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PS-2/51931/E 8786
PERSEK. WIDYAWAN & PARTNERS
THE ENERGY LT.9 - SCBD LOT 11-A (BELAKANG GRAHA NIAGA)
JL. JEND. SUDIRMAN KAV. 59 - JAKARTA 12190



Address : Komplek P & K Jl. Pendidikan 3 No. 12 Jakarta Selatan 12430 Telp. : 759 20 118

COMMITMENT TO SOLUTION OF CLIMATE CHANGE

Indonesia would become a part of solution. It was asserted by President Joko Widodo to show his presence at Conference of Parties (COP) 21 or Climate Change Summit. The reason for the importance of Indonesia to support the Climate Change Summit is mainly based on the geographic reality of Indonesia as archipelago state. Here, the rise in sea water surface attributable to global warming is potential to sink isles belonging to Indonesia so as to change the acreage of territory (mainland and sea), the border lines with neighboring countries, reduce the volume of marine resources due to the decreasing sea territory and others. Moreover, by global warming, mainland would also face the same threat even the more terrified threat.

In the country, the speech delivered by President Joko Widowo at the forum is deemed surprising, particularly by traditional communities. According to Secretary General of the Indonesian Traditional Communities Alliance (AMAN) Abdon Nababan, the sentence "Mitigation of Climate Change By Involving Traditional Communities" constitutes something surprising. Nababan viewed that the statement of the president is very important for Indonesia given that communities and traditional communities have contributed significantly to the reduction of carbon emission. (kompas.com, Dec 2, 2015).

What was disclosed by the president may be called as a commitment to formulas produced at the summit. In this point, the speech cannot be considered as only ceremonial address decorating the event drawing coverage from media all over the world. More specifically, the commitment has become Indonesian global commitment, which would imply on the formulation of national policies related to climate change. It is important to underline that climate change is not only the change in temperature, the rising surface of sea water and so on, but also deals with forest management, technology used in every household, and

others. If we talk about it, the climate change issue would deal with the whole Indonesian people.

Mentioning specifically "traditional communities" surely become a special point. Here, direct relation or implication would come. Any of the easily understandable aspects is forest management. So far, traditional communities have been deemed as a component guarding forest from destruction attributable to economic activities. Haze disaster attributable to land clearing places plantation companies in a cornered position. In the meantime, traditional communities with the whole traditions and local wisdom are increasingly appreciated and positioned as the main element in preserving forest.

As a country having the largest tropical forest (world lung) in the world, the speech delivered by President Joko Widowo attracts global attention. In this context, we may be only proud of becoming a nation determining the future of human civilization. However, we should also understand that tropical forest is not the only decisive factor in climate change. There is also technology factor having share in triggering greenhouse effect. Therefore, what is called as the transfer of technology becomes important.

We support the commitment of the government to improving forest management so that Indonesia could contribute significantly to the mitigation of the climate change. At the same time, as a sovereign country executing industrialization intensively, every policy taken by the government should take into account national interests. It is necessary to remind that global commitment to the mitigation of climate change should not continue to overrun national commitment. Every country has national interest even though the country has international or global commitment.

Jakarta, December 2, 2015

MINISTRY OF INDUSTRY FACILITATES FINANCING OF SMALL & MEDIUM INDUSTRY CERTIFICATION

Jakarta, *Business News*

In order to improve the ability of small and medium industries (SMI) of ship component in supporting the national maritime industry, the Ministry of Industry facilitates the financing of certification to the Indonesian Bureau of Classification (BKI). Syarif Hidayat, Secretary General of the Ministry of Industry, in Jakarta, on Wednesday (December 2), revealed that in September it was working with BKI and the Indonesian Ship Components Industry Association (AIKKI) to enter into cooperation for accelerated certification program for ship component produced by AIKKI members.

According to Syarif, ship component SMEs who have received certification from BKI will be easier to supply the needs of the national shipbuilding industry according to standard. The Secretary General said that currently there are four ship component SMEs which received certification from BKI, including ship window and door products. "This is in line with efforts to increase the competitiveness of Indonesian products, provide job opportunities, and to spur Indonesia's economic growth," said Syarif.

Moreover, he

added, the partnership aims to encourage entrepreneurs in the domestic shipbuilding industry to use local component products that have been class-certified. He saw that many ship components can be made by Indonesian SMEs. For example, he pointed out that during this time, SMEs in Tegal regency have been able to manufacture ship components that are needed by Indonesian shipyards. However, according to him, although the quality of the ship components is already quite good, in order to enter the shipyard, it must have obtained certificate from BKI. It will also make the domestic ship component SMEs able to fulfill the Indonesian as well as the export markets.

Syarif admitted that so far the process of commercialization of SMEs is hampered because of not having BKI certification. Ship component SMEs cannot get sustainable contracts from major shipyards if it is not yet certified. He said that to get a certificate

from BKI, ship component SMEs have to wait for up to two years to meet all the standards.

Syarif said that SMEs are the sectors that contribute significantly to economic growth and job opportunities. Until now, SMEs accounted for 34.56% of growth of non-oil & gas processing industry as a



CERTIFIED

whole. This achievement is supported by 3.6 million business units or 90% of the total national industrial business unit. In fact, the SME sector is able to provide employment to 10.3 million people. According to the strategic plan of the Directorate General of Small and Medium Industries (SMIs) in 2015-2019, small industry entrepreneurs are expected to grow to 20,000 people and medium-sized industries to 4,500 business units.

Meanwhile, Director General of SMIs, Euis Saedah, said that the Ministry of Industry continues to hone the skills of SMEs by providing assistance in the form of production equipment. Ministry of Industry also sees a huge potential within the Islamic boarding school environment, thus launching a new entrepreneurial program for the students (santris) who want to become SME players. He said that the Islamic boarding school is a religious-based educational institution that has been well known, independent and becomes a role model in the society. Moreover, the boarding schools play a role as an agent of development which is very important and strategic in devel-

oping community resources in rural areas.

Euis said that this program has been implemented by the Directorate General of SMIs since 1997 and has provided assistance to over 1,000 Islamic boarding schools across Indonesia. Meanwhile, the development of Islamic-boarding-school-based entrepreneurship programs this year began to be implemented in Islamic boarding school (pondok pesantren) Tremas, Pacitan Regency, East Java.

Euis did not deny that during this time SMEs have difficulty in obtaining SNI certification due to cost problem. Euis said that in 2014 there were about 67 children's toy products that have been obtained SNI certification. The Ministry of Industry cooperates with retailer company, Matahari Department Store, to assist the arrangement of ISO certification for SMEs with baby clothes as a production base. She confirmed that for SMEs who produce toys, her party would no longer tolerate the requirement for SNI certification because it involves the health and safety of children. (E)



LOWERING OF BANK INTEREST DEPENDS ON INFLATION EXPECTATION

Jakarta, *Business News*

National bank interest which was notably still high was one of the reasons why investment in Indonesia was low compared to that of other countries.

Vice President Jusuf Kalla stated that today the average bank interest was at double digit around 10% - 12%. He rated that the condition would discourage foreign investors to come to Indonesia.

He said that beside high bank interest, there were two other obstacles which hindered investment in Indonesia. One of them was the logistics sector which was still low. Such had caused Indonesia to be less competitive against other countries.

The two sectors must be strengthened, so Indonesia could be strong and competitive regionally and internationally.

Other handicap was long bureaucracy chain; the Government was challenged to simplify it. The Government had taken measures to solve the problem by shortening bureaucracy procedures from one month to just 2-3 days.

Vice President Jusuf Kalla stated that all obstacles to investment in Indonesia must be tackled so Indonesia could rise and progress in the future.

So far BI still persisted to keep bank interest at 7.5% considering the internal and external factor. The Fed's plan to increase FFR had triggered turbulence in global economy and Indonesia must anticipate the effects.

BI proclaimed 2016 as a year of stabilization. Meaning until next year BI would still rely on policy mix which was a combination of monetary and macro-prudential policy to control Rupiah and infla-

tion. Meaning it was most unlikely that BI rate would go down from the present 7.5%.

BI's decision would maintain monetary stability until next year, as signaled by Governor of BI Agus Martowardojo at BI annual meeting last week. For 10 months BI set BI rate at 7.5%, Once BI implemented low interest level at 5.75% for 16 months from February 9 to May 14 2013.

From BI's viewpoint, under certain circumstances tight money policy was needed such as when inflation was high, currency exchange rate shaky, capital flight prevailing and economy in bubble. The same was when economy was overheating or growth being unsustainable. So BI's policy was reasonably acceptable.

Of all the entangling problems, the most risky was Rupiah depreciation and unsustainable economic growth. This year Rupiah was already devaluated by 10%. Next year pressure on Rupiah would not have been subsided considering that the Fed would increase FFR gradually per December 2015.

BI's anxiety over increase of FFR by the Fed was quite reasonable, Although yield offered by portfolio investment in Indonesia was still competitive, the USA was still perceived as safe haven. Presumably increase of FFR could drive big investors to shift from Rupiah to USD which would suppress Rupiah even deeper.

To lower BI rate in time when economy was unstable as today was most risky. It was of course needed to spur on economic growth, but to boost growth when the fundamental was weak could mean disaster. What the country need today was stability and gradual but sustainable growth, not to rush in frenzy.

BI should have been accomodative although they had not lowered BI Rate. BI was relaxing monetary system on the macro-prudential aspect such as by way of lowering Minimum Mandatory Giro (GWM) in Rupiah from 8% to 7.5%. This step could be continued gradually and measurably. Monetary easing through lowering of GWM was a creative step, moreover BI had run macro-prudential easing through lowering of Loan to Value (LTV)

Lowering of GWM could increase bank liquidity around Rp 18.2 trillion, so credit capacity as propeller factor could increase as credit interest went up and down and liquidity was eased.

With economic recovery, BI would surely lower benchmark rate by stages. When inflation rate was low and Rupiah was stable and economic growth was steady, BI must lower benchmark rate for the benefit of all parties: banks, the real sector and the

people.

With low interest demand for credit would increase which would eventually enhance economic activity. Low interest rate would lessen production cost so selling price would be more affordable by most consumers.

Anyone should understand the position of BI as an independent body with the main task of controlling inflation and currency value. Soon when all the requirements for lowering BI rate was fulfilled, certainly BI would lower BI rate for the benefit of the people.

It was right indeed for the Governor of BI to enhance inter ministerial and inter sectoral synergy in the process of acceleration of economic transformation by fostering coordination of policy at central and local governments. BI believed that synergy among stakeholders would accelerate the process of advancement. (SS)



RZWP3 REGIONAL REGULATION WOULD SHAPE UP JAKARTA'S FACADE IN THE FUTURE

Jakarta, *Business News*

The Jakarta Parliament (DPRD) underscored that discussions on Regional Regulation (Raperda) on Zonation Plan for Coastal Area and small islands (RZWP3-K) determined Jakarta's facade of the future. Besides the RTRKSPUJ had its influence on reclamation plan especially in Kamal Muara, Pluit and Ancol. "The old Perda must be revised and clarified. The new Perda would comply to all need and protect the people especially people of North Jakarta.," Siegfrieda Lauwani of PDI-P fraction of DPRD Jakarta told *Business News* (30/11).

The PDI-P Fraction underscored that the plan to verify Raperda into Perda was still long and winding. The PDI-P fraction was still responding to questions of the Governor of Jakarta and related parties including the Ministry of Public Works and People's Housing. The Meeting related to the interest of many people including fishermen and coastal communities. "Space planning of coastline from Jakarta to Tangerang must be regulated. Developments, including reclamation must not be aimless. Law is needed for it."

Siegfrieda claimed that she had experience in living in Pluit in North Jakarta so she claimed she was familiar with life of the coastal people including the fishermen of Muara Angke. Besides North Jakarta was full of luxurious houses, hotels, business centers, shopping centers etc. "In space planning and reclamation it must be known to what extent the activities affected activities on shore. Soon the Perda would stipulate what the role of contractor is like, permit application and all that."

Physical development of Jakarta Bay started 3 years ago with changing outlook of Kamal Muara rivermouth on the borders of Jakarta, Tangerang and Tanjung Priok. New reclamation islands were seen in 3 locations, i.e. Kamal Muara, Pluit and Ancol. Not all of the people of Jakarta knew that a giant project was underway in Jakarta. "A lot still has to be done with Raperda. But I am in Commission A, so I am more involved in cases related to regulations."

When the time comes, the Perda Law RZWP3-K Jakarta 2015 – 2035 was used as guideline for land management, so legal umbrella must be complete. The PDIP-fraction would request for explanation on review and evaluation from the Ministry of Maritime and Fishery. So far, various maps drawn by the Sea Administration Jakarta Municipality 2012 was not synchronous with KKP. The present RZWP3-K was fine tuning of the plan made in 2012.

The fine tuning was from the related ministries. "The question is why is there a discourse like 'moratorium' for Raperda. This is the one point which we would directly ask and demand explanation by the Jakarta Municipality Executive."

Besides, data on the number of islands at the Thousand Islands Regency was not synchronized. Data of the Ministry of Internal Affairs had it there were 109 islands. Meanwhile the Governor of Jakarta Decree 1986/2000 said there were 110 islands; Data of the Space Planning Dept. said there were 114 islands, but the Meeting on December 2010 stated there were 131 islands. "We are afraid that the number of islands would be reduced time after time. If reclamation continues, more islands would be reduced. We strive to keep the islands from being possessed

by other parties."

The Jakarta Coastland was a strategic area to the Jakarta province, the Central Government and international sea routes. But the space planning concept was not maximized for development, so there were other challenging problems like physical condition of the environment, social culture aspect, infra

structures, and legal institutions.

The Thousand Island Region, although already formed in 2001 with the Government Regulation (PP) No, 55/2001 and even already 8 years since issuance of Law No 29/2007, development process was not maximized. "There are many points which we must ask the executive. Today (30/11) we were making general preview but no response so far."(SS)



BPOM : TRADITIONAL MEDICINES CONTAINING CHEMICALS STILL AT LARGE IN THE MARKET

Jakarta, *Business News*

The Board of Drug and Food Control (BPOM) reported they had detected at least 54 traditional drugs (OT) containing chemicals (BKO). Head of BPOM Roy Sparingga reported in Jakarta on Monday (30/11) admitted that circulation of traditional drugs containing chemicals was still at large in the market. Roy explained that of 54 traditional medicines 47 of them were illegal drugs.

Furthermore to quote BPOM data that 3,671 illegal drugs had been confiscated in Storm VI operations 2015 in the period of August – September 2015. The products consisted of illegal drugs, traditional-illegal drugs, and illegal cosmetics worth Rp 20.8 billion.

218 traditional medicines without permit worth Rp 20 billion were destroyed. The discovery was made by the Illegal Drug Elimination Force in Serpong and Balaraja, Banten.

Roy stated that today pharmacy crime was heightening. Illegal medicines and cosmetics had destructive effect on health, economy and social life. The Crackdown Force on Illegal Medicines, in collaboration with Interpol Indonesia ran Storm VI operations in Southeast Asia and China. In Indonesia the raid was run in collaboration with BPOM and the Tax Department.

Roy underscored that to produce or distribute illegal medicine was against the Law and could be sanctioned according to the applicable Law. For that

matter BPOM warned the public to be cautious and not to consume illegal medicines because they were risky on health and could even cause death. "We plead the public to report to BPOM if they suspect any medicine as dangerous" Roy said.

Besides Roy also called out the people to be smart in selecting traditional medicines and be suspicious of doubted medicines. Traditional medicines were Indonesia's great heritage but might cause danger if they contained chemicals.

"Our ancestors had been consuming jamu herbals to maintain good health, and the habit was passed on to the following generation until today. I plead the young generation to keep the habit of taking jamu in daily life. We are running the Healthy Jamu Campaign to help consumers avoid illegal drugs" Roy stated.

Roy elaborated that traditional herbals which were presented in *rajanan*, *parem*, *tapel* and *pillis* were now developing into modern packaging like tablet, capsule or instant powder. Unfortunately BPOM detected some traditional medicines containing unsafe chemicals. Consumers were warned to say No to such drugs.

Today Roy said, BPOM was making it mandatory for domestic pharmaceutical producers to meet the good standard of medicines to strengthen competitiveness in the export market. The pharmacy industry must produce high quality medicines to be competitive. (SS)

INDONESIA STILL COMMITTED TO REDUCE CARBON EMISSION 29 PERCENT BY 2030

Jakarta, *Business News*

The challenges of nomalous climate did not reduce Indonesia's commitment to contribute to global effort to reduce carbon emission as Indonesia had the commitment to reduce emission by 29% under business as usual and 41% by international aid. Such was set forth by Poresident Joko Widodo at the Conference of the Parties 21 UNFECCC in Paris on Monday (30/11).

Present at the meeting was the Prime Minister of Norway Erna Solberg and the UN Special Envoy on Climate Change, Other leaders who were also committed were the USA, Great Britain, Australia, Congo, Ethiopia, Germany, Liberia, Gabon and Columbia.

Reduced emission was done from various angles. In energy, the President showed as an example was by shifting subsidy for oil to other productive sectors. Increased application of renewable energy by up to 23% of national consumption in 2025 and processing of garbage into energy, In Forest Management, reducing emission was by way of one-map policy, to stipulate moratorium and to review permit for pratland exploration.

In the maritime sector reduction of gas emission was done by way of preventing illegal fishing/IUU fishing and to protect marine bio diversity. The program would involve the people including the traditional communities.

As one of the countries with biggest forests in the world, the President said, Indonesia was present in Paris to be part of solution effort. The President also said that the country which he governed would build Indonesia by observing environmental factor."I am present here to give political support to COP 21

endeavors" President Jokowi said.

Furthermore Preisent Jokowi explained Indonesia's geographical condition was sensitive to climate change where 80% of natural disasters were related to climate change.

Two third of Indonesia consisted of water with 17,000 islands, many of them were small island and 60% of Indonesian people lived in the coastal areas.

Recently Indonesia was tormented by smoke tragedy coming from peatland fire. Although the hot and dry El Nino disaster had made it difficult to estinguish fire, the smoke had now disspeared.

Acordingly the Government had enforced Law by punishing the fire bugs and take preventive measures, partly being already implemented. The Government was also running restoration of the damaged eco system by forming the Board of Peatland Restoration.

Furthermore the Paris agreemet must reflect balance, justice, and in accordance with national capacity. It must also be binding, effective for the long term and ambitious but not hindrancing development in developing countries. "To support the agreement all parties, I repeat, all parties must contribute more in the act of mitigation and adaptation especially by developing countries" the President conluded.

The contribution was shown in mobilizing fund of USD 100 billion and stepped up for the coming years; besides transfer of technology was also expected in environmental conservation

By the Paris Agreement the President expected all participants of COP 21 could be part of the solution. "To make this earth a livable place for our grandchidren" the President concluded. (SS)

GOVERNMENT URGED TO FORM FOOD AUTHORITY COUNCIL

Jakarta, *Business News*

Law No 18/2012 mandated that 3 years after the law was ratified the Government must set up a Food Authority Council. The 3 years time had flown but the Food Authority Council was not formed. Therefore the Government was expected to implement the Law. This was stated by Chairman of Commission IV of House Ir. H.E. Herman Khaerion to the press on Tuesday (1/12).

The Food Authority Council was the determinant body for policy making, regulating and operational or business of Perum BULOG. The proposed institution was blending of BULOG Food Resilience Body and BULOG and to report to the President.

Herman Khaerion rated that the status of Perum BULOG today was inefficient, having to report to many institutions. For example in terms of budget spending BULOG must report to the Ministry of Social Affairs. In terms of Management BULOG had to report to the Ministry of BUMN, and in terms of rice distribution must wait for instructions by the Ministry of Trade. The Many institutions that BULOG had to report to was regarded as burden to BULOG.

Today there was no Government Institution officially appointed as superior institution to BULOG. Although administration wise BULOG under the Ministry of BUMN an operational commander was still needed to clarify the operational platform and coordination of BULOG. The operational commander would soon be the regulator and decision maker in food policy,

BULOG was assigned by the Government to stabilize price of rice their assignment was not backed up by sufficient policy and funding. In buying rice from farmers BULOG was restricted by Government's Buying Price (HPP). If price at farmer's level was below HPP, it was not mandatory for BULOG to buy rice from farmers. If BULOG buy rice at above HPP the had to bear the risk of loss. So HPP should not be the reference for BULOG to buy rice from farmers.

In the future the role of BULOG should be to maximize their role as sustainer of national need for demand and to restore BULOG's role as stabilizer or price. Furthermore BULOG integrated themselves with the Board of Food Resilience not just as operator but as food policy maker. The Government through the new body must control formation of unreasonable price at the market without disregarding market mechanism,

Meanwhile the President Director of BULOG Djarot Kusumajakti on the occasion of media gathering stated that BULOG was ready to be assigned to secure availability of rice and other essential needs. For that matter BULOG would need supporting infrastructure such as storage rooms and cold storage to keep perishable goods. Today BULOG was in possession of 1,500 units of storerooms spread out nationwide.

In 2016 a number of supporting infrastructure would be prepared such as drying machine center, maintenance center, storerooms and production facilities; in the future more infrastructure of good standard would be built for BULOG. (SS)

GOVERNMENT ALLOCATE BUDGET OF RP1,6 TRILLION IN 2016 TO BUILD HOUSES FOR THE LOW INCOME GROUP

Jakarta, *Business News*

The Dir. General of Housing, Ministry of Public Work and People's Housing (PUPR) set budget of Rp1.6 trillion for 2016 for procurement of houses for the low income group.

The Director of Self made Houses of the Ministry of PUPR Hardi Simamora explained that the aid was facilities for the Low Income Group as part of President Jokowi's One Million Homes Program such as FLPP, SSB and House Down Payment Aid. "By that aid people who wish to build new homes are entitled to Rp15 million of aid and aid for renovating inadequate homes Rp30 million" Hardi stated in Jakarta on Monday (30/11).

The budget for 2016 was slightly increased against that of 2015, Moreover this year the allocated budget was more than Rp1.4 trillion and next year

Rp1.6 trillion. By that budget the Government would help recipients with self-help scheme. "There are two choices for Self made homes. Firstly aid for renovation Rp15 million and secondly building of new homes Rp30 million" he said,

Aid for self made homes was meant for people who could afford to build houses, not for the completely helpless category. "We will confide the poor people to the Ministry of Social Affairs," Hardi said.

Meanwhile the Secretary General of House Procurement Heri Eko Purwanto disclosed that the Self Help Scheme was not well absorbed by the public. For building of new homes on procured land 1,689 units was accomplished of the targeted 500,000 units in 5 years (2015-2019) while for renovations 660 thousand units of targeted 1.5 million units was accomplished. "This was low attainment compared to other plans." Heri Eko Purwanto said. (SS)



Vice President :

INDONESIA'S ECONOMY NOT THE WORST IN ASEAN

Jakarta, *Business News*

Vice President Jusuf Kalla claimed Indonesia's economy today was not the worst in ASEAN. In spite of slowdown, Indonesia's position was still somewhere in the middle on the list.

Jusuf Kalla admitted that Indonesia's economy was having slowdown due to global economy which was also slowing down. Thankfully Indonesia was endowed with rich natural resources which was economic strength at home.

Furthermore Jusuf Kalla stated Indonesia's growth percentage was below India, Malaysia, the Philippines and China but still above Singapore, Thailand and Vietnam. "Our position in Asean is somewhere in the middle, but if we could manage better position" Jusuf Kalla said on the occasion of Indonesia Economic Outlook in Jakarta on Tuesday (1/2).

The Vice President said that Indonesia's vast market was supportive to national growth process. Foreign investors were interested in Indonesia's market. Indonesia's population was the fourth largest in

the world, but our weakness was poor competitiveness due to high production cost "We are striving hard to improve" Jusuf Kalla stated.

Vice President proposed 5 Percent Interest

Furthermore Jusuf Kalla said that the problem with Indonesia was high bank interest which was 10% which caused investors to be reluctant to invest in Indonesia. Therefore Jusuf Kalla expected bank interest could be reduced to 5% instead of double digit. "No country can expect to progress if bank interest is high" he said.

Jusuf Kalla said he had talked the matter over with the Ministry of Finance Bambang Brodjonegoro and Governor of BI Agus Martowardojo to lower bank interest. "We wish Indonesia would be more attractive to investors than other countries. They offer bank credit of 1% while Indonesia 12%, how can we compete?" he said.

For UKM small businesses the Government had offered bank interest subsidy from the previous 22% to 12% and next year targeted at 9%.(SS)

TO HELP SMES IN AUTOMOTIVE AND ELECTRONIC SECTOR, BBLM REVITALIZES MOULD AND DIES CENTRE

Bandung, *Business News*

To help small and medium enterprises (SMEs), especially in the automotive and electronics sector, the government through the Metal Industries Development Centre (BBLM) the previously mold and dies which was conventional, to mold and dies center. According to the Head of Administration of BBLM, Junadi Marki, in Bandung, on Monday (November 30), this step becomes part of the effort to foster new entrepreneurs among SMEs.

"The establishment of mold and dies center is a part of industrial growth innovation centre with Science & Techno Park, and the mold and dies investment is not cheap. That is why with the establishment of this institution, we expect that there will be injection molds and dies that will be more adequate, both for the procurement of research and training up to incubation or spawning of growth of new entrepreneurs, he told *Business News* on the sidelines of the Forum Group Discussion (FGD) on the establishment of Technopark Science Centre in Bandung, West Java.

Through one of Nawacita program, President Jokowi is targeting the establishment of 100 science technoparks throughout Indonesia. Because in the future it is expected that one science technopark will be established in Bandung, West Java. The growth of science technopark is a leap of technology applications that can be used as driver of industrial growth. In BBLM, mold and dies center in the form of existing facilities, among others, in the form of a lathe, well

cut, grinding, and software.

We seek to provide direction so that there is a standard program from incubation system of BBLM, given that for the first phase investment of molds and dies, its value ranges from IDR 2 billion to 3 billion. The expectation is that tier 1 and 2 components of SMEs, who have received training and supervision, will receive job orders from automotive companies or those working in the after sales, so it will have enough funds for cash flow circulation. On the other hand, SMEs are also encouraged to master metal injection molding," he said.

Meanwhile, after officially opening the 7th SME Expo 2015 in Jakarta, on Tuesday (December 1), the Secretary General of the Ministry of Industry, Syarif Hidayat, suggested that development or revitalization of this institution has been started a month ago, and is expected that in January, tool experimenting will be initiated. "We recognize the delay in the auction system, making the process of entry of machineries that will be the mold for the product to be produced too late to be tested.

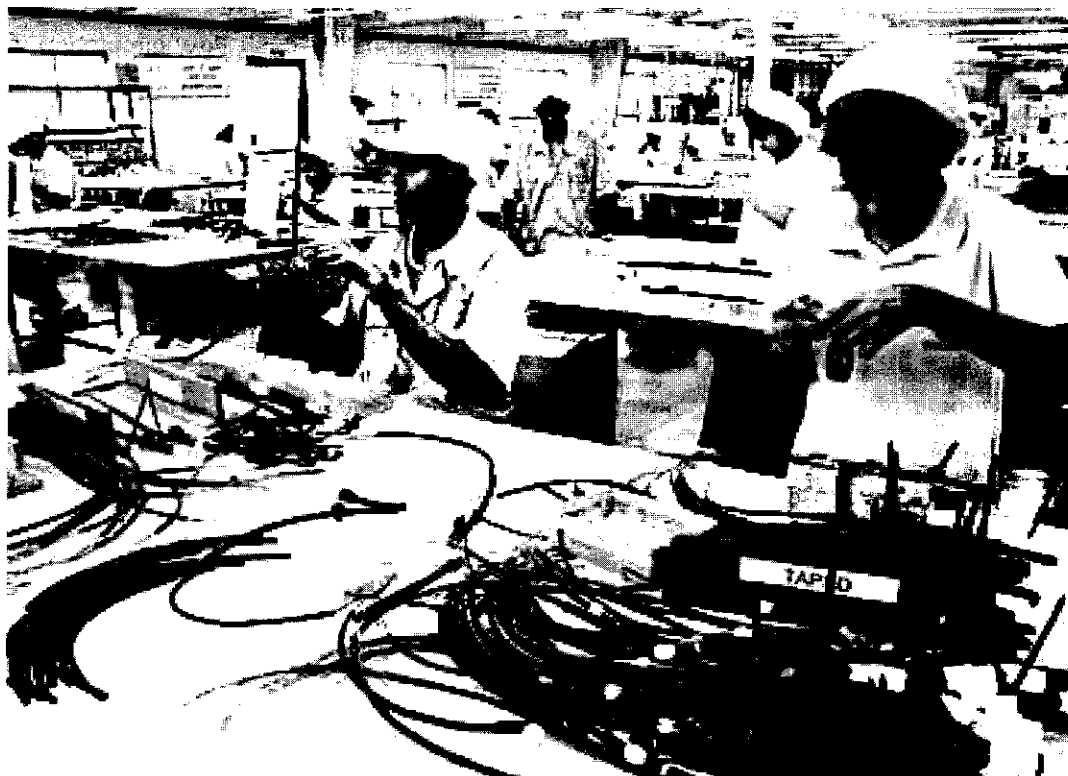
The commencement of this program is to lead to the automotive and electronics industry base that requires the development of molds and dies. This program will be more easily used by small and medium industries (SMI), which factory are accidentally in most areas of West Java and East Java, as well as a small portion of Central Java. Meanwhile, regarding the development in Bandung, West Java, it will be better developed. If the conditions develop optimally, it can be established in other places, so the one in

West Java is designated as a pilot project.

The program which is fully established by the government is characterized by the inclusion of grant of machineries which project value is around IDR 16 billion for 2015. In accordance with its main task & function, this equipment is managed by BBLM. Why is mold and dies chosen? Because it becomes the most important part of the manufacturing industry process. Because to produce goods or manufacturing product, the molding is required first, "he explained.

Associated with the establishment of the

Indonesian Mold and Dies Association, according to Sharif, they will be appointed as advisors and a means of exchange of opinions regarding this institution, considering that the members of the association are those who make the machineries, and at the same time there are also users of these machineries in their membership. Other than the Ministry of Industry, the mold and dies center is also filled with academics of the Faculty of Mechanical Engineering of Bandung Institute of Technology (ITB) and Bandung Polytechnic for Manufacturing. (E)



IATA: AIR TRANSPORT PASSENGER TRAFFIC CONTINUES TO RISE

Jakarta, *Business News*

The International Air Transport Association (IATA) reported that air transport passenger traffic in the world continues to show growth. IATA noted that the demand for air travel continues to increase globally during last August due to being driven by demand growth in Asia Pacific and the Middle East. "Air transport passenger traffic, in terms of revenue per kilometer, rose 7.1% during August," said Director General of IATA, Tony Tyler, in Jakarta, on Tuesday (December 1).

Tony added that the performance during August showed a sustainable growth trend despite the slowdown in global economic growth, particularly in developing countries. Tony saw that growth in the number of air passengers is in line with the growth of tourist visits which grew by an average of 4% per year. World Tourism Organization (UNWTO) said that global tourist visit growth will have an impact on employment growth and economic growth.

IATA also predicts that Indonesia will become the country with the fifth highest number of air passengers in the world, i.e. 219 mil-

lion passengers in 2034. However, according to him, there is still much work to be done by each country in order to accommodate 7 billion passengers.

The report mentioned that China will be the country with the highest number of passengers in the world, reaching 1.12 billion passengers in 2034, or an increase of 758 million new passengers. Then, followed by the United States as much as 1.15 billion passengers, India 378 million passengers, Indonesia 219 million passengers and Brazil 202 million passengers.

According to him, air transport becomes an important part of the condition of the world economy. Therefore, policy makers should consider carefully every policy issued considering its crucial role. He hoped that decision makers in the future will be able to create a conducive environment for the aviation industry, both in terms of taxation, issuance of regulation,

and infrastructure development.

Meanwhile, in anticipation of growth in the number of air passengers, IATA asked the government to improve security and facilities for passengers. It can be implemented through Smart Security so that

passenger information ensures that the governments



lion passengers in 2034. Tony said that the number

have the potential to contribute in enhancing the effectiveness of passenger security and comfort measures.

Tony explains that Smart Security is the co-operation between Airports Council International (ACI) and IATA that has been tried, tested, and ready to be shared and applied. Smart Security program has been launched in Amsterdam and Melbourne which are redesigning the security process with Smart Security. In addition, Smart Security also has a known-traveler program where the number of tourists who travel will always grow. In the last two decades, the growth nearly doubled. Tony predicted that this year there will be 3.5 billion passengers who fly by plane to travel.

The same thing is also expressed by Saleh Husin, the Minister of Industry. Saleh said that Indo-

nesia will become an aviation market with the fastest growth among all countries, which is around 14.9% in the next 20 years. He said that since government regulation on airlines in Indonesia began to be relaxed in 2000, the growth of the aviation industry jumped sharply in the last decade in Indonesia. A number of fleets are competing to seize the domestic and regional markets.

The minister revealed that Indonesia with a population of 250 million, with a region covering 17,000 islands, stretching along 5,200 km from east to west and 2,000 km from north to south is in need of air transportation. This is because air transportation offers the speed and range, and also with high economic growth, it becomes a very potential market for world investors to build aviation industry in Indonesia. (E)

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 Managing Editor : Arisanto
 Correspondents : Expert from Business & Scientific world
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REVISION OF OIL-GAS LAW NEEDED TO EASE INVESTMENT PROCESS

Jakarta, *Business News*

Vice Chairman of Commission VII of House Tamsi Linrung stated that his technical visit to the Province East Kalimantan was to accommodate aspirations and input from the people while trying to find out the obstacles to revisions of Law No.22 2001 on Oil and Gas. In doing revisions there were some points to be known from upstream to downstream side on complaints about profit sharing, permit procedures and investing.

Furthermore Tamzil stated that during his visit he had met some overseas investors who complained about permit application procedures in investing. They were expecting that through Law No 22/2001 there would be room for investment. This was information from the Public Relations Dept of House on Monday (30/11)

Head of the Mining Dept of the Provincial Government of East Kalimantan expected that gas-producing Governors be involved in good plan and budgeting which was important for him to estimate profit sharing.

He also wished to be involved in good plan and budgeting as in coal mining companies including production plan and expenditures for social activities. The provincial Governments should be authorized to monitor and recommend betterment of CSR management recommended by K35.

Based on Law No 32 2001 on control over fuel, the Provincial Government was authorized to control and monitor use of subsidized or non subsidized oil to consumers, the mining sector, plantation, forestry etc. The Provincial Government was also expecting to be authorized to issue borrower company letter for oil gas which had been undertaken by the Central Government.

Meanwhile Deputy Regent of Paser Utara Mustaqim expected that oil-gas producing region should be given proportional profit sharing portion. Meaning the region received different portions according to their output capacity. Therefore at least in Revised Law No 22 2002 the bigger producing region could speed up regional development process. (SS)

NATIONAL BASIC NEEDS PRICE

Jakarta, *Business News*

No.	Commodity	Unit	NOVEMBER 2015						DECEMBER 2015	
			23	24	25	26	27	30	1	2
1.	Unpacking Cooking Oil	Rp / kg	10,500	10,490	10,470	10,480	10,480	10,450	10,400	10,430
2.	Beef	Rp / kg	108,200	108,160	108,220	108,140	108,170	108,120	108,270	108,230
3.	Ranged Chicken Meat	Rp / kg	30,700	30,760	30,910	30,920	31,080	31,120	31,230	31,510
4.	Ranged Chicken Eggs	Rp / kg	22,500	22,640	22,710	22,750	22,750	22,860	22,910	22,950
5.	Wheat Flour	Rp / kg	9,000	8,970	8,980	8,990	8,990	8,990	8,960	8,970
6.	Imported Soybean	Rp / kg	11,000	10,980	10,990	11,050	11,000	10,990	10,960	11,000
7.	Local Soybean	Rp / kg	11,000	11,030	11,060	11,120	11,120	11,000	11,030	10,930
8.	Medium Rice	Rp / kg	10,600	10,600	10,600	10,620	10,610	10,600	10,610	10,640
9.	Granulated Sugar	Rp / kg	12,700	12,720	12,730	12,750	12,720	12,780	12,790	12,790
10.	Curly Red Chilli	Rp / kg	25,700	25,810	26,810	26,630	26,630	28,070	29,280	30,250
11.	Red Chili	Rp / kg	24,700	24,550	24,730	24,770	24,810	26,170	25,810	26,730
12.	Onion	Rp / kg	21,500	21,650	21,760	21,830	21,890	22,110	22,150	22,420

Source: Processed by Ministry of Trade (Ditjen PDN)

(BN)

FOREIGN EXCHANGE RATES

Jakarta, *Business News*

EXCHANGE RATES ON TRANSACTION

CURRENCY	VALUE	DECEMBER 3, 2015			DECEMBER 2, 2015		
		BUYING	MIDDLE RATE	SELLING	BUYING	MIDDLE RATE	SELLING
AUD (Australia)	1,-	10,059.24	10,113.10	10,166.96	10,010.03	10,062.57	10,115.10
BND (Brunei)	1,-	9,752.23	9,801.78	9,851.32	9,726.43	9,776.51	9,826.58
CAD (Canada)	1,-	10,318.33	10,372.75	10,427.16	10,240.14	10,293.31	10,346.48
CHF (Switzerland)	1,-	13,512.51	13,581.53	13,650.54	13,320.36	13,394.06	13,467.76
CNY (China Yuan)	1,-	2,153.11	2,163.89	2,174.67	2,140.15	2,150.94	2,161.73
DKK (Denmark)	1,-	1,956.71	1,966.71	1,976.70	1,948.22	1,958.31	1,968.39
GBP (United Kingdom)	1,-	20,566.19	20,672.68	20,779.17	20,620.97	20,729.07	20,837.16
HKD (Hong Kong)	1,-	1,777.41	1,786.37	1,795.33	1,765.76	1,774.72	1,783.68
JPY (Japan)	100,-	11,172.75	11,229.17	11,285.59	11,129.36	11,187.75	11,246.14
KRW (Korean)	1,-	11.80	11.86	11.92	11.81	11.87	11.93
KWD (Kuwaiti Dinar)	1,-	45,122.83	45,461.35	45,799.87	44,834.59	45,179.89	45,525.19
MYR (Malaysia)	1,-	3,236.08	3,254.60	3,273.11	3,247.45	3,265.77	3,284.09
NOK (Norway)	1,-	1,590.87	1,599.31	1,607.74	1,585.27	1,593.48	1,601.68
NZD (New Zealand)	1,-	9,152.77	9,200.01	9,247.24	9,112.10	9,159.42	9,206.73
PGK (Papua New Guinea)	1,-	4,521.28	4,646.89	4,772.50	4,517.04	4,643.51	4,769.97
PHP (The Philippines)	1,-	291.96	293.49	295.01	290.18	291.71	293.23
SAR (Saudi Arabian Riyal)	1,-	3,671.64	3,690.28	3,708.92	3,648.19	3,666.83	3,685.46
SEK (Sweden)	1,-	1,584.96	1,593.50	1,602.04	1,575.45	1,583.62	1,591.79
SGD (Singapore)	1,-	9,752.23	9,801.78	9,851.32	9,726.43	9,776.51	9,826.58
THB (Thailand)	1,-	383.41	385.60	387.79	382.56	384.65	386.74
USD (United States)	1,-	13,776.00	13,845.00	13,914.00	13,688.00	13,757.00	13,826.00
EUR (Europe)	1,-	14,594.29	14,668.09	14,741.88	14,532.55	14,608.57	14,684.59

NOTE : The middle rate is based on Business News calculation

**EXCHANGE RATES BASIS FOR THE PAYMENT OF
IMPORT DUTY, VALUE ADDED TAX ON GOODS
AND SERVICES AND SALES TAX ON
LUXURY GOODS, EXPORT TAX AND
INCOME TAX FOR THE PERIOD OF
DECEMBER 2, 2015 TO DECEMBER 8, 2015
(Decree of the Minister of Finance KMK 57/KM.10/2015
dated November 24, 2015)**

THE MINISTER OF FINANCE,

Considering :

- a. as payment of import duty, value added tax on goods and services and sales tax on luxury goods, export tax and income tax, on goods imports, tax debts connected with value added tax on goods and service and sales tax on luxury goods, export tax, and income received or earned in the form of foreign currencies, must first be valued in the rupiah;
- b. that it is therefore necessary to stipulate a decree concerning the exchange rates as the basis for the payment of import duty, value added tax on goods and services and sales tax on luxury goods, export tax and income tax for the period of December 2, 2015 To December 8, 2015.

In view of :

1. Law No. 7/1983 (BN No. 4009 pages 1A-3A and so on) on income tax (Statute Book of 1983 No. 50, Supplement to Statute Book No. 3263) as already amended the latest by the No. 10/1994 on the amendment of Law No. 17/2000 (BN No. 6513 pages 15A-18A and so on) (Statute Book of 2000

No. 127, Supplement to Statute Book No. 3985);

2. Law No. 8/1983 (BN No. 4013 pages 1A-3A and so on) on value added tax on goods and services and sales tax on luxury goods (Statute Book of 1983 No. 51, Supplement to Statute Book No. 3264) as already amended by Law No.42/2009 (Statute Book of 2009 No. 150);
3. Law No. 10/1995 (BN No. 5812 pages 19A-20A and so on) on customs affairs (Statute Book of 1995 No. 75, Supplement to statute Book No. 3612) as already amended by Law No.17/2006 (Statute Book of 2006 No. 93, Supplement to Statute Book No. 4661) ;
4. Law No. 11/1995 (BN No. 5813 pages 6A-10A and so on) on Excise (Statute Book of 1995 No. 76, Supplement to Statute Book No. 3613) as already amended by Law No. 39/2007 (Statute Book of 2007 No.105, Supplement to Statute Book No. 4755);
5. Presidential Decree No. No. 84/P Year 2009;
6. Decree of the Minister of Finance No.347/ KMK.01/2008 on Delegation of Authority to First-Echelon Officials within the Ministry of Finance to Sign Letters and/or Decrees of the Minister of Finance on behalf and for the Minister of Finance;

D E C I D E S :

To stipulate:

THE DECREE OF THE MINISTER OF FINANCE CONCERNING
EXCHANGE RATES AS THE BASIS FOR THE PAYMENT
OF IMPORT DUTY, VALUE ADDED TAX ON GOODS AND
SERVICES AND SALES TAX ON LUXURY GOODS, EXPORT
TAX AND INCOME TAX FOR THE PERIOD OF DECEMBER 2,

1	Rp.	13,757.00	per (USD)	1,-
2	Rp.	9,936.93	per (AUD)	1,-
3	Rp.	10,321.59	per (CAD)	1,-
4	Rp.	1,956.58	per (DKK)	1,-
5	Rp.	1,774.89	per (HKD)	1,-
6	Rp.	3,245.83	per (MYR)	1,-
7	Rp.	9,017.74	per (NZD)	1,-
8	Rp.	1,586.32	per (NOK)	1,-
9	Rp.	20,739.12	per (GBP)	1,-
10	Rp.	9,756.31	per (SGD)	1,-
11	Rp.	1,576.10	per (SEK)	1,-
12	Rp.	13,426.45	per (CHF)	1,-
13	Rp.	11,214.35	per (JPY)	100,-

Article 2

In the case of the absence of other foreign currencies in Article 1, the exchange rates used as the basis of payment shall be the daily spot exchange rates of the foreign currencies concerned on the international market against the United States dollar effective on the previous day's closing and multiplied by the rupiah exchange rate against the United States dollar as stipulated in this decree of the Minister of Finance.

Article 3

This decree shall come into force as from December 2, 2015 To December 8, 2015.

2015 TO DECEMBER 8, 2015.

Article 1

The exchange rates as the basis for the payment of import duty, value added on goods and services and sales tax on luxury goods, export tax and income tax, from December 2, 2015 To December 8, 2015 shall be as listed :

14	Rp.	10.58	per (MMK)	1,-
15	Rp.	206.52	per (INR)	1,-
16	Rp.	45,173.02	per (KWD)	1,-
17	Rp.	130.45	per (PKR)	1,-
18	Rp.	291.97	per (PHP)	1,-
19	Rp.	3,663.02	per (SAR)	1,-
20	Rp.	96.15	per (LKR)	1,-
21	Rp.	384.42	per (THB)	1,-
22	Rp.	9,755.06	per (BND)	1,-
23	Rp.	14,597.25	per (EUR)	1,-
24	Rp.	2,152.26	per (CNY)	1,-
25	Rp.	11.96	per (KRW)	1,-

For public cognizance, this decree of the Minister of Finance shall be announced by publishing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

On December 1, 2015

On Behalf Of THE MINISTER OF FINANCE

Caretaker Head Of Fiscal Policy

sgd.

SUAHASIL NAZARA

— = = ooOoo = —

ASSESSMENT OF THE QUALITY OF SHARIA COMMERCIAL BANKS' AND SHARIA BUSINESS UNITS' ASSETS

**(Regulation of the Financial Service Authority of
the Republic of Indonesia No. 16/POJK.03/2014
dated November 18, 2014)**

**[Continued from Business News No. 8781-8782
page 25-48]**

CHAPTER VIII

ACTION PLAN

Article 72

- (1) The bank shall make an action plan to overcome problems facing the bank if KPMM ratio is expected to :
 - a. drop significantly; or
 - b. come closer to or stay lower than KPMM ratio according to the existing rules.
- (2) In addition to making the action plan as referred to in paragraph (1), the bank shall also make an action plan in case of instruction from the Financial Service Authority.
- (3) The bank shall submit the action plan as referred to in paragraph (1) to the Financial Service Authority no later than 6 (six) months after this Regulation of the Financial Service Authority comes into force.

CHAPTER IX

SANCTIONS

Article 73

- (1) The bank which violates provisions as referred to in Article 2 paragraph (1), Article 3 paragraph (1), paragraph (3), paragraph (4), Article 4 paragraph (1), paragraph (3), Article 5 paragraph (1), Article 6 paragraph (1), paragraph (2), paragraph (3), Article 10 paragraph 10 paragraph (5), Article 11 paragraph (2), paragraph (3), paragraph (4), Article 13 paragraph (1), Article 16, Article 17, Article 21 paragraph (4), Article 22 paragraph (3), Article 23 paragraph (1), Article 29 paragraph (3), paragraph (4) and paragraph (5), Article 30 paragraph (2), Article 32, Article 33, Article 35 paragraph (1), paragraph (3), and paragraph (5), Article

36, Article 38 paragraph (1) and paragraph (2), Article 39, Article 41 paragraph (1), Article 42 paragraph (1), Article 43 paragraph (5), Article 46, Article 47 paragraph (2), Article 48 paragraph (2), Article 49, Article 50 paragraph (2), Article 51, Article 52, Article 53, Article 54, Article 56, Article 57, Article 58 paragraph (1), Article 59 paragraph (1) and paragraph (3), Article 60 paragraph (1), paragraph (2) and paragraph (3), Article 64, Article 66, Article 67, Article 69 paragraph (1), Article 71 paragraph (2) and paragraph (3), Article 72; the board of directors which violates provisions as referred to in Article 2 paragraph (2), Article 13 paragraph (3), Article 23 paragraph (3), Article 38 paragraph (2), Article 58 paragraph (3), Article 69 paragraph (3); and the board of commissioners which violates provisions as referred to in Article 13 paragraph (2) and paragraph (4), Article 23 paragraph (2) and paragraph (4), Article 58 paragraph (2) and paragraph (4), Article 69 paragraph (2) and paragraph (4), are subjected to administrative sanctions in the form of :

- a. written warning;
- b. downgrading of the bank's sound level;
- c. freeze of certain business activities; and/or
- d. inclusion of executive board in the list of parties failing to pass a fit and proper test.

- (2) In addition to the sanctions as referred to in paragraph (1), the bank which violates provisions as referred to in Article 16 and Article 17 shall calculate and form PPA as much as 100% (a hundred percent) of the assets in question.

CHAPTER X

TRANSITIONAL PROVISIONS

Article 74

- (1) The quality of financing which has been restructured before this Regulation of the Financial Service Authority takes effect need not be adjusted to provisions in Article 61 paragraph (1) letters a and b.
- (2) The quality of financing as referred to in paragraph (1) is set based on the assessment factors as referred to in Article 7 no later than 3 (three) months after this Regulation of the Financial Service Authority takes effect.

CHAPTER XI

CONCLUSION

Article 75

Further provisions needed to implement this Regulation of the Financial Service Authority are to be provided for in circulars of the Financial Service Authority.

Article 76

When this Regulation of the Financial Service Authority begins to take effect:

- a. Regulation of Bank Indonesia No. 13/13/PBI/2011 on the Assessment of the Quality of Sharia Commercial Banks' and Sharia Business Units' Assets (Statute Book of 2011 No. 40, Supplement to Statute Book No. 5205);
- b. Regulation of Bank Indonesia No. 10/18/PBI/2008 on the Restructuring of Sharia Bank's and Sharia Business Unit's Financing (Statute Book of 2008 No. 138, Supplement to Statute Book No. 4898) as already amended by Regulation of Bank Indonesia No. 13/9/PBI/2011 on Amendment to the Assessment of Quality Based on Regulation of Bank Indonesia No. 10/18/PBI/2008 on the Restructuring of Sharia Bank's and Sharia Business Unit's Financing (Statute Book of 2011 No. 19, Supplement to Statute Book No. 5198), except provisions related to Sharia Smallholder Financing Bank, shall be revoked and declared null and void.

Article 77

This Regulation of the Financial Service Authority shall begin to take effect on January 1, 2015.

For public cognizance, this Regulation of the Financial Service Authority shall be promulgated by placing it in the Statute Book of the Republic of Indonesia.

Stipulated in Jakarta

On November 18, 2014

THE CHAIRMAN OF THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICE

AUTHORITY,

sgd.

MULIAMAN D. HADAD

Promulgated in Jakarta

On November 19, 2014

THE LAW AND HUMAN RIGHTS MINISTER OF
THE REPUBLIC OF INDONESIA,

sgd.

YASONNA H. LAOLY

STATUTE BOOK OF THE REPUBLIC OF INDONESIA at
OF 2014 NO. 347

ELUCIDATION OF
REGULATION OF THE FINANCIAL SERVICE AUTHORITY

NO. 16/POJK.03/2014

ON

THE ASSESSMENT OF THE QUALITY OF SHARIA COMMERCIAL BANK'S AND SHARIA
BUSINESS UNIT'S ASSETS

I. GENERAL

The sharia banking industry as financial institution which carries out an intermediary role is required to present accurate, and comprehensive financial statements which reflect the bank's performance in a complete way. One of the requirements to present accurate and comprehensive financial statements, they must be presented according to the financial accounting standard.

To face the ever increasingly tighter business competition, the bank must be able to make fund investment which can bring about optimum profit by sticking to prudential principles and sharia principles. The development of instruments used in the fund investment must be supported by a set of policies and rules which provide a great chance to the sharia banking industry to offer products and services according to the characteristics of clients' business activities financed by observing prudential principles and sharia principles.

To maintain the continuation of its business, the bank should continue to maintain credit risk exposure at a sufficient level by among others maintaining the quality of assets and calculating allowance for the writing off of assets.

As a follow up to the implementation of Accounting Guide for Indonesian Sharia Banking/Sharia Commercial Bank and Sharia Business Unit, Monthly Report of Monetary Stability and Financial System of Sharia Commercial Bank, and the Assessment of the Risk-Based Sound Level of Sharia Commercial Bank and Sharia Business Unit, it is necessary to revise provisions on the quality of assets so that they can be implemented properly, along with other provisions.

For its part, provisions in the form of Regulation of the Financial Service Authority on the assessment of the quality of sharia commercial bank's and sharia business unit's assets are needed.

ARTICLE BY ARTICLE

Article 1

Sufficiently clear

Article 2

Paragraph (1)

Referred to as "prudential principles" in fund investment and/or provision are fund investment and/or provision based on, among others:

1. business viability analysis by observing at least 5C factors (Character, Capital, Capacity, Condition of economy and Collateral); and/or
2. assessment of business outlook, performance and payment capability. The application of sharia principles in fund investment and/or provision is among others fund investment and/or provision done without containing the elements of *riba*, *maisir*, *gharar*, *haram*, and *zalim*.

Paragraph (2)

Referred to as "assessing" is evaluating the client's condition and/or the viability of business to be financed.

Referred to as "monitoring" is supervising the development of the client's performance all the time.

Paragraph (3)

Sufficiently clear.

Article 3

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The assessment of the quality of assets set by the Financial Service Authority is based among others on the audit or supervision of the bank.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The definition of "notification" includes notification done by the Financial Service Authority to the bank at the exit meeting of the bank's audit.

Article 4

Paragraph (1) and Paragraph (2)

Sufficiently clear.

Paragraph (3)

Example:

Bank A provides mudharabah financing and murabahah financing to client X. The results of assessment done to each productive asset are as follows:

- a. under special surveillance, for mudharabah financing; and
- b. less liquid, for murabahah financing.

Since financing is used to finance more than 1 (one) client, the quality of productive assets set by Bank to client X follows the lowest, namely less liquid.

Paragraph (4)

Since the assess sent factor to set the quality of productive assets in the form of financing is different from the assessment factor to set the quality of productive assets in the form of sharia securities, the quality

of the two types of productive assets can be set differently although they belong to the same client.

Article 5

Paragraph (1)

Referred to as "complete document" is a document about fund investment covering at least application, analysis, decision, and monitoring of fund investment and its change.

Paragraph (2)

Sufficiently clear.

Article 6

Paragraph (1)

The obligation to have financial statements audited by public accountant is meant to make the client's financial statement accurate and reliable, considering that the financial condition of the client is one of the criteria to set the quality of productive assets.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Referred to as "the law and regulation" is among others government regulation regarding information about the company's annual report.

Paragraph (4)

Sufficiently clear.

Article 7

Sufficiently clear.

Article 8

Paragraph (1)

Letter a up to Letter d

Sufficiently clear.

Letter e

Referred to as "client" is the client required to make an environmental management effort as referred to in the law and regulation in force.

Paragraph (2) and Paragraph (3)

Sufficiently clear.

Article 9

Sufficiently clear.

Article 10

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Referred to as "accumulation during an ongoing period of mudharabah financing and musyarakah financing" is the accumulation of RBH or PBH since the start of financing up to the position of assessment month.

Example:

Mudharabah financing is provided in September 2014, for a period of 1 (one) year. The accumulation of RBH or PBH calculated in December 2014 is RBH or PBH in September 2014 accumulated up to RBH or PBH in December 2014.

Paragraph (3)

PBH may be set on a yearly, mid-yearly, quarterly or monthly basis.

Paragraph (4) and Paragraph (5)

Sufficiently clear.

Article 11

Paragraph (1)

Whether or not periodical payment for principal installments is needed is decided according to the characteristics of the client's business financed.

Paragraph (2)

Referred to as "steps to reduce the risk of failure to pay financing principal during the date of maturity" are among others evaluating the client's business performance at least once every year.

Paragraph (3) and Paragraph (4)

Sufficiently clear.

Article 12

Fund placement in Bank Indonesia includes SBIS, Deposit Facility in Bank Indonesia (FASBIS), and sharia term deposit in foreign currency.

Article 13

Sufficiently clear.

Article 14

Paragraph (1)

Referred to as "sharia securities acknowledged based on market " is securities available for sale and sharia securities in portfolio for trading.

Letter a

Referred to as "being actively traded in the stock exchange in Indonesia" is that there is significant and fair volume of transactions (arms length transaction) in the stock exchange in Indonesia in the past 10 (ten) working days.

Letter b

"Transparent information on market value" can be obtained from the usual publication media for stock exchange transactions.

Letter c and Letter d

Sufficiently clear.

Paragraph (2)

Referred to as "sharia securities acknowledged based on acquisition price" is sharia securities held until the date of maturity (hold to maturity).

Referred to as "investment grade" is the grade acknowledged by the Financial Service Authority according to provisions on rating agencies and ratings.

Paragraph (3)

Sufficiently clear.

Article 15 and Article 16

Sufficiently clear

Article 17

"Sharia securities linked to or guaranteed by certain underlying assets include mutual fund and stocks with assets as collateral.

Letter a

The existence of assets can be believed if the assets are among others kept in a custodian bank, the Central Indonesian Stock Custodian (KSEI), or Bank Indonesia.

Letter b

Sufficiently clear.

Article 18

Paragraph (1)

Letter a

Payment for the obligation of sharia securities will be regarded as "being directly related to underlying assets (pass through)" if payment for principal and margin/profit sharing/ujrah of sharia securities only originates from payment for principal and margin/profit sharing/ujrah from the underlying assets.

Letter b

Sufficiently clear.

Paragraph (2)

"The quality of underlying assets" is set based on the types of assets and the quality of the assets. For instance, assets in the form of financing to client is assessed based on provisions on the quality of financing to the client, assets in the form of sharia securities are assessed based on the quality of sharia securities, and assets in the form of deposits in other bank are assessed based on the quality of placement in the other bank. If the underlying assets have different quality, the quality of sharia securities is set based on the quality of each underlying asset calculated proportionally.

Paragraph (3)

Letter a

The classification of "the quality of productive assets in the form of sharia securities in the form of mutual fund which based on provisions on the assessment of the quality of productive assets are in the form of sharia securities, is done to mutual fund as one product and not to each type of asset underlying the mutual fund.

Letter b

The assessment of "the quality of assets underlying mutual fund and the quality of mutual fund issuer" focuses on :

1. performance, liquidity, and reputation of the issuer or other related party such as insurance; and
2. diversification of portfolio held by the issuer that takes into account risks and prudential principles.

Article 19**Paragraph (1)****Letter a**

Sufficiently clear.

Letter b

"Sharia securities which based on its characteristics is not traded in the stock exchange and/or has no rating" includes export draft taken over.

Referred to as "a period of up to or more than 1 (one) year" is the period of initial agreement excluding the extended period of the sharia securities.

Paragraph (2) up to Paragraph (4)

Sufficiently clear.

Article 20

"Draft taken over" includes export draft and letter of credit with domestic document (SKBDN).

Article 21**Paragraph (1)**

Sufficiently clear.

Paragraph (2)

Referred to as "investee" is a company where the bank makes capital participation.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The fulfillment of sharia principles refers to fatwa issued by the National Sharia Board of the Indonesian Ulemas Council.

Article 22

Paragraph (1)

The period of temporary capital participation is calculated since the bank made the temporary capital participation.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The fulfillment of sharia principles refers to fatwa issued by the National Sharia Board of the Indonesian Ulemas Council.

Article 23

Sufficiently clear.

Article 24

Paragraph (1)

Letter a

Point 1

Referred to as "KPM ratio according to provisions in force" is KPM ratio set by the Financial Service Authority for domestic banks or the authorized agency for overseas banks.

Point 2

Sufficiently clear.

Letter b and Letter c

Sufficiently clear.

Paragraph (2)

Referred to as "linkage program" is cooperation between the bank and BPRS, in channeling financing to micro businesses and small businesses.

Referred to as "linkage program with executing pattern" is financing provided by the bank to BPRS as a two-step loan to micro businesses and small businesses, with the risks being borne by BPRS.

Article 25

Sufficiently clear.

Article 26

Paragraph (1)

Referred to as "securities bought under a reverse repurchase agreement" is the purchase of sharia securities from other party equipped with a reverse repurchase agreement to the other party at the end of period at price or yield agreed upon previously.

Paragraph (2)

Sufficiently clear.

Article 27

Derivative claims are among others in the form of claims including potential profit due to mark to market of the ongoing spot transaction.

Article 28

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Cancellation can be made due to certain conditions or reasons contained in a clause of the agreement between the bank and the client.

Article 29

Paragraph (1)

Sufficiently clear.

Paragraph (2)

If cash collateral comes in the form of precious metal, collateral value will be set based on market value.

Letter b

If cash collateral comes in the form of SBSN, collateral value will be set based on the market value of SBSN or if market value is not found it will be set based on fair value.

Letter c

Referred to as "the Government of Indonesia" is the Central Government.

Letter d

Sufficiently clear.

Paragraph (3)

The blocking and binding of SBIS and SBSN as well as other fund placement in Bank Indonesia and the Government is currently administered by Bank Indonesia.

Paragraph (4)

Referred to as "unconditional" is if :

- a. the benefit gained by the bank providing fund from guarantee does not decline substantially despite losses caused by factors beyond the bank's control; and
- b. no procedural requirements are contained, including :
 - 1. requirement to send notification of default;
 - 2. requirement to prove good faith on the part of the bank providing fund; and/or
 - 3. requirement to disburse guarantee by setting off first the obligation of the bank to the guaranteeing party.

Paragraph (5) and Paragraph (6)

Sufficiently clear.

Article 30

Sufficiently clear.

Article 31

Paragraph 1)

Limit is applicable to all facilities given (ceiling) to each client or project, either individual client or group of borrowers if financing and other fund provision is used to finance the same project.

Letter a

Referred to as "other fund provision" is the issuance of guarantee and/or the opening of letter of credit.

"Financing and other fund provision" include all types of financing or other fund provision given to all classes of client.

Letter b

Point 1

Letter a)

The assessment of KPMR adequacy covers:

- 1) risk management;
- 2) risk management framework;
- 3) risk management process, human resource adequacy, and management information system adequacy; and
- 4) risk control system adequacy, as provided for in the existing provisions on the assessment of the sound levels of sharia commercial banks and sharia business units.

In general, "the assessment of KPMR adequacy for credit risks (strong)" is reflected by the application of all the KPMR components to all credit risks which is effective to maintain the sound internal condition of the bank. Although there are minor shortcomings in the assessment of KPMR adequacy, they can be ignored as they are not significant.

Letter b)

Sufficiently clear.

Letter c)

Referred to as "composite rating" is the composite rating as set forth in provisions on the assessment of the sound levels of sharia commercial bank and sharia business unit.

Point 2

Letter a)

The assessment of KPMR adequacy covers:

- 1) risk management;
- 2 risk management framework;
- 3) risk management process, human resource adequacy, and management information system adequacy; and
- 4) risk control system adequacy, as provided for in the existing provisions on the assessment of the sound levels of sharia commercial banks and sharia business units.

In general, "the assessment of KPMR adequacy for credit risks (satisfactory)" is reflected by the application of all the KPMR components to all credit risks which is quite effective to maintain the sound internal condition of the bank. Although there are several minor shortcomings in the assessment of KPMR adequacy, they can be settled in normal business activities.

Letter b)

Sufficiently clear.

Letter c)

Referred to as "composite rating" is the composite rating as set forth in provisions on the assessment of the sound levels of sharia commercial bank and sharia business unit.

Letter c

Referred to as "other fund provision" is the issuance of guarantee and/or the opening of letter of credit. The limit of financing and other fund provision provided is applicable to all facilities received by each client, either an individual client or a group of borrowers, from 1 (one) bank.

Referred to as "certain area" is an area which according to the assessment by the Financial Service Authority needs special handling to boost economic development in the area designated by the Financial Service Authority.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The bank can use the results of self assessment of the bank's sound level (TKS), provided there is a request for a prudential meeting related to the results of the assessment of the bank's sound level.

In case of adjustment to the assessment of position in December or June by the Financial Service Authority, the position used by the bank is the latest position that has been adjusted.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

In case of adjustment to the assessment of position in December or June by the Financial Service Authority, the position used by the bank is the latest position that has been adjusted.

Paragraph (6)**Letter a**

Sufficiently clear.

Letter b

Referred to as "top 50 (fifty) clients of sharia commercial bank are top 50 (fifty) clients of sharia commercial banks individually.

Referred to as "top 50 (fifty) clients of sharia business unit" are top 50 (fifty) clients of sharia business unit, excluding clients from its parent bank.

Paragraph (7) and Paragraph (8)

Sufficiently clear.

Article 32

Sufficiently clear.

Article 33

Paragraph (1)

"Written policy and procedure" include mechanism and requirements to take over AYDA.

Paragraph (2)

This rule is meant to enable the bank to carry out business activities according to its function as public fund collector and distributor.

The settlement effort can be made actively by marketing and selling AYDA, among others.

Paragraph (3)

Documentation includes evidence of data and information on the efforts to market and sell AYDA.

Article 34

Sufficiently clear.

Article 35

Paragraph (1)

Referred to as "net realizable value" is the fair value of collateral reduced by the estimate of cost of disposing of it.

Paragraph (2)

Recording refers to the financial accounting standard and accounting guidance for banks.

Paragraph (3) up to Paragraph (7)

Sufficiently clear.

Article 36**Paragraph (1)**

This rule is meant to enable the bank to immediately sell AYDA within a period of 1 (one) year according to the law on sharia banking and is not meant to hold collateral more than the period of time.

Paragraph (2)

Documentation includes evidence of data and information on the efforts to market and sell AYDA.

Article 37

Sufficiently clear.

Article 38**Paragraph (1)**

Referred to as "abandoned properties" include land and/or buildings which are not used to carry out the business activities of the bank such as buildings and/or land leased out.

The definition of "abandoned properties" excludes properties classified as bank assets in ijarah financing and ijarah muntahiya bittamlik financing according to fatwa issued by the National Sharia Board of the Indonesian Ulema Council.

Paragraph (2)

Sufficiently clear.

Paragraph (3) and Paragraph (4)

Referred to as "used for the majority of the bank's business activities is that the bank uses the biggest portion, namely more than 50% (fifty percent).

The portion used for the bank's business activities is measured separately for each of the properties.

Example:

Property A used for the bank's business activities is 75%. Property B used for the bank's business activities is 35%. Property C is not entirely used for the bank's business activities.

In this case, property A is not entirely classified as abandoned property, property B classified as abandoned property is 65% and property C is entirely classified as abandoned property.

Article 39

Paragraph (1)

Referred to as "settlement effort" includes the marketing and sale of abandoned properties. This rule is meant to enable the bank to carry out its function as a public fund collector and distributor.

Paragraph (2)

Documentation covers evidence of data and information on the effort of marketing and selling abandoned properties.

Article 40

Sufficiently clear.

Article 41

Paragraph (1)

Settlement efforts are needed to ensure that all bank transactions are recognized and listed based on the characteristics of the transactions and to reduce the possibility of engineering transactions that may inflict losses on the bank.

Paragraph (2)

Referred to as "inter-office account" is that assessing inter-office account on the asset side without conducting set off with inter-office account on the liability side, considering the counter transaction partner still cannot be ascertained as the same party or office.

Article 42

Paragraph (1)

The bank is obliged to calculate and form PPA, either for productive assets or non-productive assets, to meet prudential principles. However, according to the financial accounting standard, the result of PPA calculation is not recorded and reported in the bank's financial statement.

The PPA calculation for non-productive assets is also intended to encourage the bank to make settlement efforts as well as to anticipate potential losses.

Paragraph (2)

Sufficiently clear.

Article 43

Paragraph (1) up to Paragraph (3)

Sufficiently clear.

Paragraph (4)

The recording refers to provisions on financial accounting standard and accounting guide applicable to the bank.

Paragraph (5)

Depreciation or amortization for ijarah financing or ijarah muntahiya bittamlik financing refers to provisions on financial accounting standard and accounting guide applicable to the bank. The selected depreciation or amortization policy must be consistent and reflect consumption pattern expected from the future economic benefit from ijarah object.

Paragraph (6)

Sufficiently clear.

Article 44

Sufficiently clear.

Article 45

Letter a

The criteria of "being actively traded at the stock exchange" are that there is significant and fair volume of transactions (arms length transaction) at the stock exchange in Indonesia in the past 10 (ten) working days.

Investment grade is based on the rating assigned by a rating agency in the past 1 (one) year. If the rating assigned by a rating agency during the past 1 (one) year is not available, sharia securities will be regarded as having no rating.

Letter b

The binding of collateral based on insurance right according to the existing procedure and rule includes but is not limited to registration matters so that the bank has preference right to the said collateral.

Letter c

The binding of collateral based on insurance right according to the existing procedure and rule includes but is not limited to registration matters so that the bank has preference right to the said collateral.

The installation of insurance right to land and machines found on it must clearly be contained in the deeds of granting insurance right.

Letter d

The binding of collateral based on mortgage according to the existing procedure and rule includes but is not limited to registration matters so that the bank has preference right to the said collateral.

Letter e

The binding of collateral based on fiduciary according to the existing procedure and rule includes but is not limited to registration matters so that the bank has preference right to the said collateral.

Letter f

Referred to as "warehouse receipt" is a warehouse receipt as referred to in provisions on warehouse receipt.

Article 46

Paragraph (1)

Letter a

Sufficiently clear.

Letter b

Referred to as "bound according to the law and regulation so as to give preference right" is binding conducted under insurance, mortgage, pawn and fiduciary right.

Letter c

Referred to as "banker's clause" is a clause that gives the bank right to accept insurance money in case of claim payment.

Paragraph (2)

Sufficiently clear.

Article 47**Paragraph (1)**

The limit of Rp5,000,000,000.00 (five billion rupiah) is computed to all facilities given to the client or group of borrowers.

The appraisal of collateral by the bank's internal appraiser refers to the appraisal standard used by independent appraiser.

Paragraph (2)

Sufficiently clear.

Article 48**Paragraph (1)****Letter a**

Referred to as "investment grade" is the investment grade as referred to in provisions on rating agencies acknowledged by the Financial Service Authority.

Letter b

Referred to as "appraisal" is a written statement issued by independent appraiser or the bank's internal appraiser about the estimate and opinion of economic value of collateral based on the analysis of objective and relevant facts according to the generally-accepted principles set by the authorized association and/or agency.

Letter c

Land and/or buildings exclude residence including shop-house, plantation land and mining land.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The matters that can be used as consideration are among others based on historical data of realized collateral value which is generally far lower than the collateral value used as the reduction of PPA and/or there is a large gap between the result of appraisal and the present value of collateral.

Article 49

Collateral value can change according to the result of the latest appraisal due among others to a change in market value, sale value of tax object and a physical change in collateral.

Collateral is used as the reduction of PPA that must be calculated by the bank with regard to the function of collateral as a credit risk mitigation means. In this connection, collateral that can be used as the reduction of PPA is the collateral that can be realized by the bank when the event of default on fund provision occurs.

Example:

The appraisal of collateral is done in the past 12 (twelve) months and the collateral appraised is valued at Rp200,000,000,000.00 (two hundred billion rupiah). The collateral that can be used as the reduction of PPA:

$$\begin{aligned} &70\% \times \text{Rp}200,000,000,000.00 \\ &= \text{Rp}140,000,000,000.00. \end{aligned}$$

If the binding value of the collateral is Rp100,000,000,000.00 (a hundred billion rupiah), the collateral that can be used as the reduction of PPA is Rp100,000,000,000.00 (a hundred billion rupiah).

Article 50

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Notification includes notification made by the Financial Service Authority to the bank in an exit meeting to audit the bank and/or prudential meeting to assess the bank's sound level.

Article 51

Sufficiently clear.

Article 52

Paragraph (1)

The formation of PPA for productive assets is reflected in an CKPN report submitted by the bank to the Financial Service Authority through the monthly monetary stability and financial system report of BUS and UUS.

Paragraph (2)

Example:

PPA that must be formed for productive assets is Rp200,000,000,000.00 (two hundred billion rupiah) and the bank has formed CKPN at Rp180,000,000,000.00 (one hundred and eighty billion rupiah), the difference between PPA and CKPN at Rp20,000,000,000.00 (two hundred billion rupiah) serves as the reduction of capital in calculating KPMM ratio.

Paragraph (3)

Example:

1. PPA that must be formed for productive assets is Rp200,000,000,000.00 (two hundred billion rupiah) and the bank has formed CKPN as much as PPA, namely Rp200,000,000,000.00 (two hundred billion rupiah), so that the calculation of PPA does not effect the calculation of KPMM ratio.

2. PPA for productive assets is Rp150,000,000,000.00 (two hundred billion rupiah) and the bank has formed CKPN at Rp200,000,000,000.00 (two hundred billion rupiah), the surplus of PPA over CKPN already formed does not affect the calculation of KPMM ratio.

Article 53

Example:

PPA that must be formed for non-productive assets is Rp15,000,000,000.00 (fifteen billion rupiah), and the bank must calculate the entire PPA for non productive assets as reduction in the calculation of KPMM ratio.

If there is allowance for value losses formed by the bank in the balance sheet for non- productive assets according to the prevailing financial accounting standard, the calculation of PPA for non-productive assets is done to the value of non-productive assets after being reduced by value losses.

Article 54

Sufficiently clear.

Article 55

Paragraph (1)

The restructuring of financing for non productive financing client is among others based on whether or not clear source for installments from the client is available after restructuring.

Letter a

Referred to as "client having declining payment capacity" is the client that can not meet his/her obligation fully, excluding discount for murabahah claim as part of effort to appreciate the client paying installments on time.

Letter b

to be continued

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