

# Business News

Since November 30<sup>th</sup> 1956

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## ANALYSIS

## INFORMATION

Especially for : Entrepreneurs Managers Officials Politicians Technocrats Scholars

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## NATIONALISM IN AEC

The exodus of the best Indonesian human resources to neighboring countries is any of the points worried by Indonesia in relations to the enforcement of ASEAN Economic Community (AEC). If we observe, the worry is actually triggered by the same cause related to the exodus of good quality human resources to other countries, namely better salary and facility in destination countries, compared to salary and facility in the country.

We could understand the worry even though the fact shows that the phenomenon is not something new. The decision to seek job in better advanced countries is actually a rational decision. If the phenomenon is brought into AEC, countries predicted to become the main target of Indonesian human resources are Singapore, Malaysia and Brunei Darussalam, three countries having the highest welfare among AEC member countries.

In relations thereto, nationalism again becomes the focus of spotlights. If better salary and facility become a reason to favor working abroad, the answer to the question should also come from the same side. The experience shows that salary and facility of workers in the three countries are indeed better, even far better than the country. In Malaysia, a lecturer or researcher, for instance, receives salary several times higher than their fellow colleague in the country.

It is a matter of economy or economic reason. Economic issue surely should be answered economically too. However, it seems extremely difficult to be executed in the country. Therefore, inevitably, the answer should be shifted to nationalism issue. Probably, it looks like a clinch. However, nationalism still could become an answer to the whole issues in the ongoing globalization area.

In the other part, recently President Joko

Widodo welcomed a number of executives of Indonesian Islamic Group at Merdeka Palace. As disclosed by Chairman of the group Hamdan Zoelva, the Islamic group would start to develop populist economic programs, an answer to the disparity between the haves and the have not, already deemed reaching at alarming level. Even though it does not talk about nationalism, the commitment of the group to building populist economy actually contains nationalism aspect. It is necessary to remind that the fortification of populist economic constitutes desire of the state founders.

The worry about the exodus of good quality human resources to other countries on one side and the yawning economic disparity in the country on the other hand share of the same connection to nationalism if it is linked to AEC. The first is related to the obligation to preserve the best human resources so that they continue to dedicate themselves to the state with the whole consequences and the second is related to the obligation to overcome domestic issues potential to weaken the bargaining power of the nation in facing other countries. In this context, AEC is not a game which could be won by only taking business as usual, especially if nationalism is deemed not important.

We embark on AEC with expectations cum worries. In the other word, AEC promises expectations cum worries. In this context, Keynes' thesis (1883-1946) stating that expectation would continue to collide with the high uncertainty wall is likely to occur. Amid the uncertainties, nationalism sentiment actually could be managed for positive purpose, especially for detaining the exodus of the best human resources to neighboring countries.

Jakarta, December 29, 2015

# LEARNING OF THE IMPLEMENTATION OF FISHERIES LAW FOR INDUSTRY DOWNSTREAMIZATION

Jakarta, *Business News*

Indonesian Traditional Fishermen Committee (KNTI) sees the need to learn from the application of Law on Mineral and Coal against Law No. 31/2004 on Fisheries, especially matters related to downstream activities. Mineral and Coal Law has managed to control the exports of raw minerals with a process and value added in the country maximally. The process leads to industry downstreamization and increase of value. "Amendment to the Fisheries Act for downstreamization activities is very important. The Law no longer only focuses on incentives, activity stimulation towards downstreamization, incentives for aquaculture and capture fisheries activities. But most importantly, downstreamization has led to post-production improvement," Chairman of KNTI, Riza Damanik, told *Business News* (December 28).

Amendment to the Fisheries Act is the imbalance of fisheries development between the eastern and western part of Indonesia. Additionally, processing activities in border and non-border areas should also be a concern of the stakeholders, including the Ministry of Maritime Affairs and Fisheries (MMAF). Budget politics of 2016 should be based on the principle of equal distribution, especially alignment to fisheries development in eastern Indonesia. "Java and Sumatra are increasingly aggressive in industry building. But, coastal villages, so far are only as a place of extraction of raw materials for refined products consumption. We must reverse the logic of thinking. Coastal village should become a center of fisheries products."

KNTI sees that there are five points which are significant for the improvement of the fisheries sec-

tor in 2016. First, imbalance in the number of fishing ports between eastern and western part of Indonesia. Of 135 fishing ports in Indonesia, 86 percent is concentrated in the western part of Indonesia. The rest, ports are built in the central and eastern part of Indonesia. "In the eastern part of Indonesia, there are only seven ports. The number is slightly higher than in the central part of Indonesia. Western Indonesia, especially Java and Sumatra, dominated activities in the port, because there is a higher number of ports."

Second, the imbalance between number and equal distribution of Fish Processing Unit (UPI). Of more than 40 thousand UPI in Indonesia, 67 percent is concentrated in Sumatra and Java. Third, of the total number of fish processed, i.e. more than nine million tons, Java and Sumatra processes nearly half. "Fifth, of 100 articles in the Fisheries Act, only 15 percent sets forth pre and post-production. 52 percent regulates matters related to production, including fishing on the high seas. Only 17 percent which discusses post-production activities. Of the 13 million workers in the fisheries sector, 51 percent carries out activities in the production sector, 38 percent in the marketing sector, and the rest in the processing sector."

In addition, the lack of development of the fisheries sector cannot be separated from the issue of humans with skill capacity. Though the government built many educational institutions oriented to the fisheries sector. During this time there are about 700 maritime and fisheries vocational schools. "More than half of graduates do not work in the fisheries sector. Because public policy is not conducive, which ultimately affects the link and match between the fisheries industry and fisheries undergraduates." (SL)

# INCREASE INDUSTRY CAPACITY IN THE FIELD OF TEXTILES AS WELL AS MOLD AND DIES

Jakarta, *Business News*

As part of efforts to improve the ability of industry and human resources (HR) in the field of textiles, both in facing the AEC (ASEAN Economic Community) and other challenges, all parties are challenged to increase productivity. Moreover, with human resource potential of more than 250 million people, the future of Indonesia must be filled with qualified workforce.

"The potential of demographic bonus must be used optimally, through the utilization of productive skilled workforce equipped with the ability to create new jobs, so the opportunity is used by the Ministry of Industry to increase technological capacity in the country, in cooperation with the academia. The collaboration involving the Polytechnic College of Textile Technology (STTT) - Bandung and the Ministry of Industry, in the future is expected to bring quality manpower who is able to handle repairs of textile machineries which have become part of government program in textile machinery restructuring," said Secretary of the Directorate General of Metal, Machinery, Transportation Equipment and Electronics of the Ministry of Industry, Gati Wibawaningsih, on Wednesday (December 23).

In these efforts, in 2015 we give assistance in the form of a set of machine tool laboratory (including CNC machines, lathes, measurement tools and tool kits); a set of mechatronics laboratory (electrical series, analog electronics, control systems and digital engineering and electrical engineering); and a set of design laboratory (technical drawing table with Trecker drafting machine). Total aid is worth IDR 6 billion, so it is estimated that this program not just supports

the promotion of curriculum development of textile machinery component research in a simple way, but will eventually be able to develop maintenance of textile machineries, he explained.

In the long term, we want the flow of labor services in the country to be more filled by local experts. During this time we see a lot more concentration to meet demand in the automotive industry. That's why we would like to take this opportunity to provide an opportunity for local educated personnel to become experts the field of textile machinery. In the future we also give the same priority to other components industry as well as train and airline industry, "Gati added.

## Development of Mould and Dies Centre

As a concrete form of cooperation among directorates, Directorate General Secretary of the Ministry of Industry in cooperation with the Secretariat General of the Ministry of Industry and Industrial Research and Development Agency (BPPI) collaborated to form Mould and Dies Centre located in the Center for Metals and Machinery (BBLM) in Bandung, West Java.

"The development of mold and dies center is important, not only because mold and dies are the ancestor of the manufacturing industry, but also the mastery of mold and dies technology, especially for metal and plastic that have to be mastered, considering that during this time many of them are imported. With the construction of this center in the country, not only it has the potential to reduce imports, but also to increase quality and human resources who master mold and dies industry, to improve the resilience of the domestic industry," said Gati.

To that end, during the year 2015, activities carried out are in the form of mould and dies machinery and equipment facilitation, preparation of roadmap for molds and dies development centers, as well as human resource training and certification of human resources in mold and dies industry for 120 trained people, and enhancement of human resource capabilities. The total value of assistance disbursed in this cooperation is IDR 23 billion.

According to Gati, "In addition to building human resource capabilities in the country, we are also working to improve the infrastructure in the country, through the assistance which we aimed at Industrial Research and Standardization Agency (Baristand) Surabaya to equip their laboratory test equipment. This is also our concern because Indonesia has been flooded by the influx of mobile phone products, whose number is estimated at around 60 million units in 2014. Until September, mobile phone imports were recorded at 26 million units.

Therefore, to determine whether cell phone products that enter Indonesia are reliable products, there has to be a laboratory testing tool which is qualified. Similar cooperation is also conducted with Bandung TechnoPark, whose goal is to make the institution as a business incubator, in order to foster the birth of new entrepreneurs in the field of design, animation, as well as informatics and telematics prod-

ucts. Machineries that enter the country, not all of them are from Germany, Belgium, or Taiwan, but there is also machinery produced by the Polytechnic for Manufacturing in Bandung and Solo, Central Java," he said.

"As the legal basis of the cooperation, we will set it forth in a Memorandum of Understanding signed by the Secretary of the Directorate General of Metal, Machinery, Transportation Equipment and Electronics, Secretary General of the Ministry of Industry, Industrial Research and Development Agency (BPPI) of the Ministry of Industry and academia including the Polytechnic College of Textile Technology (STTT) Bandung and Bandung Institute of Technology (ITB), who receives machinery assistance for lighting systems; renewable energy and sensor systems to measure and test the air quality.

The amount of machinery assistance provided to higher education institutions through the Ministry of Research and Higher Education is in the form of machinery grants of around IDR 5.75 billion," said Gati, who was accompanied by Chairman of the Polytechnic Department of the Polytechnic College of Textile Technology (STTT), Gunawan, and Polytechnic College of Textile Technology (STTT) Irsyad Nashirul Haq as Academic Assistant of Engineering Physics of Industrial Engineering Faculty of Bandung Institute of Technology (ITB). (E)

# BUSINESS OPERATORS QUESTIONED POLICY PACKAGE WHICH IS FREE FROM POLITICAL INTERESTS

Jakarta, *Business News*

Some businesses expect that policy package issued by government serially, from I - VII (one to seven) to be free from political interests, but it should purely improve and strengthen the economy. There is a possibility that political content and lobbying against the policy package, including series VII. The point of the policy is the provision of incentives in the form of import duty of 0 (zero) percent for 21 tariff items related to spare parts and components for aircraft repair or maintenance. "The package, import duties for spare parts to zero rupiah, but there is the interest of member of the Presidential Advisory Council, Rusdi Kirana. We will see until the end of January next year, whether the policy is effective. If it was not purely for the masses, but someday the political content will be discovered," said businesses from industry associations without mentioning its name to *Business News* (December 23).

The policy which is expected to provide certainty for businesses of various sectors, including aviation (Package VII), is expected to improve competitiveness. It is also appropriate with the momentum for the industry ahead of the implementation of ASEAN Economic Community (AEC). "If competitiveness, we agree. But we are concerned about the im-

pact that businesses will tear each other down. "

A source of *Business News* mentions about the issue of Safeguard Measures Import Duty (BMTP) on imports of steel wire rod. The imposition of BMTP is based on Finance Minister Regulation No. 155 / PMK.010 / 2015 concerning the Imposition of Safeguard Measures (BMTP) that has been enacted on August 11, 2015. "Commission for the Supervision of Business Competition (KPPI) claimed that they have socialized it to entrepreneurs. But many were not involved, which entrepreneurs? The issuance of Minister of Finance Regulation No. 137 concerning this matter was ridden by two Australian companies. It has been monopolized. "

The Minister of Finance Regulation No. 137 is valid from 2014 to June 2015. National entrepreneurs were imposed with additional duties. While, many national entrepreneurs have signed contracts in foreign countries, including Vietnam. The contract has been going on long ago, precisely since 2012. So the 2012 momentum, BMTP No. 208 was issued during the administration of former president Susilo Bambang Yudhoyono. "Import duties of up to 0 percent, then Minister of Finance Regulation No. 137 were issued, and it was obviously ridden by Australian businessmen. And it seems that it is allowed by KPPI. " (E)

## TO PROMOTE TANNERY INDUSTRY THROUGH BIOTECHNOLOGY

Jakarta, *Business News*

The Government admitted dependency on import of rawhide was still high it affected national competitiveness in tannery industry. To overcome the problem, development of bio-technology based industry should be the right solution. 'We will strive to strengthen competitiveness in tannery industry by bio-technology' Eniya Listiani Dewi, Deputy of Agro industry technology and bio-technology of BPPT stated in Jakarta on Wednesday (23/12).

Eniya rated that bio-technology based industry like enzyme was potential for development, considering the high import content to be substituted with the trend toward green industry. Eniya disclosed that today there was only one industry player who produced enzyme, i.e. enzyme protease used in tannery industry.

Eniya stated she involved PT Petrosida Gresik as the first enzyme producer in Indonesian with capacity of 3 litre tons of enzyme per day. She was optimistic that Enzyme was environmentally friendly because it was microbe based and could minimize use of chemicals. Besides, she said, BPPT was also developing two other enzymes i.e. Sinlaize enzyme which was applicable at pulp and paper industry and Lipase enzyme used as detergent.

Eniya said that she would persuade companies including BUMN to produce and develop enzyme industry. She was also reporting development to the Ministry of Agriculture and the Ministry of Industry. Eniya stressed that Protease Enzyme in tannery industry could strengthen national industry competi-

tiveness by reducing imported chemical components hence reducing production cost.

She admitted that tannery industry had been depending completely on imported components for product processing. Today the components used was 60% chemical and 40% bio-components, all of them imported. With Protease Enzyme, production cost could be reduced up to 20% and it was environmentally friendly because the raw materials were taken from sugarmill wastage.

Meanwhile Chairman of APKI association Sutanto Haryono called for Government's interference to cover up deficit of raw materials. Today supply of raw materials for tannery was limited with reduced number of cattle cutting. The Government had been importing cow but they were for consumption; cows for tannery were not imported.

Sutanto explained that in fact national tannery industry could have used raw materials of semi-finished materials from abroad, but import procedure was complicated because imported leather were suspected as the source of cow's nail and mouth disease. Other reason of scarcity of raw materials was because the Ministry of Trade of RI preferred to import cow's meat than whole cow.

Sutanto disclosed that the rawhide needed by tannery industry came to 20 million cows per year. So far domestic supply fulfilled 25% (5 million cows) of need. Meaning the tannery industry needed around 15 million cows per year. The tannery industry was quite strategic because the total export value came to USD 200 million. Besides, many APKI members acted a supplier of leather for the domestic shoes and handbag industry.(SS)



## GOVERNMENT WATCH ON ENTRY OF ILLEGAL FOREIGN WORKERS

Jakarta, *Business News*

The Ministry of Labor watch on growing entry of illegal foreign workers (TKA) as Indonesia allowed visa-free entry to 84 countries. Hence today there were 174 nations benefiting visa free facilities. The so many nations enjoying visa free facilities was feared to trigger inflow of illegal workers.

Muji Handaya, Director General of Control and Inspection, Ministry of Labor stated in Jakarta on Wednesday (23/12) on the one hand visa free facilities for foreigners was positive for drumming up tourists but on the other hand it would draw illegal workers. The Minister stated that in the period of January – August 2015 the number of foreign workers entering Indonesia came to 54,953 people consisting of the sector of Agriculture (5,399), industry (16,969) and trading and service (32,585).

Muji disclosed that over the year the Government had deported a number of illegal workers, among others 69 people in Kalimantan, 160 in Sukabumi and 80 people in Tangerang. The figures were detected by the inspecting authority. The Ministry admitted that the real number was much more.

According to Muji the case of illegal workers was a challenge to the Government, moreover mobility of trans national traffic of workers would still be high in line with Asean Economic Community. The solution would be to enhance coordination and control at central and local level.

For that matter he said that he would foster coordination with the Ministry of Law and Human Rights in anticipating storms of illegal workers. Muji admitted that visa free facility was often abused by

companies or individuals for employing illegal workers.

Allegedly foreign illegal workers stormed in to Indonesia in vast number by various modus operandi. Muji underscored his commitment to put hard sanction on illegal workers. In managing foreign workers, the Ministry adopted policy to relax permit application procedures to make it easy, cheap, transparent and accountable.

As told, the Government adopted visa-free facilities for foreign tourists coming to Indonesia for 84 nations of the world. The 84 countries was inclusive of 47 nations permitted some months ago. Special attention was given to some countries, namely Brazil, China, and Australia.

To quote data of the Ministry of Labor, the total number of foreign workers working in Indonesia through 2014 came to 68,762 people. According to permit-based (IMTA) data issued by the Ministry of Labor, the number of TKA inched down against 2013 at 68,957 people and in 2012 it was posted at 72,427 people. In 2014 the number of TKA from China totaled 16,328 people, Japan 10,838, South Korea 8,172. From India 4,981, Malaysia 4,022, America 2,658, Thailand (1,002) Australia 2,664, the Philippines 2,670, England 2,227, and others 13,200 people.

By Category, the sectors of trading and service remained to prevail with TKA numbering 36,732 people, the industry sector 24,041 people and agriculture 8,019 people. By occupation, professional TKA totaled 21,751 people, advisors and consultants 15,172, managers 13,991, directors 9,879, supervisors 6,867 and commissioners 1,101 people. (SS)



# TAX COLLECTORS STEP UP TAX BILLING SYSTEM

Jakarta, *Business News*

Tax practitioners saw that implementation of billing expiration date for tax subjects for 5 years seldom happened. Tax collectors worked with control system in their respective zones. "For 5 years there had been no tax billing, chances of expiration was small" Tax practitioner Jefrinaldi told Business News (23/12).

Tax billing was a series of action to make tax subjects pay their tax due by reminding or warning, to execute billing instantly and wholly, to give Letter of compulsion, propose prevention execute confiscation, to execute hostaging and to sell confiscated goods. The actions were confined by time frame, in other words Fiscus could not bill without deadline although there was tax due not paid by taxpayer.

Article 14 verse (1) Law No. 19/2000 on Tax billing by Compulsion Letter (PPSP Law) also mentioned that "Tax billing cannot be executed if it expired as regulated in Regional Regulations."

Certainly the action was restricted by time, i.e. Fiscus (Tax Confiscator) could not make any billing without time limit although there was tax due really not paid by tax subject. "The Tax Collector still has the right to supervise and in case of billing which has exceeded 5 years they would put on slightly harder sanction, They are afraid to be sanctioned by the Government if there was any taxation which expired. If they forget to pay in 5 years, they can escape the trap."

Date of expiration was 5 years from the time of stipulation. In a normal situation where there was no postponements, billing could not be executed after

5 years. Difference in stipulation of expiration date which was regulated in the past KUP was regulated in the new KUP. According to the old KUP expiration time was 5 years and by new KUP 5 years since issuance of STP,SKPKB etc,

Article II on Transitional KUP Law only accommodated 2 rules so it tolerated expiration of 10 years for fiscal year 2007 and before. "Tax collectors who were worried about span of 5 years would insist payment in 2015. Sanction was lifted but debt must be paid. In that case the Tax Collector would confiscate. They also had legal consequences."

In some countries tax billing expiry was not known as in Indonesia. Taxpayer were still regarded as chargeable within unlimited period in the event that the Government discovered that the tax subject could still afford to pay taxes. The rule was different in Indonesia, although the tax subject could doubtlessly afford to pay taxes, if the billing had expired the State had no right to bill.

"In reality tax office that exceeded 5 years seldom happens. According to the rule, since it was a matter of legal certainty, if Tax collector overlooked billing until 5 years, let it be. Inspection is written in the Law"

On the other hand, Fiscal e-Invoice being registered but must r-register could reset registration the independent way. "There is bar code which was in fact identification by the Tax Office. The invoice right or wrong could be identified Through validation by IT system at the Headquarters, tax subject could be contacted by e mail. The supplier could ask e-mail to be sent at once."(SS)

# MINISTRY OF INDUSTRY ASKED TO BE THE SPEARHEAD OF CPO INDUSTRY

Jakarta, *Business News*

Sahat Sinaga, Executive Director of GIMNI and Vice Chairman of Indonesian CPO Council asked MAKSI to recommend palm industry as one of national strategic industry per 2016 through Presidential decree. This was in accordance with phase 1 of National Masterplan to put added value on natural resources. Sahat disclosed to Business News.

Such was important because palm industry concerned life of many people. Today there were 23.8 million Indonesian people whose life depended directly on palm. At the upstream industry, plasma or independent, the number of people was 6.1 million family heads with family members totaling 20 million people. At the industry: whether refinery, fractionization, modified oil and bio diesel the number of workers were around 1.2 million family heads supporting 3.8 million family members.

Palm plantations were in big islands like Sumatra, Kalimantan, Sulawesi, and Papua. In Java and Maluku palm plantations existed in limited number.

Mastery of technology was indispensable in palm industry to ensure high productivity at upstream level and be environmentally friendly. Upgrading of human resources was necessary and well as Research and Development.

As command of technology and logistics system was important, to step up competitiveness it was necessary for the Ministry of industry to serve as spearhead and be stimulus of advancement.

Thereafter the operational program to be executed to increase export was to reduce collection on 4 downstream palm products in PMK no: 133/2015. Retribution of USD 20/ton was imposed on RBD Palm

Kernel Oil, RBP Palm Kernel Strain, branded frying oil in <25kg packaging.

"The retribution was hard for palm industry in Indonesia and made them uncompetitive at the global market. Since implemented in July 2015 the export volume kept declining till now" Sahat said.

Persuasion to other Ministries was necessary to promote export. The Ministry of Trade and Ministry of Industry were ambitious to increase export of CPO, but the Ministry of Trade imposed retribution on the 4 products.

PMK Regulation No 145/2014 on Customs control for export Article 8 verse 2.d. mentioned that physical examination (quantity control) was necessary. The result was that all CPO products must be 100% examined, a standard treatment of the red lane. It made export of products in containers drop by 35%.

Permendag No. 54/2015 caused congestion at the export lane. Examination was exercised by 2 bodies: the surveyor company and the Customs, a procedure which was impractical and backholding.

Technical specification in Permendag was open to multi-interpretation afield. The Customs could not use as reference because technical specification was non-existent in PMK No 133/2015 and it confused traders. An example was super RBD Olein which was suitable for sub-tropic area but it was tax imposed although in Permendag it was mentioned collection was for IV between 56 – 59.

In fact CPO industry had been developing well since there was PMK No. 128/2011 when high export tax was imposed on upstream products like CPO and low export tax was imposed on other palm products. There was investment of USD 2.7 billion

Some palm refinery industry increased capacity, modernized their products and built new factories, to increase capacity from 21,000 tons in 2012 to 45,000 tons in 2015. Oleochemical products also increased: fatty acid from 1,100 tons to 3,900 tons, fatty acid from 650,000 tons to 1,200 tons, biodiesel from 4,200 tons to 6,800 tons and other downstream products increased from 65 to 132. "It's regretful that since July 2015 Government policy changed course and was inconsistent,"

Incentive for investment was also complex

and caused multi-interpretation. Regulations made were hard to implement afield. For example companies which made methane capture would get tax allowance. Cost of development was high but it played positive role in reducing carbon emission and contributed to power generating,

In reality there was no company which were given tax allowance. They did not know whom request should be addressed to or how to calculate them. From 2012 to mid 2015 there were 2 companies which were given tax holiday.(SS)

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## MANY LOGGING COMPANIES NOT IN POSSESSION OF SLVK CERTIFICATE

Jakarta, *Business News*

By September 2015 the Certification Council had issued 1,957 Wood Legality Certificates as part of the SVLK system. "The certification has not encompassed all permit holders. So far there are still many permit holders not possessing SVLK certificate" Mohammad Kosar, Dynamisator of Independent Forest Surveyor stated on Wednesday (23/12).

JPIK survey disclosed that today there were 69 companies possessing PHPL certificates and 73 companies possessing Wood Legality Certificates.

Of 332 IUPHHK Natural Forest units, 155 units were PHPL certified and 62 units were LK certified. Among IUPHHK Ecosystem Restoration, 9 units were PHPL certified and 2 unit was not LK certified. Among IUPHHK units whose category was not known 20 were PHPL certified and 17 were SLK certified.

Wood utilization permit owned by LK certified companies numbered 17 companies, LK certified companies numbered 1,525 and non-producer exporters numbered 18 units. "There are more forest managers operating without PHPL and LK certificates" Kosar said.

Finding afield unveiled that there were still

many HTI companies, although they had obtained PHPL permit were still breaking rules like tenurian conflict afield, tree-axing in protected forest, cutting of natural forest and damaging peatlands.

Monitoring of IUPHHK Natural Forest which were not PHPL of LK certified showed that they supplied their woods to SLK certified companies. There were also IPK holders not LK certified sold their wood to LK certified companies.

A company which owned pulp and paper factory, who had made their commitment not to accept wood from peatland apparently still take wood from HTI companies operating in peatlands.

Therefore JPIK urged the Government to control and enforce law on companies breaking SVLK rules, to stop conversion of forest and peatlands; to prohibit use of raw wood from natural forest for pulp industry; to settle cases of overlapping interest in space planning and land dispute between the people and companies.

Certification agencies were urged to launch sudden raid on companies holding Wood Legality Certificates using woods of vague legality. Also action on companies breaking standard, criteria and indicators of evaluation. (SS)

## BEST WAYOUT SOUGHT AFTER FOR SOLVING ENERGY PROBLEM IN NTB

Jakarta, *Business News*

Technical visit of Commission VII of Parliament led by Vice Chairman of Commission VII Mulyadi received input from their counterpart in Energy matters at the Governor's office in Lombok, West Nusa Tenggara. House wished for best solution for energy problem in NTB because power blackout often occurred; must the generator engine be replaced? This was information received on Wednesday (23/12).

Mulyadi remarked further that he recommended building of oil refinery in NTB for faster distribution of fuel. The Dir, Gen of Oil-gas was expected to make feasibility study. House also asked for assurance of gas conversion in Sumbawa NTB.

Not less noteworthy was share divestation by PT Newmount amounting to 7%. So far it was still not clear who was going to buy the share and who would take over the task to build smelters as mandated in Minerba Law No 4 /2009 in which was stated there must be no export of minery products before smelters were built. Today PT Newmount was building a smelter in Gresik. The basic principle of the Minerba Law was right. If purification or metal ore were done at home the value would increase five fold.

Commission VII of House pay visit to Jeranjang Powerhouse.

The people of NTB were suffering much due to frequent blackout which might take 5 hours. Naturally this was the Government's responsibility, in this case PLN. Kurtubi, member of Commission VII of House remarked. The Steam Powered Generator in Jeranjang, although they were notably new, often malfunctioned. While unit 2 was not operational because completion was only 90%.

Word was out that the generator in Jeranjang was propelled by second hand machine from China, but PLN denied it. Therefore commission IV of House recommended to run technical auditing to clarify the matter.

Kurtubi stated that the Jeranjang generator aroused suspicion, so meeting was continued with the Director of PLN. In that case other alternative was necessary, unit 2 must be completed soonest. If the process was only 10% left it could be settled. The contractor was PT Barata which was a BUMN company, so the solution should be easy.

General Manager of PLN of NTB region responded spontaneously by saying there was alternative solution to increase power supply in Lombok which was deficit, i.e. by hiring Marine Vessel Power plant (MVPP) of 60 MW. However the proposed site was still uncertain while MVPP operation was targeted for June 2016,(SS)

# GOVERNMENT URGED TO MAKE PRICING POLICY FOR MULTI QUALITY RICE

Jakarta, *Business News*

To enhance absorption of domestic rice of Perum BULOG, the Government was asked to adopt Government Buying Price (HPP) for multi-quality rice. The Government must diversify HPP for one type of medium quality rice into a range of quality, because price and quality of rice varied with every planting season. It would make it easy for the Government to buy rice from farmers so rice procurement by Perum BULOG could be expected to reach 4 million tons each year.

Application of multi-quality rice policy was expected to enhance development of rice industry at home. Rice mills could modernize their machinery whereby to produce various types of rice of added value and more efficient rice mills could produce higher yields and would consequently step up national competitiveness in rice.

Agro Economy expert M. Hussein Sawit disclosed on Wednesday (23/12) the Single HPP Policy was the cause of scarcity of rice from domestic farmers through BULOG. Stipulation of the same HPP all year through was rated as contradictory to fluctuation of price and quality of rice from farmers. At harvest time, quality of rice was low because water content in rice was high and supply of rice to marketplaces abundant and quality was low. It caused price of rice at farmer's level be vulnerable. Under such

circumstances Perum BULOG could absorb rice based on effective price so price of rice at farmer's level could protect farmers.

On the contrary during harvest time in dry season quality of rice produced by farmers were better, supply was less, and price of rice in marketplaces followed the law of supply and demand. Under such circumstances, it was hard for Perum BULOG to absorb rice from farmers for national stock of rice. So that perum BULOG might perform better, HPP policy must be changed following price of rice at harvest time.

For that matter Hussein Sawit recommended different rice HPP scheme for every quality category of rice. By the present HPP scheme it was as if the Government forced perum BULOG to absorb 4 million tons of rice during harvest time in January- June. By applying multi quality scheme there would be premium rice market segment by the Government. Besides Perum BULOG could command over two types of rice i.e. Medium and Premium.

The case of Perum BULOG rice from farmers became crucial because it became Government's consideration in deciding whether to import or not. For example, this year the Government decided to import 1.5 million tons of rice to fill in national stock because rice supply from the domestic side was not enough for guaranteeing national rice resilience. (SS)

## INVESTMENT REALIZATION OUTSIDE JAVA TARGETED TO INCREASE BY 18 PERCENT

Jakarta, *Business News*

The Coordinating Board of Investment set target for expanding investment to outside Java which was to support Indonesia centred program proclaimed by President Joko Widodo. Investment realization outside Java was targeted to increase by 18% from Rp246,2 trillion in 2015 to Rp292.2 trillion in 2016.

In BKPM press release on Wednesday (23/12) Head of BKPM Franky Sibarani disclosed that increased investment realization outside Java was a progressive step which would be constantly continued. Today investments was still prevalent in Java. Investments outside Java would be promoted to enhance even distribution of capital nationwide.

BPM data unveiled that in 2014 investments in Java was posted at Rp 263,3 trillion or 56,9% of total investment, investment outside Java was Rp 199.8 trillion or 43.1% of total investment. Meanwhile investment outside Java over the period of January-September 2015 was projected to reach Rp 180.7 trillion or 45.2%.

Investment realization outside Java over the period of January-September 2015 increased by 21% against same period the year before. Therefore BKPM was optimistic that investment target outside

Java in 2016 could be met.

For 2016, BKPM set target for investment realization amounting to Rp 584,8 trillion consisting of investment in Java Rp 302.6 trillion or 50.9% and investment outside Java Rp 292.trillion or 49,1%. Some investment projects outside Java was in strategic sectors like infra-structure, smelter building and agriculture and plantation. In Java, investments were mostly in the sectors of manufacturing, industry, service and trading.

Data of investment at BKPM strengthened optimism about attainment of investment distribution. The number of Principle Permit issued indicated that in 2014 Rp586,4 trillion was in Java, and in outside Java Rp711.7 trillion or 54,8% of total investment.

Investment realization through January-September 2015 was Rp400 trillion, an increase of 16.7% against same period the year before at Rp342 trillion. The investment realization had reached 77% of 2015 target at Rp519.5 trillion. Investment of January- September PMDN increased by 16,4% amounting to Rp226,8 trillion. In terms of labor, investment through January- September 2015 employed 2,059,734 workers, an increase of 10.4% against same period in 2014 at 960,336 workers.(SS)



## CACAO PRODUCTION PREDICTED AT ONLY 320,000 TONS THIS YEAR

Jakarta, *Business News*

This year Indonesia's cacao production was predicted at only 320,000 tons. Chairman of ASKINDO Zulhefi Sikumbang disclosed on Wednesday (23/12) that the forecast was based on estimate from January to October 2015 when the total volume of cacao seed exported was 33,783 tons, buter cocoa 94,482 tons, cocoa pasta 95,344 tons. Cacao powder exported was 48,741 tons so by year end it was predicted at 320,000 tons. Similarly cacao imported through January – October 2015 was 48,109 tons, in the form of pasta 4654 tons and in the form of powder 10,541 tons.

Meanwhile according to BPS data processed by ASKINDO, grinded cacao posted increase in 2014 increased from 415.000 tons to 425.000 tons this year. However export data was in reverse because this year production of processed cacao dropped so in 2015 was posted at 40.000 tons reduced to 40.000 tons against 2014 at 63.344 tons. Similarly import dropped from 109.409 tons to 60.000 tons.

According to ASKINDO downturn o cacao production in Indonesia was not only in production but also in preoductivity which was only 400 kg/ha/year. "It's all because of declining growers' interest in planting cacao due to imposition of 10% export tax on cacao since 2010, 10% PPN tax effective since July 2014 and PPh tax 0,5% so in total the burden to be borne was 20.5%.

Before implementation of BK in 2010 discount allowed on exported cacao at New York stockmarket against Indonesia cacao growers was USD 350/MT. After imposition of BK, discount given was increased

to USD 550/MT effective per July 2014. After imposition of Ppn in 2014 discount increased to USD 750/MT. Therefore the cost to be borne by farmers after implementaton of BK and PPN became USD 400/MT or equal to Rp 5,600.-/kg" Zuklhefi said.

That was the reasonn why it was about time to lift taxes imposed on farmers. Moreover farmer's bargaining position was low nd it made farmers change to other crops which were more profitable like rubber, palm or corn. There was no regeneration among cacao farmers and there was no counselling afield to face problems like plant diseases. "Farmers need guidance, not just seeds"

"While total area of cacao plantation is only 1,5 million ha in the past 3 years and 60% of plants are aging, rejuvenation is necessary. Today total plantation artea pof cacao had shrunk to 1.2 million ha only. What's more, by May 2016 the Governmt would put in effect Regulation No 67/PERMENTATION/OT.140/2014 on quality requirement and marketing of cacao seeds. The Regulation would mak famers not ready to step up fermentation quality, and if their products failed to meet SNI standard of quality buyers would not buy their products."

Meanwhile the Ministry of Industry set great challenges for agro processing business in 2016. Beside low productivity level, low quality of human resources and poor infra structure, the cacao industry was handicapped by poor investment financing, not to mention trans-sectoral regulations which was not supportive to growth of national agriculture. Therefore Panggah Sutanto said that to meet growth target of 6% in 2016, the two sectors must be strengthened by way of supplying enough agro raw materials.(SS)

# FOREIGN EXCHANGE RATES

Jakarta, *Business News*

## EXCHANGE RATES ON TRANSACTION

CURRENCY	VALUE	DECEMBER 29, 2015			DECEMBER 28, 2015		
		BUYING	MIDDLE RATE	SELLING	BUYING	MIDDLE RATE	SELLING
AUD (Australia)	1,-	9,874.49	9,927.33	9,980.17	9,868.83	9,921.71	9,974.58
BND (Brunei)	1,-	9,638.30	9,688.60	9,738.90	9,646.03	9,697.48	9,748.93
CAD (Canada)	1,-	9,796.01	9,845.38	9,894.75	9,807.76	9,858.34	9,908.91
CHF (Switzerland)	1,-	13,750.89	13,820.40	13,889.90	13,755.32	13,828.47	13,901.62
CNY (China Yuan)	1,-	2,095.15	2,105.64	2,116.12	2,095.91	2,106.41	2,116.91
DKK (Denmark)	1,-	1,999.29	2,009.45	2,019.60	1,995.47	2,005.62	2,015.76
GBP (United Kingdom)	1,-	20,253.18	20,356.58	20,459.98	20,246.57	20,352.14	20,457.70
HKD (Hong Kong)	1,-	1,753.44	1,762.25	1,771.05	1,750.85	1,759.67	1,768.49
JPY (Japan)	100,-	11,296.76	11,355.66	11,414.55	11,273.47	11,331.38	11,389.28
KRW (Korean )	1,-	11.65	11.71	11.77	11.65	11.71	11.77
KWD (Kuwaiti Dinar)	1,-	44,733.38	44,987.00	45,240.61	44,729.73	44,968.76	45,207.78
MYR (Malaysia)	1,-	3,164.14	3,181.84	3,199.53	3,147.99	3,165.98	3,183.97
NOK (Norway)	1,-	1,565.69	1,573.82	1,581.94	1,564.54	1,572.68	1,580.82
NZD (New Zealand)	1,-	9,326.82	9,375.55	9,424.27	9,278.49	9,327.04	9,375.59
PGK (Papua New Guinea)	1,-	4,446.65	4,570.47	4,694.29	4,440.43	4,564.11	4,687.79
PHP (The Philippines)	1,-	288.17	289.66	291.14	287.77	289.24	290.71
SAR (Saudi Arabian Riyal)	1,-	3,622.65	3,641.51	3,660.36	3,617.29	3,636.54	3,655.78
SEK (Sweden)	1,-	1,623.85	1,632.44	1,641.02	1,617.14	1,625.89	1,634.63
SGD (Singapore)	1,-	9,638.30	9,688.60	9,738.90	9,646.03	9,697.48	9,748.93
THB (Thailand)	1,-	376.14	378.13	380.12	376.45	378.44	380.43
USD (United States)	1,-	13,590.00	13,658.00	13,726.00	13,571.00	13,639.00	13,707.00
EUR (Europe)	1,-	14,915.03	14,991.03	15,067.03	14,890.10	14,967.45	15,044.80

NOTE : The middle rate is based on Business News calculation

**SMALLHOLDER CREDIT BANK**  
**(Regulation of the Financial Service Authorities of**  
**the Republic of Indonesia Number 20/POJK.03/2014,**  
**dated November 18,2014)**  
**[Continued from Business News No. 8794 page 18-48]**

Article 66

(1) BPR shall submit application to transfer business license of BPR from the old legal entity to the new legal entity as referred to in Article 64 paragraph (3) letter b to the financial service authorities by enclosing:

- a. deed of the establishment of new legal entity containing memorandum of association already legalized by the authorized institution;
- b. the ownership data as referred to in Article 8 letter b, in the case of any change;
- c. list of members of Board of directors and members of Board of commissioners as referred to in Article 8 letter c, in the case of the replacement;
- d. deed of account already legalized by notary with regards to the transfer of the whole rights and liabilities from the old legal entity to the new legal entity; and
- e. minutes of RUPS of the old legal entity, which approves the change in model of legal entity and dissolution of the old legal entity.

(2) The financial service authorities shall approve or

reject the application for the transfer of business license from the old legal entity to the new legal entity in no later than 20 (twenty) working days as from the receipt of the application and the required documents completely.

(3) In the framework of granting the approval or rejection as referred to in paragraph (2) the financial service authorities shall:

- a. examine the completeness and truth of documents; and
- b. evaluate prospective members of Board of directors and/or Board of commissioners and/or PSP in accordance with the provision on fit and proper test of BPR in the case of the replacement or change.

Article 67

(1) The dissolution of old legal entity may be done after:

- a. The financial service authorities approve the transfer of business license as referred to in Article 64 paragraph (3) letter b; and
- b. the transfer of the whole rights and liabilities from old legal entity to new legal entity has

been executed in accordance with the deed of account as referred to in Article 66 paragraph (1) letter d.

- (2) BPR shall be obliged to mention the change in model of legal entity of BPR to communities in local daily newspaper or billboard in the whole offices of the said BPR in no later than 10 (ten) working days as from the date of the issuance of approval by the financial service authorities.
- (3) BPR shall be obliged to submit evidence of the announcement of the change in model of legal entity as referred to in paragraph (2) to the financial service authorities in no later than 10 (ten) working days as from the date of the announcement.

## CHAPTER X OFFICE CLOSURE

### Article 68

- (1) BPR shall be obliged to secure approval from the financial service authorities to close branch office.
- (2) BPR shall submit application to secure approval of the closure of branch office as referred to in paragraph (1) to the financial service authorities along with reason for the closure and documents of the settlement of the whole liabilities to customers and other parties.
- (3) The financial service authorities shall approve or reject the application for the closure of branch office as referred to in paragraph (2) in no later than 10 (ten) working days after:
  - a. the application and the supporting documents are received completely; and
  - b. the whole liabilities have been settled on the basis of audit result.
- (4) By approving the closure of branch office as referred to in paragraph (3), operational license of the said branch office shall be declared void.
- (5) BPR shall be obliged to announce the closure of the branch office as referred to in paragraph (1) to communities in local daily newspaper or billboard in the whole offices of the said BPR in no later than 10 (ten) working days as from the date of the approval by the financial service authorities.
- (6) BPR shall be obliged to close branch office in no later than 20 (twenty) working days as from the date of the approval by the financial service authorities.
- (7) BPR shall be obliged to submit report on the closure of branch office as referred to in paragraph (6) to the financial service authorities in no later than 10 (ten) working days as from the date of the closure, accompanied by evidence of the announcement as referred to in paragraph (5).

## Article 69

- (1) BPR shall be obliged to submit report on plan for the closure of cash office and cash service activity to the financial service authorities along with the reason for the closure in no later than 20 (twenty) working days before the realization.
- (2) BPR shall be obliged to announce the plan for the closure of cash office and cash service activity as referred to in paragraph (1) to communities in local daily newspaper or billboard in the whole offices of the said BPR in no later than 10 (ten) working days before the closure.
- (3) BPR shall be obliged to report the closure of the cash office and cash service activity of BPR to the financial service authorities in no later than 10 (ten) working days as from the date of the closure along with the evidence of the announcement as referred to in paragraph (2).

## Article 70

- (1) BPR may close tentatively office of BPR outside official holiday by certain reason.
- (2) The tentative closure of office as referred to in paragraph (1) shall be done maximally 5 (five) working days in one calendar year.
- (3) BPR shall submit report on the plan for the tentative closure of BPR office outside official holiday to the financial service authorities in no later than 5 (five) working days before the tentative closure.
- (4) BPR shall be obliged to announce the date of the tentative closure of office to communities in local daily newspaper or billboard in the whole offices of BPR in no later than 5 (five) working days before the date of the closure.
- (5) BPR shall be obliged to submit evidence of the announcement of the tentative closure of office to the financial service authorities in no later than 3 (Three) working days as from the date of the announcement as referred to in paragraph (4).
- (6) BPR shall be obliged to submit report on the re-opening of office in no later than 5 (five) working days as from the date of the opening.

## CHAPTER XI

## CHANGE IN BUSINESS ACTIVITY

## Article 71

- (1) BPR may change business activity into BPRS by license of the Board of Commissioners of the Financial Service Authorities.

- (2) Provision on the granting of the license to change business activity from BPR to become BPRS as referred to in paragraph (1) shall be abide by the provision on the change in business activity of BPR to become BPRS.

## CHAPTER XII

### REVOCATION OF BUSINESS LICENSE AT THE REQUEST OF SHAREHOLDER

#### Article 72

The financial service authorities shall be authorized to revoke business license of BPR at the request of shareholder of BPR.

#### Article 73

Shareholders of BPR may submit request for the revocation of business license of BPR as long as the said BPR is not under special supervision of the financial service authorities as referred to in the provision on follow up to the settlement of BPR under special supervision.

#### Article 74

The financial service authorities shall revoke business license of BPR at the request of shareholder of BPR as referred to in Article 73 if BPR has settled the whole liabilities to customers and other creditors.

#### Article 75

The revocation of business license at the request of shareholder of BPR as referred to in Article 74 shall be done in 2 (two) phases:

- a. approval of preparation for the revocation of business license;
- b. decision on revocation of business license.

#### Article 76

The Board of directors of BPR shall submit application for the approval of preparation for the revocation of business license as referred to in Article 75 letter a to the Board of Commissioners of the financial service authorities by enclosing:

- a. minutes of RUPS with regards to the plan for revocation of business license at the request of shareholder of BPR;

- b. reason for the revocation of business license at the request of shareholder of BPR;
- c. plan for the settlement of the whole liabilities of BPR to customers, creditors, employees and other parties;
- d. the latest financial statement; and
- e. evidence of the settlement of taxes and other liabilities to the state.

#### Article 77

The financial service authorities shall examine the documents submitted in the application for approval of preparation for the revocation of business license submitted by the Board of directors BPR as referred to in Article 76.

#### Article 78

- (1) Based on result of the examination of the application as referred to in Article 76, the financial service authorities shall issue a letter of approval of preparation for the revocation of business license of BPR and require BPR to:
- a. discontinue the whole business activities of BPR;
  - b. announce plan for the dissolution of legal entity of BPR and plan for the settlement of liabilities of BPR in daily newspaper having wide circulation in no later than 10 (ten) working days as from the date of the letter of approval of preparation for the revocation of business license of BPR;
  - c. settle the whole liabilities of BPR in no later than 3 (three) months as from the date of approval of preparation for the revocation of business license of BPR; and
  - d. appoint public accountant office to prepare final balance, including verification to ascertain the settlement of the whole liabilities of BPR.
- (2) In the case of BPR being unable to settle the whole liabilities in the period as referred to in paragraph (1) letter c, BPR shall take measures in accordance with legislation in force.

#### Article 79

Board of directors of BPR shall submit application for the revocation of business license of BPR to the financial service authorities after the whole liabilities of BPR as referred to in Article 76 letter c are settled, along with report containing at least:

- a. discontinuation of business activity of BPR;
- b. announcement;



- c. settlement of liabilities of BPR;
- d. final balance of BPR; and
- e. statement of shareholders of BPR.

#### Article 80

The financial service authorities shall examine the application for the revocation of business license submitted by the board of directors of BPR as referred to in Article 79.

#### Article 81

- (1) Based on result of the examination of application for the revocation of business license as referred to in Article 79, the financial service authorities shall issue decision on the revocation of business license of BPR and order BPR to dissolve legal entity and announce the expiration or dissolution of legal entity in accordance with the provisions of legislation in force.
- (2) Since the issuance of the revocation of business license, in the case of liabilities being found not yet settled, shareholders of BPR shall be responsible for the whole liabilities of BPR.

#### Article 82

The legal status of BPR shall expire or be dissolved as from the date of the announcement of the expiration or dissolution of legal entity of BPR in State Gazette of the Republic of Indonesia.

### CHAPTER XIII

#### VIOLATION OF REPORTING OBLIGATION

#### Article 83

- (1) BPR shall be declared late in submitting:
  - a. report on:
    - 1. the implementation of business activity in Article 13 paragraph (2);
    - 2. the annual finance in Article 16 paragraph (4);
    - 3. the addition to paid-up capital in Article 20 paragraph (9) and paragraph (10);
    - 4. the change in share ownership already approved by RUPS in Article 21 paragraph (6);

5. the change in share ownership already legalized by the authorized institution in Article 21 paragraph (7);
6. the change in composition of share ownership not causing the replacement and/or addition to PSP in Article 22 paragraph (1);
7. the realization of the change in composition of share ownership in Article 22 paragraph (2);
8. the change in authorized capital in Article 23 paragraph (1);
9. the appointment of members of Board of directors and/or members of Board of commissioners in Article 31 paragraph (8);
10. the resignation of members of Board of directors and/or members of Board of commissioners in Article 32 paragraph (1);
11. the dismissal of members of Board of directors and/or members of Board of commissioners in Article 32 paragraph (2);
12. the passing away members of Board of directors and/or members of Board of commissioners in Article 32 paragraph (3);
13. the re-appointment of members of Board of directors and/or Board of commissioners in Article 34 paragraph (2);
14. the executive official in Article 35 paragraph (2);
15. the dismissal of executive official in Article 36 paragraph (5);
16. the opening of branch office in Article 44 paragraph (2);
17. the realization of the opening of cash office in Article 46 paragraph (5);
18. the mobile cash and payment point in Article 47 paragraph (2);
19. the plan of BPR and/or part of BPR to execute operational activity outside the operational working date and national holiday in Article 49;
20. the cash service using ATM card and/or debit card in Article 50 paragraph (6);
21. the plan for the change in address of office of BPR in Article 58;
22. the change in office address in Article 60 paragraph (5);
23. the plan for the change in address of cash office in Article 61 paragraph (1);
24. the change in address of cash office in Article 61 paragraph (4);
25. the relocation of Payment Point and ATM and/or ADM apparatus in Article 62;
26. the closure of branch office in Article 68 paragraph (7);
27. the plan for the closure of cash office and cash service activity in Article 69 paragraph (1);

- 28. the closure of cash office and cash service activity of BPR in Article 69 paragraph (3);
- 29. the plan for tentative closure of office of BPR outside official holiday in Article 70 paragraph (3);
- 30. the re-opening of office in Article 70 paragraph (6),

b. evidence of the announcement of:

- 1. the change in name in Article 63 paragraph (6);
- 2. the change in model of legal entity in Article 67 paragraph (3);
- 3. the tentative closure of office in Article 70 paragraph (5),

If the report or evidence of the announcement is received by the financial service authorities in no later than 20 (twenty) working days after the deadline of the submission of report or evidence of the announcement.

- (2) BPR shall be declared not submitting the report or evidence of the announcement as referred to in Article 13 paragraph (2), Article 16 paragraph (4), Article 20 paragraph (9) and paragraph (10), Article 21 paragraph (6) and paragraph (7), Article 22, Article 23 paragraph (1), Article 31 paragraph (8), Article 32 paragraph (1), paragraph (2), and paragraph (3), Article 34 paragraph (2), Article 35 paragraph (2), Article 36 paragraph (5), Article 44 paragraph (2), Article 46 paragraph (5), Article 47 paragraph (2), Article 49, Article 50 paragraph (6), Article 58, Article 60 paragraph (5), Article 61 paragraph (1) and paragraph (4), Article 62, Article 63 paragraph (6), Article 67 paragraph (3), Article 68 paragraph (7), Article 69 paragraph (1) and paragraph (3), Article 70 paragraph (3), paragraph (5), and paragraph (6), if the report or evidence of the announcement is not received by the financial service authorities after the deadline as referred to in paragraph (1).
- (3) BPR declared not submitting the report or evidence of the announcement as referred to in paragraph (2) shall continue to submit the report or evidence of the announcement as referred to in paragraph (2).

## CHAPTER XIV

### SANCTION

#### Article 84

BPR violating the provisions in Article 5 paragraph (4), Article 13 paragraph (1), Article 14, Article 16 paragraph (1) and paragraph (3), Article 21 paragraph (1), Article 23 paragraph (2), Article 25 paragraph (3), Article 27 paragraph (4), Article 28 paragraph (3), paragraph (9), and paragraph (10), Article 29 paragraph (2), Article 30, Article 31 paragraph (1), Article 35 paragraph (1), Article 37 paragraph (1) and paragraph (5), Article 38 paragraph (1), Article 45 paragraph (1) and paragraph (2), Article 46 paragraph (1), Article 47 para-

graph (1), Article 48, Article 50 paragraph (1), paragraph (3), and paragraph (4), Article 51, Article 52, Article 53 paragraph (1) and paragraph (2), Article 57 paragraph (2), Article 61 paragraph (1) and paragraph (2), Article 63 paragraph (2) and paragraph (5), Article 64 paragraph (2), Article 67 paragraph (1) and paragraph (2), Article 68 paragraph (1), paragraph (5), and paragraph (6), Article 69 paragraph (2), Article 70 paragraph (2) and paragraph (4), shall be subject to administrative sanction in the form of:

- a. written warning; and/or
- b. degradation of solvency rate of BPR one predicate.

#### Article 85

- (1) BPR violating the provision on the submission of the report or evidence of the announcement as referred to in Article 13 paragraph (2), Article 16 paragraph (4), Article 20 paragraph (9) and paragraph (10), Article 21 paragraph (6) and paragraph (7), Article 22 paragraph (1) and paragraph (2), Article 23 paragraph (1), Article 31 paragraph (8), Article 32 paragraph (1), paragraph (2), and paragraph (3), Article 34 paragraph (2), Article 35 paragraph (2), Article 36 paragraph (5), Article 44 paragraph (2), Article 46 paragraph (5), Article 47 paragraph (2), Article 49, Article 50 paragraph (6), Article 58, Article 60 paragraph (5), Article 61 paragraph (4), Article 62, Article 63 paragraph (6), Article 67 paragraph (3), Article 68 paragraph (7), Article 69 paragraph (1) and paragraph (3), Article 70 paragraph (5) and paragraph (6), shall be subject to administrative sanction in the form of written warning and payment liability amounting to Rp 100,000 (one hundred thousand rupiah) per day of lateness with the maximum amount Rp2,000,000 (two million rupiah).
- (2) Bank declared not submitting the report or evidence of the announcement as referred to in Article 83 paragraph (2), shall be subject to payment liability amounting to Rp 5,000,000 (five million rupiah).
- (3) In the case of BPR being subject to payment liability because the said BPR is declared not submitting the report or evidence of the announcement, the payment liability attributable to the lateness in submitting report or evidence of announcement shall not be applied.

#### Article 86

BPR violating the provision on the obligation to have one shareholder with the share ownership percentage minimally 25% (twenty five percent) as referred to in Article 15 shall be subject to sanction in the form of:

- a. written warning;
- b. degradation of solvency rate of BPR one predicate;
- c. suspension of the right to receive dividend in the case of shareholder;

- d. suspension of part of operational activity of BPR; and/or
- e. prohibition on the opening of office network and foreign currency trader activity (PVA).

#### Article 87

In the case of shareholder violating the provision on the re-withdrawal of the remitted capital as referred to in Article 18, BPR shall be subject to sanction in the form of:

- a. written warning;
- b. degradation of solvency rate of BPR to become not solvent; and/or
- c. suspension of operational activities of BPR partly.

#### Article 88

BPR violating the provision on the number and structure of members of Board of directors as referred to in Article 25 paragraph (1), the obligation of members of Board of directors to have the graduation certificate as referred to in Article 26, the number and structure of members of Board of commissioners as referred to in Article 28 paragraph (1), the obligation of members of Board of commissioners to have graduation certificate as referred to in Article 28 paragraph (5), and the period of the fulfillment of minimum number of members of Board of directors and/or members of Board of commissioners as referred to in Article 33 shall be subject to sanction in the form of:

- a. written warning;
- b. degradation of solvency rate of BPR one predicate;
- c. prohibition from the opening of office network and foreign currency trader activity (PVA); and/or
- d. suspension of operational activities of BPR partly.

#### Article 89

In the case of members of Board of directors BPR violating provision on:

- a. prohibition from having relations by marriage or blood up to the second degree as referred to in Article 27 paragraph (1);
- b. prohibition on having individually or collectively share 25% (twenty five percent) or over of the paid-up capital at bank and/or becoming majority shareholder in the non-bank financial service institution as referred to in Article 27 paragraph (2); or
- c. prohibition from assuming double position in bank, non-bank company and/or other institution, except as

executive of association of BPR industry and/or educational institution in the framework of the enhancement of competence of human resources of BPR as long as it does not affect the execution of task Board of directors BPR as referred to in Article 27 paragraph (3);

BPR shall be subject to sanction in the form of:

- a. written warning;
- b. degradation of predicate of solvency rate of BPR to become not solvent;
- c. prohibition from the opening of office networks and foreign currency trader activity (PVA); and/or
- d. suspension of operational activities of BPR partly.

#### Article 90

In the case of members of Board of commissioners BPR violating provision on:

- a. prohibition from assuming double position members of Board of directors or executive official in BPR, BPRS, and/or commercial bank as referred to in Article 28 paragraph (8); or
- b. prohibition from having relations by marriage or blood up to the second degree as referred to in Article 29 paragraph (1),

BPR shall be subject to sanction in the form of:

- a. written warning;
- b. degradation of predicate of solvency rate of BPR to become not solvent;
- c. prohibition from the opening of office networks and foreign currency trader activity (PVA); and/or
- d. suspension of operational activities of BPR partly.

#### Article 91

BPR violating the provision on the obligation to dismiss the executive official as referred to in Article 36 paragraph (2) and paragraph (4) shall be subject to sanction in the form of:

- a. written warning; and/or
- b. degradation of the predicate of solvency rate of BPR to become not solvent.

### CHAPTER XV

#### TRANSITIONAL PROVISION

#### Article 92

- (1) The principal approval of the establishment of BPR and/or the opening of branch office of BPR already

granted by the financial service authorities before the enforcement of this regulation shall be declared to remain valid.

- (2) Parties already securing the principal approval as referred to in paragraph (1) may submit application for business license to establish BPR and/or operational license of branch office of BPR, accompanied by the complete documents, by referring to the provision in Regulation of Bank Indonesia Number 8/26/PBI/2006 on Smallholder Credit Bank up to December 31, 2014.
- (3) Application for the principal approval of the establishment of BPR and/or the opening of branch office of BPR already submitted to the financial service authorities before the enforcement of this regulation but not yet securing approval or rejection, shall be obliged to abide by the provisions in this regulation.
- (4) Applications for the opening of cash office and application for service activity using PPE, such as ATM, ADM, and EDC, change in address of office and location of ATM and/or ADM apparatus, change in name and model of legal entity as well as the closure of office already submitted to the financial service authorities before the enforcement of this regulation but not yet securing approval or rejection shall abide by the provisions in this regulation.

#### Article 93

BPR not yet having at least one shareholder with the percentage of share ownership minimally 25% (twenty five percent) upon the enforcement of this regulation shall adjust the share ownership to the provision in Article 15 in no later than December 31, 2017.

#### Article 94

BPR not yet fulfilling the provision on domicile of members of Board of directors upon the enforcement of this regulation shall adjust the domicile of members of Board of directors to the provision in Article 25 paragraph (3) in no later than December 31, 2017.

#### Article 95

In the case of members of Board of directors or members of Board of commissioners assuming double position and/or having relations by marriage or blood up to the second degree upon the enforcement of this regulation, BPR shall adjust the composition of members of Board of directors or members of Board of commissioners to the provision in Article 27 paragraph (1) and paragraph (3), Article 28 paragraph (8), and Article 29 paragraph (1) in no later than December 31, 2017.



## Article 96

Members of Board of directors individually or collectively still having share of BPR 25% (twenty five percent) or over upon the enforcement of this regulation shall adjust to the provision in Article 27 paragraph (2) in no later than December 31, 2017.

## Article 97

BPR having members of Board of commissioners exceeding the number of members of Board of directors upon the enforcement of this regulation shall adjust the number of members of board of commissioners to the provision in Article 28 paragraph (1) in no later than December 31, 2016.

## Article 98

BPR not yet fulfilling the provision on domicile of members of Board of commissioners upon the enforcement of this regulation shall adjust the domicile of members of Board of commissioners to the provision in Article 28 paragraph (3) in no later than December 31, 2017.

## Article 99

Members of Board of commissioners not yet having the graduation certificate as referred to in Article 28 paragraph (5) upon the enforcement of this regulation shall have the graduation certificate in no later than December 31, 2017.

## CHAPTER XVI

## CONCLUSION

## Article 100

Further provision on this regulation shall be regulated by circular of the financial service authorities.

## Article 101

Following the enforcement of this regulation, the whole regulations constituting the implementing regulations of Regulation of Bank Indonesia Number 8/26/PBI/2006 on Smallholder Credit Bank (Statute Book of the Republic of Indonesia Year 2006 Number 87, Supplement to Statute Book of the Republic of Indonesia Number 4656), shall be declared to remain effective as long as they do not contravene the provisions in this regulation.

**Article 102**

The provision ruling the revocation of business license at the request of shareholders in Decision of the Board of Directors of Bank Indonesia No.32/54/KEP/DIR dated May 14, 1999 on Revocation of Business License, Dissolution and Liquidation of Smallholder Credit Bank shall be declared null and void.

**Article 103**

With the enforcement of this regulation, Regulation of Bank Indonesia Number 8/26/PBI/2006 dated November 8, 2006 on Smallholder Credit Bank (Statute Book of the Republic of Indonesia Year 2006 Number 87, Supplement to Statute Book of the Republic of Indonesia Number 4656), shall be revoked and declared null and void as from January 1, 2015.

**Article 104**

The regulation shall come into force on January 1, 2015.

For public cognizance, the regulation shall be promulgated by placing it in Statute Book of the Republic of Indonesia.

Stipulated in Jakarta

On November 18, 2014

**THE CHAIRMAN OF THE BOARD OF COMMISSIONERS OF FINANCIAL SERVICE AUTHORITIES**

sgd.

**MULIAMAN D. HADAD**

Promulgated in November 19, 2014

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

sgd.

**YASONNA H. LAOLY**

**STATUTE BOOK OF THE REPUBLIC OF INDONESIA YEAR 2014 NUMBER 351**

ELUCIDATION  
ON  
REGULATION OF THE FINANCIAL SERVICE AUTHORITIES NUMBER 20/POJK.03/2014  
REGARDING  
SMALLHOLDER CREDIT BANK

## I. GENERAL

In the framework of boosting national economic growth and supporting the dynamic developments of business, solid national banking, including solvent, strong, productive and competitive smallholder credit bank industry is needed so as to be able to serve communities, mainly micro and small-scale businesses.

In line with vision of national banking to achieve a solvent, strong and efficient banking system in order to create the stability of financial system, institution of smallholder credit bank industry needs to be strengthened in among others, capital aspect, ownership restructuring, as well as the enhancement of competence and quality of members of and prospective members of Board of directors and board of commissioners.

In addition, in the framework of enhancing the intermediary function of smallholder credit bank through the expansion of office network, provision on the opening of branch office needs to be relaxed by regarding the principles of prudence in the form of capital ability as well as business potential and feasibility analysis.

The scope of regulation in this regulation is BPR in the form of limited liability company, cooperative and regional administration-owned company, while BPR having legal entity outside the above mentioned such as rural credit bank as governed in Article 58 of Law Number 7 Year 1992 on banking system as already amended by Law Number 10 Year 1998 is to be regulated separately.

## II. ARTICLE BY ARTICLE

Article 1 up to Article 3

Sufficiently clear

Article 4

Paragraph (1)

Letter a

Sufficiently clear

**Letter b**

A business or entity is categorized as Indonesian legal entity if the entity is declared or stipulated as Indonesian legal entity by law.

**Letter c**

Sufficiently clear

**Paragraph (2)**

Already operating means the legal entity has executed business activity in accordance with the legislation in force.

**Article 5****Paragraph (1)**

The paid-up capital of BPR in the form of cooperative is the principal deposit and compulsory deposit as governed in the cooperative law.

**Paragraph (2)**

The stipulation of the higher amount of paid up capital is based on considerations, among others the continuation of the development of business activities of BPR In the future, so as to be able to operate sustainably. However, the stipulation of the higher amount of the paid-up capital does not exceed the amount of the minimum paid-up capital in a zone higher one level.

**Paragraph (3)**

Zone 1 shows that the zone has higher economic potential and tighter financial-institution competition, while zone 4 is zone having lower economic potential and more loosening financial-institution competition.

**Paragraph (4)**

Working capital means the whole current assets, among others, cash, distributed credit, placement of funds between banks and securities, but excludes costs in the framework of the establishment and pre-operation of BPR.

## Article 6

## Paragraph (1)

Example of the writing of remarks on the remittance of capital in deposit certificate is "The Board of Commissioners of the financial service authorities q.q. Mr. 'A' with the remark for the establishment of PT BPR 'XYZ'" and only disburseable after securing written approval from the financial service authorities.

## Paragraph (2)

Sufficiently clear

## Article 7

Sufficiently clear

## Article 8

## Letter a up to Letter c

Sufficiently clear

## Letter d

"The organizational structure and number of personnel" cover among others organization chart, responsibility line horizontally and vertically as well as level of the lowest position as far as executive official.

## Letter e

"Potential and feasibility analysis of the establishment of BPR" includes business plan constituting a plan of business activity of BPR, which contains at least:

1. plan for the accumulation and distribution of funds and the accomplishment strategy thereof; and
2. monthly balance projection and monthly cumulative profit and loss report for 12 (twelve) months, starting from the date when the BPR starts to undertake operational activity.

## Letter f and Letter g

Sufficiently clear

**Letter h**

Statement of prospective shareholder, in the case of BPR being limited liability company, regional administration-owned company or cooperative, is made by party having authority to represent the legal entity.

**Letter i**

Sufficiently clear

**Article 9****Paragraph (1) and Paragraph (2)**

Sufficiently clear

**Paragraph (3)**

Matters that parties submitting application for the establishment of BPR have to explain in the presentation to the financial service authorities are among others:

- a. objective and reason for the establishment of BPR;
- b. market target of funds accumulation and distribution;
- c. short term, middle term and long term;
- d. technology and information system; and
- e. organization structure and personnel.

**Article 10****Paragraph (1)**

Example: Principal approval is granted on April 1, 2015 so that the principal approval expires on March 31, 2016.

**Paragraph (2) and Paragraph (3)**

Sufficiently clear

**Article 11****Letter a up to Letter f**

Sufficiently clear

## Letter g

## Point 1

Fixed assets and inventory mean tangible assets which are obtained in ready to use form or built first, used in operational activity and not destined to sales.

The list of fixed assets and inventory is accompanied by the acquisition price.

## Point 2 up to point 5

Sufficiently clear

## Article 12

## Paragraph (1)

Sufficiently clear

## Paragraph (2)

## Letter a

"The examination of the completeness and truth of document" from applicant and the latest information are among other the unsuccessful list and list of non-performing credit with regards to controlling shareholder, members of board of directors, and members of board of commissioners.

## Letter b up to Letter d

Sufficiently clear

## Article 13

## Paragraph (1) up to Paragraph (3)

Sufficiently clear

## Article 14

Model of legal entity and word "Bank Perkreditan Rakyat" or "BPR" are mentioned clearly, among others in billboard, letterhead, publication facilities, saving book, deposit certificate and bookkeeping document.

Example: PT Bank Perkreditan Rakyat XYZ, or PT BPR XYZ.



**Article 15**

Sufficiently clear

**Article 16**

**Paragraph (1)**

**Letter a**

The definition of net equity is:

- a. the sum of paid-up capital, reserves and profits subtracted by participation and loss, in the case of limited liability company and regional administration owned company;
- b. the sum of principal deposit, compulsory deposit, reserve funds and grant subtracted by participation and loss in the case of cooperative.

**Letter b**

Sufficiently clear

**Paragraph (2) and Paragraph (4)**

Sufficiently clear

**Article 17**

Sufficiently clear

**Article 18**

**Paragraph (1)**

Sufficiently clear

**Paragraph (2)**

Provision of the financial service authorities is among other provision ruling fit and proper test of BPR and provision on merger, consolidation and acquisition.

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

"Having good conduct and morality is among others obeying the provision in force, including never sentenced because of guilty for committing specified crime in the last 20 (twenty) years before the nomination. The specified crime is the original crime which is mentioned in the law regarding the prevention and eradication of money laundering crime.

**Letter b up to Letter h**

Sufficiently clear

**Paragraph (2) and Paragraph (3)**

Sufficiently clear

**Article 20****Paragraph (1) dan Paragraph (2)**

Sufficiently clear

**Paragraph (3)**

The definition of dividend in the case of BPR being cooperative, is the rest of business proceeds distributed to members.

**Paragraph (4) up to Paragraph (10)**

Sufficiently clear

**Article 21****Paragraph (1)**

In case the change in share ownership causing PSP to change, the change has to abide by procedure for the replacement and/or addition to owner of BPR, which is governed in provision on merger, consolidation and acquisition as well as fit and proper test of BPR.

**Paragraph (2) up to Paragraph (7)**

**Sufficiently clear**

**Article 22**

**Sufficiently clear**

**Article 23**

**Paragraph (1)**

In the case of "BPR receiving approval of the amendment to memorandum of association from the authorized institution" through notary, report on the change in the authorized capital is enclosed by receipt of the approval of the amendment form notary.

**Paragraph (2)**

**Sufficiently clear**

**Article 24**

**Sufficiently clear**

**Article 25**

**Paragraph (1) up to Paragraph (4)**

**Sufficiently clear**

**Paragraph (5)**

**Letter a**

Knowledge in the banking sector covers among others knowledge of regulation and operation of BPR.

**Letter b**

Experience and expertise in the banking sector and/or non-banking financial service institution are among others experience and expertise in banking operation, marketing, bookkeeping, funding, credit or law.

## Letter c

Capability of undertaking strategic management is among others capability of analyzing economic development, exploring regional banking potential, interpreting vision, mission of BPR and analyzing the situation of banking industry.

## Paragraph (6)

Sufficiently clear

## Article 26

Sufficiently clear

## Article 27

## Paragraph (1)

Majority means more than 50% (fifty percent) of the whole members of board of directors.

Relations by marriage or blood up to the second degree mean vertical and horizontal relations, including father/mother in law, son/daughter in law and brother/sister in law, covering:

- a. sibling/step/adopted parent;
- b. sibling/step/adopted brother or sister along with their couples;
- c. sibling/step/adopted son or daughter;
- d. sibling/step/adopted grandfather or grandmother;
- e. sibling/step/adopted grandchildren;
- f. sibling/step/adopted brother or sister of parent along with their couples;
- g. husband/wife;
- h. father/mother in law;
- i. brother/sister in law;
- j. couple of sibling/step/adopted son or daughter;
- k. grandfather/grandmother of husband/wife;
- l. husband/wife of sibling/step/adopted grandchildren;
- m. sibling/step/adopter brother/sister of husband/wife along with their couple.

**Paragraph (2)**

Sufficiently clear

**Paragraph (3)**

Other institution is among others political party or social organization.

**Paragraph (4)**

Sufficiently clear

**Article 28**

**Paragraph (1) up to Paragraph (3)**

Sufficiently clear

**Paragraph (4)**

Knowledge in the banking sector covers among others knowledge of regulation and operation of BPR.

Experience and expertise in the banking sector and/or non-banking financial service institution are among others experience and expertise in banking operation, marketing, bookkeeping, funding, credit or law.

**Paragraph (5)**

Graduation certificate means certificate of profession related to competence unit, in the case of Board of commissioners or board of directors.

**Paragraph (6)**

Sufficiently clear

**Paragraph (7)**

Referred to "Members of Board of commissioners may only assume double position as commissioner in two other BPR or BPRS at the maximum is that one may only serve as commission in 3 (three) BPR or BPRS at the maximum.

## Paragraph (8)

Sufficiently clear

## Paragraph (9)

Meeting of the Board of commissioners is shown by minutes of meeting and is intended as supervision over the execution of tasks and responsibility of board of directors.

## Paragraph (10)

Sufficiently clear

## Article 29

## Paragraph (1)

Majority means more than 50% (fifty percent) of the total members of board of commissioners.

Relations by marriage or blood up to the second degree mean vertical and horizontal relations, including father/mother in law, son/daughter in law and brother/sister in law, covering:

- a. sibling/step/adopted parent;
- b. sibling/step/adopted brother or sister along with their couples;
- c. sibling/step/adopted son or daughter;
- d. sibling/step/adopted grandfather or grandmother;
- e. sibling/step/adopted grandchildren;
- f. sibling/step/adopted brother or sister of parent along with their couples;
- g. husband/wife;
- h. father/mother in law;
- i. brother/sister in law;
- j. couple of sibling/step/adopted son or daughter;
- k. grandfather/grandmother of husband/wife;
- l. husband/wife of sibling/step/adopted grandchildren;
- m. sibling/step/adopter brother/sister of husband/wife along with their couple.

## Paragraph (2)

Sufficiently clear

**Article 30**

Conflict of interest means conflict of economic interest of BPR and personal economic interest of owners, members of board of directors, members of board of commissioners, executive official and/or other related parties.

**Article 31**

Sufficiently clear

**Article 32****Paragraph (1)**

Declared effective means as from the date of stipulation in RUPS or the elapsing of the period regulated in memorandum of association of BPR in the case of RUPS being unable to execute.

**Paragraph (2)**

Declared effective is as from the date of stipulation in RUPS.

**Paragraph (3)**

Sufficiently clear

**Paragraph (4)**

Prohibition from becoming members of Board of directors and/or members of Board of commissioners is attributable to among others:

- a. violation of the provision on members of Board of directors and/or members of Board of commissioners, among others double position, relations by marriage and blood, requirement for the ownership of profession certificate; or
- b. the unsuccessful stipulation on the basis of result of fit and proper test according to the provision in force.

**Article 33 and Article 34**

Sufficiently clear

## Article 35

## Paragraph (1)

Matter that has to be reported is official coming into organizational structure of BPR, either appointed or not yet appointed as executive official by BPR But already executing task and function as executive official.

## Paragraph (2)

## Letter a

Supporting documents are among others copy of letter of the appointment, working agreement or special power of attorney for branch leader.

## Letter b up to Letter e

Sufficiently clear

## Article 36

## Paragraph (1)

"The examination" covers the search of information about executive official, among others:

- a. listed in the unsuccessful list of fit and proper test;
- b. having non-performing credit and/or financing; and/or
- c. recorded in negative data and information owned by the financial service authorities, which comes from result of supervision by the financial service authorities or other sources.

## Paragraph (2) up to Paragraph (5)

Sufficiently clear

## Article 37

## Paragraph (1)

Office means branch office, cash office, mobile cash, payment point and PPE in the form of ATM and/or ADM machine of the said BPR.

## Paragraph (2)

As a consequence:



- a. BPR in West Java outside Bogor Regency or City, Depok City, Bekasi Regency or City may not open branch office in Bogor City or Regency, Depok City and Bekasi Regency or City;
- b. BPR in Banten province outside Tangerang Regency or City may not open branch office in Tangerang Regency or City and South Tangerang City.

Paragraph (3) and Paragraph (4)

Sufficiently clear

Paragraph (5)

The 3 (three) year period includes the process needed for the settlement of approval by the financial service authorities up to the realization of the closure or relocation of branch office or relocation of head office of BPR.

Article 38

Paragraph (1)

Sufficiently clear

Paragraph (2)

Letter a

The number of the would-be opened branch offices is mentioned in work plan.

Letter b

The fulfillment of requirement for solvency rate is based on result of evaluation executed by the financial service authorities by referring to the last report received by the financial service authorities.

Letter c

Sufficiently clear

Letter d

Gross NPL is the amount of credit with non liquid quality before the inclusion into provision for productive asset depreciation (PPAP), divided by the total credit.

Letter e

Sufficiently clear

Letter f

"Adequate Information technology includes but is not limited to saving, deposit and credit applications.

Letter g

Sufficiently clear

Letter h

Violation of provision related to BPR is among others the violation of:

1. prohibition on double position and relations by marriage or blood as well as minimum number of members of Board of directors and members of board of commissioners;
2. the obligation of BPR to have at least one shareholder with a specified percentage of share ownership; and/  
or
3. obligation to fulfill minimum core capital

Paragraph (3)

Sufficiently clear

Article 39 up to Article 41

Sufficiently clear

Article 42

Paragraph (1)

The validity period of the principal approval is granted so that BPR has sufficient time to prepare facilities and infrastructure needed to prepare operational activity of branch office.

Paragraph (2)

Sufficiently clear

Article 43

Paragraph (1) and Paragraph (2)

Sufficiently clear

Paragraph (3)

If necessary, the financial service authorities may inspect in the framework of examining the operational readiness of branch office.

Article 44

Paragraph (1) and Paragraph (2)

Sufficiently clear

Paragraph (3)

The realization of business activity is shown by the operation of branch office of BPR in accumulating public funds and distributing funds to communities.

Article 45

Paragraph (1)

Principal Office of BPR means the head office or branch office becoming the principal of cash office.

Paragraph (2)

Sufficiently clear

Paragraph (3)

The one year period includes the process of the submission of plan as far as the closure or relocation of cash office.

Paragraph (4)

Letter a

Sufficiently clear

**Letter b**

The fulfillment of the requirement for solvency rate is based on result of the evaluation by the financial service authorities in accordance with the latest report received by the financial service authorities.

**Letter c up to Letter e**

Sufficiently clear

**Letter f**

Violation of provision related to BPR is among others the violation of:

1. prohibition on double position and relations by marriage or blood as well as minimum number of members of Board of directors and members of board of commissioners;
2. the obligation of BPR to have at least one shareholder with a specified percentage of share ownership; and/  
or
3. obligation to fulfill minimum core capital

**Article 46 up to Article 49**

Sufficiently clear

**Article 50****Paragraph (1)**

Procedure for the submission application for license as issuer of ATM and/or debit card refers to the provision of Bank Indonesia regarding card-based payment instrument.

**Paragraph (2)****Letter a up to Letter d**

Sufficiently clear

**Letter e**

Violation of provision related to BPR is among others the violation of:

1. prohibition on double position and relations by marriage or blood as well as minimum number of members of Board of directors and members of board of commissioners;

2. the obligation of BPR to have at least one shareholder with a specified percentage of share ownership; and/  
or
3. obligation to fulfill minimum core capital

**Paragraph (3)**

Managed directly by BOR covers the total management of systems, including infrastructures, such as ATM, ADM, and EDC by BPR.

**Paragraph (4) up to Paragraph (6)**

Sufficiently clear

**Article 51**

Activity as acquirer refers to the provision of Bank Indonesia regarding card-based payment instrument.

**Article 52**

Sufficiently clear

**Article 53**

to be continued

(R)