Corporation.

Article 23

In the transfer of part or all assets and/or liabilities of Systemic Bank to the receiving Bank as referred to in Article 22 paragraph (1) letter a or to an Intermediary Bank as referred to in Article 22 paragraph (1) letter b, Indonesian Deposit Insurance Corporation shall have the authorities as follows:

- a. to determine the type and criteria of the transferred assets and liabilities of Systemic Bank;
- b. to transfer the liabilities of Systemic Bank in accordance with the criteria as referred to in letter a to the receiving Bank or Intermediary Bank that is followed by transfer of part or all assets of Systemic Bank without the approval of creditor, debtor, and/or other party;

- c. to make payment to the receiving Bank or Intermediary Bank for deficit between the value of transferred assets and value of transferred liabilities of Systemic Bank; and
- d. to carry out other authorities as set forth in Law regarding Indonesian Deposit Insurance Corporation.

Article 24

- (1) Transfer in part or in whole of the entire assets and/or liabilities of Systemic Bank by the Indonesian Deposit Insurance Corporation to the receiving Bank and/or Intermediary Bank, shall occur by operation of law as from the signing of deed of transfer.
- (2) Transfer by operation of law as referred to in paragraph (1) shall be also valid for licenses to carry out particular activities owned by Systemic Bank to the Intermediary Bank.
- (3) Transfer of licenses as referred to in paragraph (2) must be followed by the adjustment process in accordance with the provisions of laws and regulations.
- (4) After the transfer in part or in whole of the assets and/or liabilities of Systemic Bank to the receiving Bank and/or Intermediary Bank occurs, the Indonesian Deposit Insurance Corporation shall request the Financial Service Authority to revoke the business permit of the Bank which part or all of its assets and/or liabilities have been transferred.
- (5) Indonesian Deposit Insurance Corporation shall carry out liquidation process to the Bank which business license has been revoked by the Financial Service Authority as referred to in paragraph (4) in accordance with Law regarding Indonesian Deposit Insurance Corporation.

Article 25

- (1) Indonesian Deposit Insurance Corporation shall establish an Intermediary Bank as referred to in Article 22 paragraph (1) letter b to receive the transfer in part or in whole of assets and/or liabilities of Systemic Bank and carry out business activities of the Bank.
- (2) In the establishment of Intermediary Bank by the Indonesian Deposit Insurance Corporation as referred to in paragraph (1), provision that requires a limited liability company to be established by 2 (two) persons or more as referred to in Law regarding limited liability company shall not apply.
- (3) Financial Service Authority shall grant permit to the Intermediary Bank as referred to in paragraph (1) in 2 (two) steps:
 - a. principal approval to carry out preparation of establishment of Bank; and
 - b. business permit to carry out business activities of Bank after the preparation as referred to in letter a is completed.
- (4) Principal approval as referred to in paragraph (3) letter a shall be given after the requirements below are met:

- a. articles of association that include at least business activities as Bank;
 - b. paid-up capital as set forth in Law regarding limited liability company; and
 - c. organizational structure and human resources, guidelines for risk management, good governance, work procedures, business plan, balance sheet and profit and loss projection, as well as monthly cash flow statement.
- (5) Business permit as referred to in paragraph (3) letter b shall be given after the requirements below are met:
- a. minimum capital adequacy of commercial bank;
 - b. structure of the board of directors and board of commissioners; and
 - c. recovery plan including method and schedule of transfer, fulfillment and management of human resources, as well as migration of infrastructure of Intermediary Bank.
- (6) Fit and proper test for members of the board of commissioners and board of directors of Intermediary Bank shall be carried out by the Financial Service Authority based on the provisions on fit and proper test drawn up by the Financial Service Authority for members of the board of commissioners and board of directors of Intermediary Bank.
- (7) In implementing its business activities, the Intermediary Bank must:
- a. submit to the Financial Service Authority periodic report and other documents mandatory for commercial bank; and
 - b. meet the requirements related to prudential principle and indicator of soundness level of commercial bank.

Article 26

- (1) Indonesian Deposit Insurance Corporation must immediately sell the Intermediary Bank or transfer all assets and liabilities of Intermediary Bank to Bank or other party.
- (2) Sale of Intermediary Bank to other party or transfer of all assets and liabilities of Intermediary Bank to other Bank shall be carried out based on fair value, openly, and transparently.

Article 27

- (1) Fund for the handling of solvability issues of Systemic Bank as referred to in Article 22 shall be derived from the assets of Indonesian Deposit Insurance Corporation.
- (2) To handle solvability issues of Systemic Bank as referred to in paragraph (1), Indonesian Deposit Insurance Corporation shall:

- a. sell its Sovereign Securities through the market, to Bank Indonesia and/or other party; and/or
 - b. obtain loan from other party.
- (3) Sale of Sovereign Securities by the Indonesian Deposit Insurance Corporation to Bank Indonesia as referred to in paragraph (2) letter a shall be decided by the Committee for Financial System Stability.
 - (4) Based on decision of the Committee for Financial System Stability as referred to in paragraph (3), Bank Indonesia shall purchase the Sovereign Securities.

Article 28

- (1) Deficit between fund resulting from proceeds of sale of Intermediary Bank plus the proceeds of liquidation of Systemic Bank which issues has been handled and the fund allocated by Indonesian Deposit Insurance Corporation for the management of issues of Systemic Bank, shall constitute fee for the management of issues of Systemic Bank of Indonesian Deposit Insurance Corporation and shall not constitute state financial loss.
- (2) Surplus between fund from proceeds of sale of Intermediary Bank plus the proceeds of liquidation of Systemic Bank which issues has been handled and fund allocated by Indonesian Deposit Insurance Corporation for the management of issues of Systemic Bank, shall add the assets of Indonesian Deposit Insurance Corporation.

Article 29

Indonesian Deposit Insurance Corporation shall submit report regarding the progress of management of Systemic Bank to the Committee for Financial system stability 1 (one) time every 6 (six) months or at any time if required.

Part Five Management of Issues of Bank Other Than Systemic Bank

Article 30

Provisions regarding the granting of short-term liquidity loan or short-term liquidity financing based on sharia principles as referred to in Article 20 shall apply *mutatis mutandis* to Bank other than Systemic Bank.

Article 31

- (1) Management of solvability issues of Systemic Bank as referred to in Article 22 paragraph (1) letter a and letter b may be carried out by the Indonesian Deposit Insurance Corporation to Bank other than Systemic Bank that is handed over by the Financial Service Authority to Indonesian Deposit Insurance Corporation as set forth in Law regarding Indonesian Deposit Insurance Corporation.
- (2) Provisions regarding settlement of solvability issues of Bank other than Systemic Bank as referred to in paragraph (1) shall be set forth in a Regulation of Indonesian Deposit Insurance Corporation.

CHAPTER IV
FINANCIAL SYSTEM CRISIS MANAGEMENT

Part One
General

Article 32

- (1) Member of Committee for Financial System Stability may request for a meeting of Committee for Financial System Stability to the coordinator of Committee for Financial System Stability if its crisis management protocol finds any issues in the sector that falls under the responsibility of each member that may influence the Financial System Stability.
- (2) Request for meeting of Committee for Financial System Stability as referred to in paragraph (1) shall be completed with the result of assessment on crisis management protocol of the relevant member of Committee for Financial System Stability so finding issues in the sector that fall under its responsibility.
- (3) In the meeting of Committee for Financial System Stability, member of Committee for Financial System Stability shall provide information regarding the result of assessment on crisis management protocol that influences the Financial System Stability in sectors as referred to in Article 3 paragraph (2).
- (4) Assessment of the status of Financial System Stability shall be based on data, information, framework of assessment of condition of the Financial System Stability, and consideration made by all members of Committee for Financial System Stability, including professional consideration of each member of Committee for Financial System Stability.
- (5) Meeting of Committee for Financial System Stability shall agree upon the status of Financial System Stability in the condition as follows:
 - a. normal; or
 - b. Financial System Crisis.
- (6) In the event that the meeting of Committee for Financial System Stability deems that the Financial System Stability is in normal condition as referred to in paragraph (5) letter a, the management of issues of Financial System shall be carried out by member of Committee for Financial System Stability in accordance with the respective duties and authorities.
- (7) In the event that the meeting of Committee for Financial System Stability deems that the Financial System Stability is in the condition of Financial System Crisis as referred to in paragraph (5) letter b, Committee for Financial System Stability shall give recommendation to the President to decide the change of status of Financial System Stability from normal condition into the condition of Financial System Crisis.
- (8) Submission of recommendation to the President as referred to in paragraph (7) shall be accompanied with steps on the management of condition of Financial System Crisis covering the sectors as referred to in Article 3 paragraph (2).
- (9) President shall, by no later than 1x24 (one times twenty four) hours decide the status of Financial System Stability into the condition of Financial System Crisis

in accordance with recommendation or rejects the recommendation on status of Financial System Stability submitted by the Committee for Financial System Stability.

Article 33

In the event that the President rejects the recommendation on status of Financial System Stability as referred to in Article 32 paragraph (9), management of issues of Financial System shall be carried out by member of Committee for Financial System Stability in accordance with the respective duties and authorities.

Article 34

In the event that the President decides that the Financial System Stability is in the condition of Financial System Crisis as referred to in Article 32 paragraph (9), President may accept in part or in whole recommendation of management step submitted by the Committee for Financial System Stability as referred to in Article 32 paragraph (8).

Article 35

Other than management step as referred to in Article 34, Committee for Financial System Stability may propose to the President to decide the change of amount of deposit value of depositor with the Bank which is guaranteed by the Indonesian Deposit Insurance Corporation.

Article 36

- (1) In the event that Committee for Financial System Stability deems that there has been a change in Financial System Stability from the condition of Financial System Crisis into normal condition, Committee for Financial System Stability shall submit recommendation to the President to decide the change of status of Financial System Stability.
- (2) President shall, by no later than 1x24 (one times twenty four) hours decided the status of Financial System Stability into normal condition in accordance with the recommendation or reject the recommendation on the change of status of Financial System Stability into normal condition as submitted by the Committee for Financial System Stability.

Part Two Management of Bank Issues

Article 37

- (1) Provisions regarding management of liquidity and solvability issues of Systemic Bank as referred to in Article 20 up to Article 29 shall be also applicable for the management of issues of Systemic Bank in the condition of Financial System Crisis.
- (2) Provisions regarding management of liquidity and solvability issues of Bank other than Systemic Bank as referred to in Article 30 and Article 31, as well as provisions regarding the sale of sovereign securities held by Indonesian Deposit Insurance Corporation to Bank Indonesia as referred to in Article 27 paragraph (2) letter a, paragraph (3), and paragraph (4) shall be also applicable for the

management of issues of Bank other than Systemic Bank in the condition of Financial System Crisis.

Part Three Bank Restructuring in Financial System Crisis

Article 38

- (1) In the condition of Financial System Crisis and occurrence of banking sector issues that may jeopardize the national economy, Committee for Financial System Stability shall recommend that the President decides to implement a Bank Restructuring Program.
- (2) Recommendation to implement Bank Restructuring Program as referred to in paragraph (1) shall be part of the recommendation submitted by the Committee for Financial System Stability as referred to in Article 32 paragraph (8).
- (3) Bank Restructuring Program as referred to in paragraph (1) shall be implemented by the Indonesian Deposit Insurance Corporation.

Article 39

- (1) The costs of Bank Restructuring Program shall be derived from:
 - a. Bank's shareholders or other party in the form of additional capital and/or conversion of particular debt into capital;
 - b. yield of management of assets and liabilities deriving from the assets and liabilities of the Bank handled;
 - c. contribution of banking industry; and/or
 - d. loan received by Indonesian Deposit Insurance Corporation from other party.
- (2) Contribution of banking industry as referred to in paragraph (1) letter c shall be portion of guarantee premium as set forth in Law regarding Indonesian Deposit Insurance Corporation.
- (3) Contribution of banking industry as portion of guarantee premium as referred to in paragraph (2) shall be determined prior to the implementation of Bank Restructuring Program.
- (4) Provisions regarding amount of portion of premium for funding Bank Restructuring Program as referred to in paragraph (2) shall be set forth in a Government Regulation.

Article 40

- (1) Indonesian Deposit Insurance Corporation shall be responsible for the management as well as administration of assets and liabilities obtained or derived from the implementation of Bank Restructuring Program.
- (2) Indonesian Deposit Insurance Corporation shall separate the bookkeeping of assets and liabilities obtained or derived from the organization of Bank

Restructuring Program from the assets and liabilities obtained or derived from the implementation of functions and duties of Indonesian Deposit Insurance Corporation in accordance with Law regarding Indonesian Deposit Insurance Corporation.

- (3) Provisions regarding management, administration, as well as bookkeeping of assets and liabilities as referred to in paragraph (1) and paragraph (2) shall be set forth in a Regulation of Indonesian Deposit Insurance Corporation.

Article 41

- (1) In the implementation of Bank Restructuring Program as referred to in Article 38, Indonesian Deposit Insurance Corporation shall have the following authorities:

- a. to take over and exercise all rights and authorities of organs equivalent to shareholders and general meeting of shareholders of the Bank;
- b. to take over and exercise all rights and authorities of the board of directors and board of commissioners of the Bank or other equivalent organ;
- c. to defer the payment of particular liabilities of the Bank;
- d. to sell, auction, or transfer the Bank's assets in the country and overseas, whether directly or through public offering;
- e. to sell, auction, or transfer the Bank's claims and/or handover the management to other party, without requiring the approval of debtor customer;
- f. to transfer the management of all or part of the assets, activities, and/or management of the Bank to other party;
- g. to make temporary investment in the Bank directly or through the conversion of claims of Indonesian Deposit Insurance Corporation to the Bank into shares of the Bank;
- h. to convert the liabilities of the Bank to particular creditor into capital;
- i. to collect receivables of the Bank that are fixed by the issuance of distress warrant;
- j. to vacant the land and/or building owned by or to which it entitles which is under the control of other party, whether by itself or with the assistance of the competent state law enforcer;
- k. to study and examine to obtain all information required from and regarding the Bank, and any party involved or allegedly involved, or knowing activities which may be detrimental to the Bank;
- l. to calculate and determine the loss suffered by the Bank and charge the loss to the capital of the relevant Bank, and if the loss occurs due to mistake or negligence of member of the board of directors, member of the board of commissioners or equivalent organ, and/or shareholders, therefore, such loss will be charged to the relevant;

- m. to require shareholders of the Bank to increase the capital in accordance with additional amount of capital as set forth by the Indonesian Deposit Insurance Corporation;
 - n. to suspend the assets of Bank's management, Bank's shareholders, and/or the affiliated party indicated to have taken any action which may be detrimental to the Bank, whether located in the country or overseas;
 - o. to transfer part or all assets and/or liabilities of the Bank to the receiving Bank or Intermediary Bank;
 - p. to sell the Bank to buyer that is willing to take over all of its liabilities;
 - q. to guarantee particular loan of the Bank;
 - r. to grant loan to Bank; and
 - s. to perform other duties set forth by the Committee for Financial System Stability.
- (2) Other than authorities as referred to in paragraph (1), to implement Bank Restructuring Program, the Indonesian Deposit Insurance Corporation may use all authorities related to Bank management as set forth in Law regarding Indonesian Deposit Insurance Corporation.

Article 42

Provisions regarding transfer in part or in whole of assets and/or liabilities of Bank to the receiving Bank or Intermediary Bank as referred to in Article 23 up to Article 26 shall be applicable *mutatis mutandis* for the implementation of authorities of Indonesian Deposit Insurance Corporation as referred to in Article 41 paragraph (1) letter o.

Article 43

Ministry of Finance, Bank Indonesia, and Financial Service Authority shall provide support to Indonesian Deposit Insurance Corporation in the implementation of Bank Restructuring Program.

Article 44

Indonesian Deposit Insurance Corporation shall report the implementation of Bank Restructuring Program to the President through the Committee for Financial System Stability 1 (one) time every 1 (one) month or at any time if required.

Article 45

- (1) In the event that Committee for Financial System Stability deems that the issues on banking sector that jeopardize the national economy have been resolved, Committee for Financial System Stability shall recommend that the President decides the termination of Bank Restructuring Program.
- (2) President shall decide to terminate Bank Restructuring Program in accordance with the recommendation or reject the recommendation of Committee for Financial System Stability to terminate Bank Restructuring Program.

Article 46

- (1) In the event that the President decides to terminate Bank Restructuring Program, the remaining assets and liabilities from Bank Restructuring Program shall remain the assets and liabilities of Indonesian Deposit Insurance Corporation.
- (2) Bookkeeping of assets and liabilities as referred to in paragraph (1) shall be carried out separately from the bookkeeping of assets and liabilities obtained or deriving from the implementation of functions and duties of Indonesian Deposit Insurance Corporation in accordance with Law regarding Indonesian Deposit Insurance Corporation.
- (3) In the event of surplus between the remaining assets and liabilities from Bank Restructuring Program, such surplus shall increase the assets of Indonesian Deposit Insurance Corporation deriving from the contribution of banking industry as referred to in Article 39 paragraph (1) letter c.
- (4) In the event of deficit between the remaining assets and liabilities from Bank Restructuring Program, such deficit shall not be taken into account in the capital of Indonesian Deposit Insurance Corporation and shall be covered by the contribution of banking industry as referred to in Article 39 paragraph (1) letter c received by Indonesian Deposit Insurance Corporation.
- (5) To settle the remaining assets and liabilities as referred to in paragraph (1), Indonesian Deposit Insurance Corporation shall have authorities to write-off and haircut the assets.
- (6) Write-off and haircut of the remaining assets as referred to in paragraph (5) shall be exempted from the provisions on the write-off of state assets as set forth in laws and regulations regarding state treasury.
- (7) Provisions regarding procedures on write-off and haircut as referred to in paragraph (6) shall be set forth in a Government Regulation.

CHAPTER V PENAL PROVISION

Article 47

Any person violating the provision regarding confidentiality of information as referred to in Article 14 paragraph (4) shall be punishable with maximum imprisonment of 6 (six) years and/or maximum fine of Rp15.000.000.000,00 (fifteen billion rupiah).

CHAPTER VI MISCELLANEOUS PROVISIONS

Article 48

- (1) Unless there is element of abuse of authorities, member of Committee for Financial System Stability, secretary of Committee for Financial System Stability, member of secretariat of Committee for Financial System Stability, and official or employee of the Ministry of Finance, Bank Indonesia, Financial Service Authority,

and Indonesian Deposit Insurance Corporation shall not be subject to prosecution, both civil and criminal against the implementation of their functions, duties, and authorities based on this Law.

- (2) In the event that a member of Committee for Financial System Stability, secretary of Committee for Financial System Stability, member of the secretariat of Committee for Financial System Stability, and official or employee of the Ministry of Finance, Bank Indonesia, Financial Service Authority, and Indonesian Deposit Insurance Corporation that implements the duties based on this Law faces a legal charge related to the implementation of duties and authorities of Committee for Financial System Stability, therefore, the concerned shall obtain legal assistance from the institution that the person represents or that assigns the person.

Article 49

Decision stipulated by the Committee for Financial System Stability and/or implementation of such decision by every member of Committee for Financial System Stability based on this Law shall be valid and binding upon every party.

CHAPTER VII TRANSITIONAL PROVISIONS

Article 50

At the time this Law comes into effect, decision of Coordination Forum for the Financial System Stability set forth based on Law Number 21 Year 2011 regarding Financial Service Authority (State Gazette of the Republic of Indonesia Year 2011 Number 111, Supplement to the State Gazette of the Republic of Indonesia Number 5253) shall be declared to remain valid and binding insofar as it is not contradictory to the provisions in this Law or is not specifically regulated in this Law.

Article 51

Duties and authorities of the secretariat of Committee for Financial System Stability, including document management, shall be implemented by the secretariat of Coordination Forum for the Financial System Stability up to the establishment of secretariat of Committee for Financial System Stability based on the provisions of this Law.

Article 52

Determination of Systemic Bank as referred to in Article 17 paragraph (2) shall be carried out by no later than 3 (three) months as from the promulgation of this Law.

CHAPTER VIII CLOSING PROVISIONS

Article 53

- (1) At the time this Law comes into effect:

- a. Article 37A of Law Number 10 Year 1998 regarding Amendment to Law Number 7 Year 1992 regarding Banking (State Gazette of the Republic of Indonesia Year 1998 Number 182, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
- b. Article 11 paragraph (4) and paragraph (5) as well as Article 55 paragraph (5) of Law Number 23 Year 1999 regarding Bank Indonesia (State Gazette of the Republic of Indonesia Year 1999 Number 66, Supplement to the State Gazette of the Republic of Indonesia Number 3843), as has been amended several times and the latest by Law Number 6 Year 2009 regarding Stipulation of Government Regulation in Lieu of Law Number 2 Year 2008 regarding Second Amendment to Law Number 23 Year 1999 regarding Bank Indonesia into Law (State Gazette of the Republic of Indonesia Year 2009 Number 7, Supplement to the State Gazette of the Republic of Indonesia Number 4962); and
- c. Article 1 figure 25, Article 44, Article 45, Article 46, and Article 69 paragraph (3) of Law Number 21 Year 2011 regarding Financial Service Authority (State Gazette of the Republic of Indonesia Year 2011 Number 111, Supplement to the State Gazette of the Republic of Indonesia Number 5253),

shall be revoked and declared null and void.

- (2) At the time this Law comes into effect, Coordination Committee as set forth in Law Number 24 Year 2004 regarding Indonesian Deposit Insurance Corporation (State Gazette of the Republic of Indonesia Year 2004 Number 96, Supplement to the State Gazette of the Republic of Indonesia Number 4420) as has been amended by Law Number 7 Year 2009 regarding Stipulation of Government Regulation in Lieu of Law Number 3 Year 2008 regarding Amendment to Law Number 24 Year 2004 regarding Indonesian Deposit Insurance Corporation into Law (State Gazette of the Republic of Indonesia Year 2009 Number 8, Supplement to the State Gazette of the Republic of Indonesia Number 4963) shall be transferred to Committee for Financial System Stability.
- (3) Functions, duties, and authorities of Coordination Committee as referred to in paragraph (2) shall be implemented by the Committee for Financial System Stability in accordance with the functions, duties, and authorities of Committee for Financial System Stability as set forth based on this Law.

Article 54

Implementing regulations of this Law must be set forth by no later than 1 (one) year as from the promulgation of this Law.

Article 55

This Law shall come into effect as from the date of its promulgation.

For public cognizance, ordering that the promulgation of this Law is published in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta
on April 15, 2016

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Signed
JOKO WIDODO

Promulgated in Jakarta
on April 15, 2016

MINISTER OF LAW AND HUMAN RIGHTS
REPUBLIC OF INDONESIA,

Signed
YASONNA H LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2016 NUMBER 70

Issued as a true copy
MINISTRY OF STATE SECRETARIAT
REPUBLIC OF INDONESIA
Assistant to Deputy of Economy,
Deputy of Laws and
Legislation,

Signed and sealed
Lydia Silvanna Djaman

ELUCIDATION OF
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 9 YEAR 2016
REGARDING
PREVENTION AND MANAGEMENT OF FINANCIAL SYSTEM CRISIS

I. GENERAL

For the purpose of realizing the welfare of Indonesian people based on Pancasila and the 1945 Constitution of the Republic of Indonesia and to support the national economy through the implementation of economic democracy with the principles of togetherness, efficiency, equity, sustainability, environmental-oriented, autonomy, as well as by maintaining the balance of progress and national economy unity, it is necessary to have Financial System Stability.

Learning from the financial crisis in 1997-1998, Government made various improvement efforts to build stronger financial system and to make it prepared for facing financial system crisis. The improvement efforts include rearranging the existing institutions, such as through the reorganization of the Ministry of Finance, making amendment to Law Number 23 Year 1999 regarding Bank Indonesia, establishing Indonesian Deposit Insurance Corporation as set forth by Law Number 24 Year 2004 regarding Indonesian Deposit Insurance Corporation, as well as establishing the Financial Service Authority as set forth in Law Number 21 Year 2011 regarding Financial Service Authority.

Mechanism of coordination for creating and maintaining the financial system stability in integration and effectively becomes more and more important after the

occurrence of global financial crisis in the beginning of 2008. Indonesia continues the preparation and application of strategic policies in various financial sectors, including preparing Law regarding Prevention and Management of Financial System Crisis as the legal basis for the institution to coordinate in maintaining and creating financial system stability. This Law completes the existing laws and regulations for the prevention and management of financial system crisis, especially for issues that cannot be handled by the institution individually in accordance with its authorities.

This Law governs the role of Committee for Financial System Stability that includes (i) coordination of monitoring and maintenance of financial system stability, (ii) management of financial system crisis, and (iii) management of issues of Systemic Bank, whether in normal condition of financial system stability or in condition of financial system crisis. Committee for financial system stability consists of the Minister of Finance, Governor of Bank Indonesia, Chairperson of the Board of Commissioners Financial Service Authority, and Chairperson of the Board of Commissioners Indonesian Deposit Insurance Corporation as its members.

The emphasis of this Law lies in the prevention and management of issues of Systemic Bank as an important part of financial system. Nevertheless, monitoring, maintenance, and management of issues of financial system also apply to the fiscal sector, monetary, financial service institution, financial market, and financial infrastructure, including payment system. This is based on two main considerations. First, issues that the systemic bank is facing may cause the failure of payment system resulting in the malfunction of financial system effectively and directly affecting the economic cycle. Second, most of public funds are currently managed by the banking sector, especially systemic bank, and it is necessary to maintain the safety of these funds from any possible bank failure. Prevention and management of issues of financial market and other financial service institution are implemented by the institution in accordance with the authorities set forth in Law regarding banking, insurance, capital market, government securities, Indonesian Deposit Insurance Corporation, Financial Service Authority, and Bank Indonesia.

In this Law, the management of bank's issues prefers using the bank's own resources and business approach without using state budget. If this management effort cannot resolve the issues, management of the bank's issues is carried out with the support of Bank Indonesia for management of liquidity issues and Indonesian Deposit Insurance Corporation for management of solvability issues.

In the condition of financial system crisis, in the occurrence of issues in the banking sector that may jeopardize the national economy, the President may, based on recommendation of Committee for Financial System Stability decide that the Indonesian Deposit Insurance Corporation implements a Bank Restructuring Program. Through this program, Indonesian Deposit Insurance Corporation handles issues of the bank, whether systemic bank or bank other than systemic bank.

Based on the above background, Law regarding Prevention and management of Financial System Crisis is drafted.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Letter a

Referred to as "principle of national interests" shall be prevention and management of Financial System Crisis put the interests of the nation, state, and the people above other interests.

Letter b

Referred to as "principle of expediency" shall be all regulations on prevention and management policies of Financial System Crisis are for the account of the nation, state, and the people, especially in realizing the objective of public welfare.

Letter c

Referred to as "principle of equity" shall be the organization of prevention and management of Financial System Crisis that upholds equal rights and obligations of each party involved.

Letter d

Referred to as "principle of cohesion" shall be the organization of prevention and management of Financial System Crisis which constitutes an integral unit, supports each other, is in harmony among various interests, as well as is coordinated under single control based on good and mutually supporting cooperation.

Letter e

Referred to as "principle of effectiveness" shall be the organization of proper prevention and management of Financial System Crisis in preventing and handling issues of Financial System Crisis, including issues of Systemic Bank.

Letter f

Referred to as "principle of efficiency" shall be the organization of prevention and management of Financial System Crisis that uses the appropriate and effective resources to ensure the effectiveness of prevention and management of issues of Financial System Stability.

Letter g

Referred to as "principle of legal certainty" shall be the organization of prevention and management of Financial System Crisis that is intended to provide legal basis for decision maker in determining the steps to prevent and manage Financial System Crisis.

Article 3

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b
Self-explanatory.

Letter c
Macroprudential shall cover regulation and supervision of macro financial service institution and focus on systemic risk for the purpose of promoting Financial System Stability.

Microprudential shall cover regulation and supervision of micro financial service institution and focus on the soundness and performance of each individual financial service institution.

Letter d
Financial market shall cover money market, capital market, and sovereign securities market.

Letter e
Self-explanatory.

Letter f
Referred to as "Bank resolution" shall be settlement of solvability issues of Bank, both Systemic Bank and Bank other than Systemic Bank.

Paragraph (3)
Self-explanatory.

Article 4
Paragraph (1)
Self-explanatory.

Paragraph (2)
Self-explanatory.

Paragraph (3)
Referred to as "voting right" shall be right to cast vote in decision making.

Paragraph (4)
Self-explanatory.

Article 5
Self-explanatory.

Article 6
Letter a
Self-explanatory.

Letter b
Self-explanatory.

Letter c

In determining the criteria and indicator, Committee for Financial System Stability shall consider the framework of assessment of Financial System Stability used by every member of Committee for Financial System Stability.

Letter d
Self-explanatory.

Letter e
Self-explanatory.

Letter f
Self-explanatory.

Letter g
Self-explanatory.

Letter h
Self-explanatory.

Letter i
Self-explanatory.

Letter j
Self-explanatory.

Letter k
Self-explanatory.

Article 7
Self-explanatory.

Article 8
Self-explanatory.

Article 9
Paragraph (1)
Self-explanatory.

Paragraph (2)
Self-explanatory.

Paragraph (3)
Self-explanatory.

Paragraph (4)
Referred to as "permanently absent" shall be where the concerned passes away, suffers physical disability, or mental disability that would not making it possible for the concerned to implement his/her duties.

Substitute official shall include temporary official or other terms in accordance with the provisions of laws and regulations.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Self-explanatory.

Paragraph (7)

Self-explanatory.

Paragraph (8)

Documentation shall be made in writing and/or electronically.

Article 10

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The presence of Chairperson of the Board of Commissioners of Indonesian Deposit Insurance Corporation in the meeting of Committee for Financial System Stability shall remain required because the information and opinion of Indonesian Deposit Insurance Corporation is required in the decision-making.

Article 11

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

If the meeting is organized using electronic communication facility, signature of member of Committee for Financial System Stability who is physically absent from the meeting shall be affixed temporarily in the decision of the meeting of Committee for Financial System Stability by the appointed official to represent him.

Paragraph (6)

Self-explanatory.

Article 12

Paragraph (1)

Exchange of data and information shall be carried out through the secretariat of Committee for Financial System Stability.

Paragraph (2)

The intended laws and regulations shall cover Law regarding banking, Law regarding capital market, Law regarding taxes, and Law regarding sovereign securities.

Article 13
Self-explanatory.

Article 14
Self-explanatory.

Article 15
Letter a
Self-explanatory.

Letter b
Self-explanatory.

Letter c
Management of issues of Systemic Bank shall be management of issues as stipulated by the Committee for Financial System Stability.

Letter d
This report shall be report on the same matter from the Indonesian Deposit Insurance Corporation that has been evaluated and given notes by the Committee for Financial System Stability.

Article 16
Paragraph (1)
Self-explanatory.

Paragraph (2)
Referred to as "crisis management protocol" shall be guidelines and procedures on implementation of preventive measures and crisis management.

Paragraph (3)
Self-explanatory.

Paragraph (4)
Self-explanatory.

Article 17
Self-explanatory.

Article 18
Paragraph (1)

Letter a
Capital adequacy shall include among others capital conservation buffer and capital surcharge for Systemic Bank.

Liquidity adequacy shall include among others liquidity coverage ratio and net stable funding ratio.

Letter b

Referred to as "recovery plan" shall be a plan to overcome any financial issues that may occur at the Bank.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Additional capital capacity for Systemic Bank shall be among others type of particular debt that is convertible into capital.

Paragraph (4)

Self-explanatory.

Article 19

Self-explanatory.

Article 20

Paragraph (1)

Pursuant to Law regarding Bank Indonesia, Bank that experiences liquidity difficulty may apply for short-term liquidity loan to Bank Indonesia as lender of last resort insofar as the relevant Bank complies with the provision on solvability and has sufficient collateral.

Short-term liquidity loan for Sharia Bank shall be in the form of short-term liquidity financing based on sharia principles.

Paragraph (2)

This provision takes into account the authorities of Bank Indonesia and Financial Service Authority. Assessment of solvability and soundness level of Bank shall fall under the authorities Financial Service Authority as the supervisory institution of the Bank so that the implementation is carried out by the Financial Service Authority based on the provisions in Regulation of the Financial Service Authority.

Assessment of collateral and estimated capacity of Systemic Bank to return the short-term liquidity loan or short-term liquidity financing based on sharia principles, which is carried out in accordance with Bank Indonesia regulation, shall be the requirement of Bank Indonesia as the party that will provide loan or financing. For the assessment, Bank Indonesia requires the cooperation of the Financial Service Authority as supervisor to find the latest condition of assets and liabilities of the Bank as well as the financial condition of Systemic Bank in overall.

In the implementation, Bank Indonesia and Financial Service Authority may carry out audit for the purpose of assessing the fulfillment of collateral requirements and estimated capacity of Systemic Bank to return short-term liquidity loan or short-term liquidity financing based on sharia principles.

Paragraph (3)

High ranking and liquid securities shall include securities issued by Bank Indonesia or Sovereign Securities or securities issued by other legal entity having high ranking based on the assessment by a competent rating institution.

Paragraph (4)

Credit asset which collectability is current that can be used as collateral shall be credit asset which document completeness has been prepared and which value has been updated by the Bank, in accordance with Bank Indonesia Regulation.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Self-explanatory.

Paragraph (7)

This provision is intended for Bank Indonesia to allow it to participate in supervision together with the Financial Service Authority to monitor and ensure that the short-term liquidity loan or short-term liquidity financing based on sharia principles by the Bank is used in accordance with its allocation. Moreover, supervision is intended for the Bank to maintain its financial condition and is able to return short-term liquidity loan or short-term liquidity financing based on sharia principles as it reaches maturity.

Article 21

Paragraph (1)

Referred to as "solvability issues" shall be capital difficulty suffered by Systemic Bank which prevents it from complying with the minimum capital adequacy for Systemic Bank as set forth by the Financial Service Authority.

Management of solvability issues shall cover, among others, conversion of liabilities of Systemic Bank into capital (bail-in).

Paragraph (2)

Preparation of management of solvability issues of Systemic Bank shall be carried out by the Indonesian Deposit Insurance Corporation so that when the Indonesian Deposit Insurance Corporation receives the handover of Systemic Bank from the Committee for Financial System Stability, the Indonesian Deposit Insurance Corporation would already be prepared to implement the transfer in part or in whole of assets and/or liabilities of Systemic Bank.

Preparation carried out by the Indonesian Deposit Insurance Corporation shall be among others assessment of assets and/or liabilities of Systemic Bank (due diligence) in coordination with the Financial Service Authority.

Paragraph (3)

More intense preparation of management of Systemic Bank under special surveillance shall be carried out by the Indonesian Deposit Insurance Corporation, among others, by identifying which other Banks which are willing to receive the transfer in part or in whole of assets and/or liabilities of Systemic Bank in coordination with the Financial Service Authority.

Paragraph (4)

Letter a

Request to management of Bank, in accordance with the provisions of Law regarding banking and Law regarding Financial Service Authority, must be fulfilled to maintain the financial condition of the Bank so that when the management of Systemic Bank will be carried out, no material change has occurred.

Letter b

Request to management of Bank, in accordance with the provisions of Law regarding banking and Law regarding Financial Service Authority, must be fulfilled for smooth process of transfer of assets and liabilities of Systemic Bank.

Letter c

Facilitation is intended to allow the settlement of transaction of transfer of assets and/or liabilities of Systemic Bank as quickly as possible after the Committee for Financial System Stability hands over the management of Systemic Bank to Indonesian Deposit Insurance Corporation.

Paragraph (5)

Solvability issues cannot be settled if the Bank's condition is worsening or the deadline of Bank under special surveillance has expired.

Paragraph (6)

Self-explanatory.

Paragraph (7)

Letter a

Systemic Bank that is handed over to the Indonesian Deposit Insurance Corporation shall be Bank that suffers financial difficulties and may jeopardize its business continuity and it is declared as no longer qualify for restructuring by the Financial Service Authority in accordance with its authorities, as set forth in Law regarding Indonesian Deposit Insurance Corporation.

Letter b

Self-explanatory.

Paragraph (8)

Regulation of Financial Service Authority shall regulate, among others, time of notification regarding Systemic Bank that suffers solvability issues.

Article 22

Paragraph (1)

Letter a

This method of management shall be intended to maintain the continuity of the function and services of Bank that have the potential to cause systemic impact. Therefore, the function and services of the Bank are transferred to other Bank, along with the transfer of particular assets, especially those with good quality.

Letter b

Transfer in part or in whole of assets and/or liabilities of Systemic Bank shall be carried out to a new Bank that is established and owned by the Indonesian Deposit Insurance Corporation. This new Bank is called Intermediary Bank.

Letter c

This method of management shall be carried out by increasing the capital by the Indonesian Deposit Insurance Corporation in the Bank, with or without engaging the previous shareholders.

Paragraph (2)

Regulation of the Indonesian Deposit Insurance Corporation sets out the criteria for selecting the method of management of solvability issues of Systemic Bank, among others by taking into account the economic condition, complexity of issues of the Bank, required time for management, investor availability, and effectiveness of management of issues of the Bank.

Article 23

Letter a

Type and criteria of assets that can be transferred shall be among others:

1. assets that are current or in special mention, not in dispute, seized, and/or provided as guarantee;
2. fixed assets and inventory used in business activities of the Bank; and
3. intangible assets used for business activities of the Bank.

Type and criteria of liabilities that can be transferred shall be among others:

1. deposit of depositor, including deposit from other Bank; and
2. loan received from other Bank in the form of interbank money market transaction, except the loan is guaranteed with assets of the Bank.

Letter b

Continuity of the function and services of Systemic Bank, especially those which have the potential to cause systemic impacts, need to be maintained by thoroughly transferring its

function and services as soon as practicable. Therefore, the Indonesian Deposit Insurance Corporation needs to have the authority to transfer the liabilities of Bank that is adhered to the function and services, including customer's deposit and interbank loan, without requiring approval from the party having interest in such liabilities.

Other party among others includes company organs such as the board of commissioners and general meeting of shareholders.

Total liabilities of Systemic Bank transferred shall be in the amount of balance of liabilities of the Bank in the form of deposit and loan received from other Bank as recorded in the bookkeeping of Bank when transferred.

Letter c

Payment to the receiving Bank to cover the deficit of assets value from liabilities value of Systemic Bank being transferred is intended as compensation for its willingness to receive the transfer of assets and liabilities.

For Intermediary Bank, the payment is intended to meet the soundness level of Bank required by the Financial Service Authority.

Letter d

Other authorities of the Indonesian Deposit Insurance Corporation which are required to apply the method of handling through the transfer in part or in whole of assets and/or liabilities of Systemic Bank to the receiving Bank or to Intermediary Bank shall be among others authorities to liquidate Bank.

Article 24

Self-explanatory.

Article 25

Paragraph (1)

Basically, an Intermediary Bank is used to receive the transfer of assets and liabilities from a Systemic Bank. In particular condition, an Intermediary Bank may be used by the Indonesian Deposit Insurance Corporation to receive the transfer of assets and liabilities of more than one Systemic Bank.

Paragraph (2)

Referred to as "person" shall be an individual, whether Indonesian or foreign citizen, or a legal entity, whether Indonesian or foreign legal entity.

With this provision, the Indonesian Deposit Insurance Corporation as legal entity shall become the founder and the only shareholder of Intermediary Bank. This exception is intended to allow the Indonesian Deposit Insurance Corporation to fully control the operation of Intermediary Bank.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Fulfillment of requirements may use a statement letter from the Indonesian Deposit Insurance Corporation confirming that such requirements will be fulfilled by using the data and/or documents of Systemic Bank which part or all of its assets and/or liabilities are transferred.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Fit and proper test for members of the board of commissioners and board of directors of Intermediary Bank shall take into account the need to immediately operate the Intermediary Bank. Members of the board of commissioners and board of directors of Intermediary Bank shall be declared to meet the fit and proper requirements if the concerned are not listed in the list of bad credit and list of disqualified parties.

When the Intermediary Bank is sold by the Indonesian Deposit Insurance Corporation, members of the board of commissioners and board of directors Bank must have met the generally applicable fit and proper requirements.

Paragraph (7)

Self-explanatory.

Article 26

Paragraph (1)

Indonesian Deposit Insurance Corporation may sell the Intermediary Bank after the Intermediary Bank meets the soundness level and there is a prospective investor that is committed to maintain the soundness level of Intermediary Bank.

Indonesian Deposit Insurance Corporation may also sell the entire assets and liabilities of Intermediary Bank and then dissolve the legal entity of Intermediary Bank.

Paragraph (2)

Referred to as "open" shall be that every prospective investor that qualifies is able to participate.

Referred to as "transparent" shall be that the process of sale and transfer is accessible to the public.

Article 27

Paragraph (1)

This provision does not limit the shareholders of Systemic Bank and/or other party to provide funding to handle solvability issues of Systemic Bank, other than funds deriving from the assets of Indonesian Deposit Insurance Corporation.

Paragraph (2)

Letter a

Sale of Sovereign Securities held by the Indonesian Deposit Insurance Corporation to Bank Indonesia shall be one of the methods to maintain market stability of Sovereign Securities.

Letter b

Loan may be in the form of securities issued by the Indonesian Deposit Insurance Corporation and purchased by other party.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 28

Self-explanatory.

Article 29

Self-explanatory.

Article 30

Referred to as "mutatis mutandis" shall be that provisions regarding the granting of short-term liquidity loan or short-term liquidity financing based on sharia principles to Systemic Bank, with minor changes or required adjustment, are also valid for Bank other than Systemic Bank.

Example:

The phrase "Systemic Bank" in Article 20 is changed to "Bank other than Systemic Bank".

Article 31

Paragraph (1)

Self-explanatory.

Paragraph (2)

Regulation of the Indonesian Deposit Insurance Corporation governs among others, criteria of selection of settlement method of Bank other than Systemic Bank, by taking into account at least the lowest cost (least cost test).

Article 32

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Referred to as "professional judgment" shall be a pragmatic process based on factors in the form of experience, justification for the action, responsive to external motivation, and learning from mistakes.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Self-explanatory.

Paragraph (7)

Self-explanatory.

Paragraph (8)

Self-explanatory.

Paragraph (9)

Self-explanatory.

Article 33

If the recommendation of Committee for Financial System Stability is rejected by the President, the status of Financial System Stability shall remain in normal condition.

Article 34

Self-explanatory.

Article 35

Change of the amount of guaranteed deposit shall be carried out in accordance with Law regarding Indonesian Deposit Insurance Corporation.

Article 36

Paragraph (1)

Self-explanatory.

Paragraph (2)

If the recommendation of Committee for Financial System Stability is rejected by the President, the status of Financial System Stability shall remain in the condition of Financial System Crisis.

Article 37

Paragraph (1)

Self-explanatory.

Paragraph (2)

Sale of Sovereign Securities held by the Indonesian Deposit Insurance Corporation to Bank Indonesia in the condition of Financial System Crisis may be also carried out to fund the management of solvability issues of Bank other than Systemic Bank.

Article 38

Paragraph (1)

Issues on banking sector that may jeopardize the national economy are marked with the failure of a number of Banks, whether Systemic Bank or Bank other than Systemic Bank.

Recommendation of Committee for Financial System Stability to the President shall include among others criteria of Bank that is going into Bank Restructuring Program.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 39

Paragraph (1)

Letter a

Other party shall be among others new investor and holder of bonds that are convertible into capital.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Loan from other party shall be derived from an individual, state-owned enterprises, private-owned enterprises, and/or other legal entity.

Paragraph (2)

Portion of guarantee premium that is used for funding Bank Restructuring Program shall be calculated and managed separately from the guarantee premium for the implementation of duties of Indonesian Deposit Insurance Corporation as set forth in Law regarding Indonesian Deposit Insurance Corporation. The amount of this portion of premium shall become addition of the amount of premium imposed prior to the entry into force of this Law.

Paragraph (3)

Contribution of banking industry as portion of guarantee premium shall be set forth prior to the organization of Bank Restructuring Program to allow immediate implementation of the Program following its stipulation by the President and to prevent it from

burdening the banking industry during the Financial System Crisis.

Paragraph (4)

Determination of the amount of portion of premium for funding Bank Restructuring Program in Government Regulation shall follow the procedures as set forth in Law regarding Indonesian Deposit Insurance Corporation.

Article 40

Paragraph (1)

Self-explanatory.

Paragraph (2)

Separation of bookkeeping of assets and liabilities shall be part of the accountability of Indonesian Deposit Insurance Corporation in implementing its duties based on this Law that is separated from the duties based on Law regarding Indonesian Deposit Insurance Corporation.

Paragraph (3)

Provisions set forth in Regulation of Indonesian Deposit Insurance Corporation shall include, among others, guidelines on bookkeeping and financial reporting, guidelines for the procurement of goods and services, guidelines for collection of receivables, guidelines for the settlement of liabilities, guidelines for cost standard, guidelines for fund placement, and guidelines for assets annihilation.

Article 41

Paragraph (1)

Letter a

Under Law regarding Indonesian Deposit Insurance Corporation, the Indonesian Deposit Insurance Corporation has the authorities to takeover and exercise all of the rights and authorities of shareholders, including rights and authorities of general meeting of shareholders of the Bank.

This provision confirms that the Indonesian Deposit Insurance Corporation also has the authorities to takeover and exercise all of the rights and authorities of organ that is equivalent to shareholders and general meeting of shareholders in the event that the Bank in Bank Restructuring Program is incorporated as other limited liability company in accordance with laws and regulations.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

The sale or transfer of assets of the Bank by the Indonesian Deposit Insurance Corporation shall be followed by the transfer of material right to the buyer. Therefore, buyer shall obtain legal certainty on the transfer of right to the assets. Sale or transfer may be carried out directly or through public offering to obtain the best price.

Letter e

Referred to as "other party" shall be an individual, state-owned enterprises, private-owned enterprises, and/or other legal entity.

Letter f

Self-explanatory.

Letter g

This provision confirms that temporary investment by the Indonesian Deposit Insurance Corporation may be carried out directly through capital deposit and/or through conversion of claims of the Indonesian Deposit Insurance Corporation to the Bank into shares. Considering the special characteristic of temporary investment made by the Indonesian Deposit Insurance Corporation, its implementation shall be exempted from the applicable provision and procedures on capital increase for the Bank which shares are listed in stock exchange.

Letter h

For the purpose of improving the capital structure and/or liabilities of the Bank, the Indonesian Deposit Insurance Corporation shall have the authority to convert its liabilities to particular creditor into capital. Considering the special characteristic of conversion of liabilities into capital, its implementation shall be exempted from the applicable provisions and procedures on capital increase for the Bank which shares are listed in stock exchange.

Letter i

Pursuant to this provision, the Indonesian Deposit Insurance Corporation may collect receivables of the Bank to third party with the issuance of distress warrant, based on debt record of the relevant debtor in the Bank in Bank Restructuring Program.

This distress warrant that includes *irah-irah* (head of decision) with the phrase "FOR THE SAKE OF JUSTICE BASED ON BELIEF IN THE ONE ALMIGHTY GOD" shall have executorial power and equal legal standing with court decision that has obtained binding legal force.

In the event that collection of receivables is not ignored by the debtor, the Indonesian Deposit Insurance Corporation may seize the assets of the debtor and then put the assets of the debtor in auction for the purpose of settlement of the receivables. Assets of the debtor that cannot be seized shall include household appliances, books, and work equipment used the debtor subsistence. Although the Indonesian Deposit Insurance Corporation is given the authority to carry out forced collection, its

implementing procedures shall at all times take into account the aspect of legal certainty and justice.

Letter j

Vacating the land and/or building owned by or to which the Bank is entitled shall be carried out by the Indonesian Deposit Insurance Corporation based on proof of ownership and/or proof of right such as security right held by the Bank as creditor, in accordance with the provisions of laws and regulations.

Letter k

To obtain the relevant information, the Indonesian Deposit Insurance Corporation may request the assistance of the competent law enforcer.

Referred to as "any party" shall be an affiliated party and other party involved or allegedly involved, including legal entity owned by the Bank or the affiliated party.

Letter l to

Self-explanatory.

Letter m

Self-explanatory.

Letter n

Self-explanatory.

Letter o

Self-explanatory.

Letter p

Self-explanatory.

Letter q

Self-explanatory.

Letter r

Self-explanatory.

Letter s

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 42

Referred to as "mutatis mutandis" shall be that the provisions regarding transfer in part or in whole of assets and/or liabilities of Systemic Bank to the receiving Bank or Intermediary Bank as referred to in Article 23 up to Article 26, with minor change or required adjusted, shall be also applicable for the implementation of authorities of Indonesian Deposit Insurance Corporation as referred to in Article 41 paragraph (1) letter o.

Article 43

Support to the Indonesian Deposit Insurance Corporation shall include among others stipulation of particular regulation for the Bank in Bank Restructuring Program and allocation of resources, including human resources and information technology.

Article 44

On-call reporting shall be carried out at the request of the President, request of the Committee for Financial System Stability, or the demand of the Indonesian Deposit Insurance Corporation to deliver information regarding issues and/or management of Bank Restructuring Program to the President.

Article 45

Self-explanatory.

Article 46

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Assets that can be written-off or subject to haircut shall be in the form of claim.

Basically, write-off is the last resort if the effort of claim restructuring such as intensive collection, reconditioning, rescheduling, restructuring, and sale of collateral generate proceeds which are estimated to be lower than the cost to be incurred and/or no collection effort can be carried out.

Paragraph (6)

Self-explanatory.

Paragraph (7)

This Government Regulation shall include, among others, criteria of claim that can be written-off and haircut, mechanism of approval of write-off and haircut, as well as party that has the authority to approve the write-off and haircut.

Article 47

Self-explanatory.

Article 48

Paragraph (1)

Self-explanatory.

Paragraph (2)

Legal charge shall cover among others charges in the criminal law, civil law, and state administrative law.

Article 49

Self-explanatory.

Article 50

Referred to as "decision of Coordination Forum for the Financial System Stability" shall be conclusion of meeting of Coordination Forum for the Financial System Stability that is signed by all members of the Coordination Forum for the Financial System Stability.

Article 51

Self-explanatory.

Article 52

Self-explanatory.

Article 53

Self-explanatory.

Article 54

Self-explanatory.

Article 55

Self-explanatory.

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NOTE

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