

Business News

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POLITICS OF ASN NEUTRALITY

The Constitution Court would process disputes over results of regional executive elections (PHP) as from Thursday (7/1). Any of the issues frequently coloring PHP is neutrality of civil servants (PNS). For the purpose, before the simultaneous regional executive elections were held on December 9, 2015, Minister of State Apparatus Empowerment and Administrative Reforms (PANRB) Yuddy Chrisnandi issued Circular of the Minister of PANRB Number B/2355/M.PANRB/07/2015 dated July 22, 2015 regarding Neutrality of State Civil Apparatuses (ASN) and Prohibition on the Use of Government Assets in the Simultaneous Elections of Heads of Regions.

Neutrality of State Civil Apparatus is affirmed clearly in Law Number.5 Year 2014 regarding State Civil Apparatus. The law stipulates that in the framework of executing the national desire to realize the state goals as contained in the Constitution of 1945, it is necessary to build integrity, professional, neutral and politically free state civil apparatuses. Pursuant to the law, ASN consists of civil servants and government employees with working agreement (PPPK).

The neutrality of ASN was disclosed by parties again prior to the implementation of the simultaneous regional executive elections in 2015. The opinion is quite right. And, if we want to learn seriously from disputes over regional executive elections, the neutrality should have materialized so that PHP is not colored again by suspicions about the neutrality of ASN in the elections. Two days following the balloting day, the Ministry of Home Affairs disclosed that at least 25 civil servants are allegedly involved in success teams in the simultaneous elections in regions.

Why must ASN be neutral? There are a number of reasons but only few are disclosed here. Firstly, the partiality of ASN seems to have serious consequence related to the financing of the elections. The election of Manado Mayor and Vice Mayor in 2010 is any of the examples attractive to observe. Since

the Constitution Court found unfairness in the form of the mobilization of civil servants by a candidate (organizing meetings involving heads of districts, heads of sub-districts and heads of neighborhood areas throughout Manado to support the party so as to win the election), the election held on August 3 must be repeated. The repetition surely wastes not only energy but also budget.

Secondly, as adhesive element of national unity and cohesiveness, the neutrality of ASN is not only determining the couple that would win the elections but also puts the fate of the nation at stake. Apparently, formulators of Law Number.5 Year 2014 have attached strategic aspect of national and state totality in the shoulders of the whole ASN. Therefore, misusing their position that should be neutral and should not become political instrument of certain parties constitutes serious threat to the nation.

Thirdly, the repeated violation regarding the neutrality of ASN also brings about psychological impact on neutral ASN. As disclosed by Chairman of the Elections Supervisory Board Muhammad, many PNS got stressed during the elections because of pressures from certain parties so that they support any of the competing couples.

The partiality or the involvement of ASN as success team of couples in the elections (not neutral) should be observed as a serious issue because it could be eliminated by only calling on ASN to remain neutral or prepare preventive rule. In relations thereto, the discourse over the neutrality of ASN need to be shifted to a more serious domain in the form of the abolition of the voting right of ASN in the regional executive elections as the manifestation of the neutrality politics. Surely it needs thorough and comprehensive politics before the idea is applied.

Jakarta, January 7, 2016

INDONESIAN MEAT AND FEEDLOT PRODUCERS ASSOCIATION: GOVERNMENT LATE IN GRANTING LICENSE FOR CATTLE IMPORT

Jakarta, *Business News*

Indonesian Meat and Feedlot Producers Association (Apfindo) stated that the government is late in granting license for cattle imports, so that it could have a negative consequence on the procurement of the commodity. Executive Director of Apfindo, Joni Liano, in Jakarta, on Wednesday (January 6), said that despite having obtained a recommendation letter from the Ministry of Agriculture, until now import permit from the Ministry of Trade is still not yet issued. While, according to Joni, import license should have been issued on January 1, 2016 and received by importers.

Joni also believes that the government's plan to import 600,000 heads of cattle is still considered insufficient to meet demand for beef this year. He said that based on the calculation in the forum group discussion between the government and the stakeholders, cattle deficit reached 780,000 heads. This amount is obtained based on data of the Central Bu-

reau of Statistics with consumption level at 3.09 kg per capita, which increased from last year by considering the number of local cattle that can support the fulfillment of consumption.

However, Joni is optimistic that there will be adjustments of the volume of imported cattle because the government promised that there would be an evaluation after the import process is underway. Joni believes that the volume of imports of 600,000 cattle will not be able to meet the demand in the country which has increased coupled with the lack of availability local cattle. Meanwhile, the number was down 2.7% compared to cattle imports in 2015 which reached 617,000 heads.

It is said that the government should not only determine how many cattle that must be imported, but also must pay attention to the realization in preparing strategic plan in 2016. Import license is one of the items which are included in the strategic plan. Import license not yet issued is an example that during this time government bureaucracy was trouble-



some. In fact, import license should have been issued in December so that businesses can gather cattle and prepare the ship.

If import permit is issued on time, importers could have the flexibility in buying cattle when the price is cheap. Delays in granting license contributes to causing price to become high. According to him, bureaucracy must begin to adapt to business mechanism. He sees that government policies are often not appropriate with business behavior in the field, concerning meat or beef.

The government itself admits that it has not been able to be self-sufficient in meat, so that imports are one solution to cover the needs of the domestic meat market which continues to increase. The Ministry of Agriculture is also promoting People Animal Husbandry Centre (SPR) to have standard of cattle, such as large-scale cattle breeding company.

Muladno, Director General of Animal Hus-

bandry and Animal Health of the Ministry of Agriculture, said that next year he targeted that there will be around 500 SPR throughout Indonesia. Of this number, 50 are superior SPR. In the future, small business operators will be encouraged to synergize. SPR should be connected to large companies. For that, he expects that SPR, which is the result of cooperation of the people, will be managed more professionally with reliable human resources. Thus, the cattle produced will be in accordance with the standard of large-scale cattle breeding company.

He hoped that the SPR program could increase cattle population in the country. According to him, with the establishment of SPR, the government will provide assistance in the form of care facilities, for example, animal health center (Puskewan) and veterinary personnel. As for coaching, persons who know about cattle business, ranging from breeding, feed and health maintenance, and sale of cattle. (ST)



TO WELCOME 2016 WITH OPTIMISM

Jakarta, *Business News*

Ending 2015 with full of unimpressive record, now marketplayers look forward to 2016 with better optimism. This was in line with Government's view of 2016 as a year more conducive to progress. The people shared the good climate by referring to the instruments prepared by the Government to manage economy.

Firstly the Government had released eight Economy Policy Package which was expected to overcome handicaps to national economic progress. Although it takes time to implement economic policy package, strong political will was needed as underlying spirit in the effort to get things done.

Execution of Government Economy Policy Package would continue this year to propel economic machine especially long term investments entering Indonesia.

President Joko Widodo had set five indicators of economic performance as benchmark for scheming up policy package in the form of deregulations and debirocratization. The President reminded his ministers to focus attention on five indicators, i.e. economic recovery and growth, controlling inflation, poverty minimizing, employment and to narrow down economic gap.

The President also asked his ministers to watch on Government budget at ministries to make sure there would be no double standard or vague. The President reminded upon embarking on 2016 budget execution be exercise since early January especially goods buying so the impact on economy would be maximized.

The President was also inspecting directly execution of Indonesia Healthy Card (KIS), Indonesia

Smart Card (KIP) and execution of Village Fund. In the future openness was needed in every village so the public could participate in the controlling expenditure by village heads.

In the future the Government also planned to deregulate or simplify regulations to jack up ease in doing business index whereby to compete against Malaysia, Thailand and Vietnam.

Secondly the Government had announced the plan to reduce price of fuel in 2016. It was very certain that price of fuel had its chain effect on prices of other commodities.

The most obvious was increase of public transportation cost and logistics which would affect price food and other commodities.

Thirdly the domestic economic climate would predictably be less turbulent as the Fed had finally increased FFR on December 16 last and planned to do it periodically.

Fourthly the present Monetary Policy was apparently more accommodative although BI had not lowered benchmark rate from the 7.5% level for the past 10 months; but with inflation trend cooling off at 3% - 4% by end of 2015 it was most probable that BI would lower benchmark rate gradually to 6.5% - 7.0% till end of 2016.

Lowering of BI rate would generate psychological and economic impact for banks to adjust deposit interest level. It would invigorate the real sector to aggressively apply for credit. It seemed reasonable that economic growth projections 2016 would be around 14% - 16%, higher than the realization of 2015 at around 11%.

All injected positive sentiment to the market and had the potential to buoy up Rupiah value against USD and strengthen IHSG index at BEI all through 2016.

The Moneymarket

On Wednesday (30/12) Rupiah weakened by 104 points to become Rp 13,802 per USD against the previous position of Rp 13,698 per USD. Toward year end, USD regained momentum. Price of oil was again pressed down by 2.3%, a reason for USD to strengthen. Some marketplayers tend to accumulate USD considering the potential of the Fed increasing FFR periodically.

For that matter marketplayers expected Government's policy package would safeguard the course of progress of Indonesia's economy. Indonesia's economy was projected to grow by 5.0% - 5.5% in 2016 to improve 2015 performance at 4.75%.

Signs of Rupiah weakening was already seen in afternoon session when Rupiah position was posted at Rp 13,794 per USD against Rp 13,658 the previous day (29/12). USD value strengthened against some other currencies in New York on that day in the quiet days of year end holiday,

USD index increased by 0.18% to 98.3 as market believed the Fed would increase FFR in 2016 and periodically onward.

During initial transaction at year end on Thursday (31/12) USD was still moving positively after being suppressed by data of pending home sales and supply of US oil that made WTI price to drop. USD index managed to strengthen although price of crude oil was still low.

There was new projection that weekly unemployment data claims increased against previous data, which was not supportive to the Fed's intention to increase FFR again.

At the same time there was no notable data supportive to economy. One thing was sure upon approaching year end it was natural if Rupiah was suppressed because demand for USD tend to increase. Rupiah tend to move sideways toward standstill at around Rp13,650 – Rp13,750 per USD during closing session on Thursday (31/12) last.

Meanwhile over the week Ruipiah would gradually strengthen to Rp13,550 to Rp13,650 per USD due to market optimism of Indonesia's better economic prospect. As with 2016, Rupiah would move in the range of Rp13,500 – Rp13,700 per USD.

Rupiah strengthening was on account of the Fed being no longer indecisive about increasing FFR. Rupiah had been nose diving since mid 2015, the

worst downfall since 1998.

In 1998 IHSG sank deep to 4,100 while Rupiah dropped to Rp 14,800. In December 2015 it was time for the Fed to increase FFR to pull USD circulating abroad back home and roaming capital returned to America to respond to US economy betterment.

Today USD exchange rate continued to strengthen and index of New York Stock Exchange skyrocketed,

back to the position before the 2008 crisis,



i.e. 17,000. The volume of Dollars in circulation increased to reach USD 4.2 trillion, plenty enough compared to US GDP at USD 17.5 trillion USD.

It was only natural for the Fed to stop QE-based money printing since economy was normalizing. It seemed natural that benchmark rate which had been kept low for 7 years was now corrected. For reference, in the days of Alan Greenspan as the Fed Governor benchmark rate was % and in the days of Ben S. Bernanke it was 4%.

One thing was certain increase of FFR in 2016 did not necessarily mean increase of benchmark rate in some countries as each country, including Indonesia, had a different recovery rate. It was even probable that although FFR was increased in America, BI rate in Indonesia was lowered to follow descending inflation.

Assuming that BI Rate was down to 7.0% and FFR increased by 1% - 1.25% in 2016, bank interest in Indonesia was still historically attractive and compared to peers groups in the emerging economies.

Rupiah stood a chance to strengthen because USD had a new competitor Yuan which had been stipulated by IMF as one of IMF's Special Drawing Rights "Basket" per October 1, 2016. Hence dependency on USD would be reduced because transaction with China could be based on Yuan.

The Capital Market
IHSI at
BEI during transaction on Wednesday (30/12) was closed at the green

zone. IHSI jumped up by 23.65 points or 0.52% to 4,593.01. Meanwhile Asia's stockmarket weakened following China's stockmarket when investors tend to be prudent when world's oil price bettered.

In the morning session, IHSI was open to strengthen by 5.28 points to 4,574.64 and by end of session I was positive, up by 20.88 points or 0.46% to 4,590.24. IHSI day by day position was at 4,595.51 and the lowest at 4,571.76.

In April 2015 IHSI index reached highest level over the past 6 years at 5,523.29 made in April 7 2015 and the lowest was 4,111 in August.

At Asia stockmarket, index of Shanghai rose by 9.14 points or 0.26% to 3,572.88 and index of Nikkei 225 also rose by 51.48 points or 0.27% to the level of 19,033.71 while index of Hang Seng dropped by 147.47 points or 0.53% to 21,882.15; index of Straits Times slumped by 8.85 points (0.31%) to 2,879.37.

Broadly speaking Asia Pacific shares slumped in last day of 2015 transaction. With regional benchmark moving toward first down turn since 2002 triggered by shrinking energy shares followed by oil price.

Indices of MSCI Asia Pacific dropped by 0.1%

to become 410.54. Index of MSCI which included Japan was on the downturn 4.5% this year amidst economic slowdown in China and downturn of commodity prices.

Meanwhile Wall Street ended up lower with shares of the industrial sector



posting downturn while S&P index 500 inching up for 2015. Index of S&P 500 dropped by 15.00 points (0,72%) to end up at 2,063.36 to make it rise by less than 5 points for 2015.

Index of Dow Jones Industrial Award dropped by 117.11 points (0.66%) to be closed at 17,603.87 while index of Composite Nasdaq sank by 42.09 points (0.82%) to become 5,065.85. Index of Dow Jones dropped by around 1.2% through 2015 while index of Nasdaq rose by nearly 7.%.

Technology shares posted weakening with Apple dropping by 1.3% and Facebook and Priceline both dropping by 1,0%. The same was with shares of the banking sector. Bank of America and Citigroup both dropped by 1.3% while JP Morgan Chase and Wells Fargo dropped by 0.7% respectively.

Analysts stated negative sentiment spread out in New York stockmarket, being triggered by IMF Executive Director Christine Lagarde who stated that global economic growth would be "disappointing and unimpressive" in 2016.

Analysts recommended at least 18 shares collectable by investors at the domestic stockmarket through 2016. The shares promised capital gain around 10.7% - 62.2%, Prospective shares were mostly of the sectors of infra structure, banking, consumption, property and construction.

Some analysts believed other shares in the sectors of infra-structure, property and construction, banking, consumption and cement were still prpspective next year/ IHSG was predicted to break through 5,000 in 2016. This week, IHSG was predicted to be in the range of 4,600 - 4,650 as the stockmarket was re-activated after Christmas holiday season.

Separately analyst of First Asia Capital David Sutyanto stated that nest year shares of the sectors

of banking, infra structure, property, agrobusiness, consumer goods and property would rise and shine. Shares of the infra structure sectir would be prospective too as Government budget was spent on infra structure projects.

Improved emitent's performance of the construction sector would jack up perfirmane of shares of the banking sector as emitents of the Construction sector would raise enormous fund for project financing.

Meanwhile shares of the consumer goods sector would soar up in line with people's increased purchasing power resulting from reduced fuel price per January 5, 2016.

Shares of the food sector were noteworthy considering the prevailing investment plan in that sector. Data of BKPM had it that application for principle permit in the food sector per January - December 2015 was Rp184,92 trillion or 32.,21% of total ivestmwent plan amounting to Rp572.29 trillion.

Compared to previoius year, investment plan in the food sector posted significant increase of 326% consisting of Domestic Investment (PMDN) Rp21.19 trillion and Foreign Investment Rp163.73 trillion.

High investment plan in the Food sector indicated that this sector was the propeller of growth of the manufacturing sector in the years to come. Increased investment plan in the food sector indicated the Government's effort to make Indonesia a food production base in anticipating Asean Economic Community (AEC).

In anticipating AEC the Government of RI was planning to make Indonesia a production base instead of just a market for other Asean countries.(SS)

THE EFFECT OF LOWERED FUEL PRICE

Jakarta, *Business News*

The government planned to begin 2016 with economic climate conducive to progress and the instrument for such was being prepared by the Government.

As told, before Christmas of 2015 the Government planned to lower price of oil in 2016. The public was aware increased oil price had its chain affect on many aspects of life.

The easiest to notice was increased cost of public transportation that would change logistics cost and distribution and commodity prices in the market.

If fuel price was reduced it was easy to predict that some commodity prices would lower. Although the price down turn was relative, the consumers were always more than ready to welcome reduced prices. People's purchasing power would increase and consumption would increase. To reduce fuel price was normal scenario to enliven commerce throughg 2015.

Naturally the Government had made in depth analysis before lowering fuel price. It was wise and smart for the Government to create long and short term market stimulus.

While increasing people's purchasing power, low energy cost would strengthen competitiveness of business and industry. Moreover the energy pricing policy was based on Chapter III of the

Government's Economy Policy which would lower production cost among companies.

Low production cost would result in low commodity prices which in the end would bring positive effect on inflation.

The public could save money which they could spend on domestic made products. Before fuel price was increased, traders were troubled by low sales due to consumer' low purchasing power.

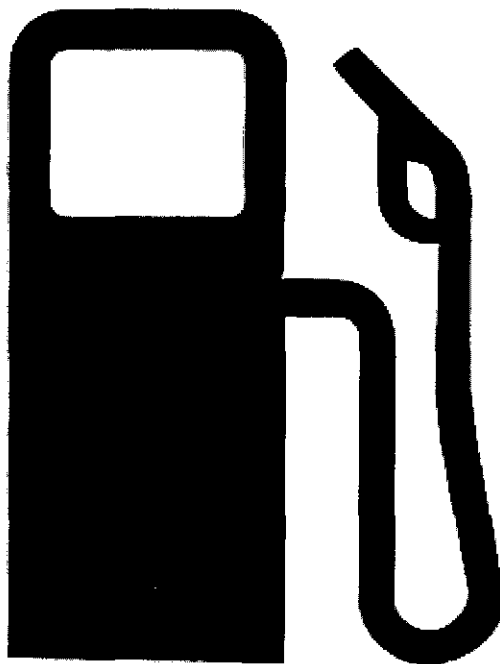
Today price of Premium Oil and Solar Oil in Java, Madura and Bali was Rp7,300 and Rp6,900 respectively. In other places price of Premium Oil was Rp7,400 and Solar Oil Rp6,900 per litre. The prices were stipulated on March 28, 2015.

Whether the degree of price reduction was, what matters to the public was how great the effect of lowered fuel price on commodity prices.

The degree of price reduction of fuel was more or less determined by market mechanism, but as Regulator the Government had the authority to regulate transportation tariff of passengers or goods which would determine prices of goods, like food, in the market.

Lowered fuel price was responded by provincial Governments by controlling oil distribution in gas stations and the effect on commodity prices in marketplaces whereby to protect consumers.

Increased purchasing power would jack up do-



mestic demand and factories and production centers could benefit from the market situation by increasing production output and employ more workers to reduce unemployment and eventually contribute to the process of minimizing poverty.

The Government policy to lower fuel price was fundamental condition upon which to build confidence to businessplayers before embarking on 2016. There could be pro or against Governments oil pricing

policy, but once the Government was resolved to run the policy, there should be no turning back

The Government's oil pricing policy would wipe off negative rumors of cabinet reshuffle which would rock the boat and interrupt Government's management process which was so far well underway. Irregularities here and there was perhaps tolerable considering Jokowi's administration being barely 1 ½ years old. (SS)



MINISTER OF LABOR : UNEMPLOYMENT FIGURE DROPPED THROUGH 2015

Jakarta, *Business News*

The Government of RI claimed they managed to downsize unemployment figure by 4,98,993 people through 2015. Downsizing of unemployment was attained through execution of some programs, among others productive labor intensive program, infra structure labor intensive program, independent labor, volunteer workers, making of new entrepreneurs and application of proper technology.

The Minister of Labor Hanif Dhakiri on Monday (4/1) set target to minimize unemployment this year by 700,000 people. The national target was 2 million people. Reducing joblessness he said was done not only by the Government but also by the private sector.

Some measures had been taken by the Government to step up competence of local workers toward the Asean Economic Community (AEC) – among others by setting 85 Indonesia National Standard of Competence (SKKNI) and accreditation for 725 training centers and Private Sector Workshops (LPKS). Besides the Government also executed Entrepreneurs Training and Skill Upgrading for 717,454 trainees and certification of 167 Professional Certification Bodies (LSP).

The Minister said that all the effort was part of the Plan to prepare workforce to face AEC. He said that in facing the Asean Common Market work force was not the main problem but collaboration instead between the businessworld, workers and the Government.

The same was stated by Hermanto Dardak,

Chairman of the Association of Indonesian Engineers (PII), Hermanto reminded that AEC had just begun and competition in Human Resource would heighten. Naturally it would be most important to step up quality of human resources whereby to compete.

Hermanto disclosed that today in Indonesia there were 750,000 engineers or personnel being graduated as engineers, but not all of them worked in the respective fields, only 40% of them worked as engineers. In the next 5 years the need for engineers would come to 120,00 persons to support infra structure building programs worth 5,500 trillions so there would be demand for 65,000 new engineers per year.

Hermanto felt sure that Indonesian engineers would be able to compete globally as long as they were given the same opportunity. It all was on account of lack of publicizing of engineering as profession and the opportunities included to the young generation.

He was optimistic that he was fully confident and Indonesia needed not be afraid to compete against foreign technicians in doing infra structure projects in Indonesia. Indonesia would strive hard to keep abreast in technology and human resources quality.

Foreign contractors undertaking infra structure projects in Indonesia could not freely work as they wished in Indonesia even in the name of Free Trade Era. "There would be registration, screening and standardization of quality and competence for foreign contractors operating in Indonesia" Hermanto stated. (SS)

REFERENCE PRICE OF COCOA BEANS RISES, WHILE PRICE OF CPO WEAKENS, EXPORT DUTY REMAINS THE SAME

Jakarta, *Business News*

After considering various recommendations, the Ministry of Trade set reference price for CPO products for determining export duty for January 2016 at USD578.88 / MT on Monday (January 4). It was down USD1.49 or 0.26% from December 2015 which was USD580.37 / MT. The stipulation of export duty is contained in Minister of Trade Regulation No. 122 / M-DAG / PER / 12/2015 concerning the determination of export check price (HPE) on Agricultural and Forestry Products Subject to Export Duty.

HPE and reference price for January 2016 is set after addressing commodity price developments, both nationally and internationally. "The low reference price of CPO today is due to the weakening of international prices of this commodity. Weakening international prices is caused by the declining world oil prices and oversupply in international market of world vegetable oil, mainly vegetable oil from other sources as competitors of CPO," said Acting Director General of Foreign Trade of the Ministry of Trade, Karyanto Suprih, in Jakarta, on Monday (January 4).

Export duty of CPO for January 2016 did not change or the same as CPO export duty of December 2015. It is listed in column 1 of Attachment of Minister of Finance Regulation No. 136 / 2015, which is USD 0 / MT. "CPO reference price is still below the threshold level of export duty imposition at USD750 which is still subject to USD 0 / MT export duty in January 2016 for CPO and its derivative products," he continued.

Meanwhile, reference price of cocoa beans

for determination of HPE of cocoa beans increased USD79.67 or 2.45%, i.e. from USD3,258 / MT to USD3,337.67 / MT. This resulted in the setting of HPE for cocoa beans which also increased USD78 or 2.6% from USD 2,952 / MT in December to USD3,029 / MT. Increase in the reference price and HPE for cocoa beans is also due to the increase in international prices of the commodity. However, export duty for cocoa beans did not change from the previous month, i.e. 10%. It is referred to in column 3 of Annex II of Minister of Finance Regulation No. 75 / 2012. For HPE and export duty of products of wood and other leather did not change from the previous month.

Earlier, the Indonesian Cocoa Association (ASKINDO) predicted that Indonesian cocoa production this year is predicted at only 320 thousand tons. According to Chairman of the Indonesian Cocoa Association (ASKINDO), Zulhefi Sikumbang, these predictions are based on estimates of January to October 2015. The volume of cocoa beans exported reached 33,783 tons, cocoa butter (fat) 94,482 tons, in the form of pasta 95,344 tons, In the form of cocoa powder exported during the period was 48,741 tons, so that until the end of the year the total is predicted to only reach 320 thousand tons. Likewise, the data on cocoa imported in the form of cocoa beans from January to October 2015 reached 48,109 tons, in the form of fats 512 tons, in the form of pasta 454 tons and in the form of powder 10,541 tons.

According to ASKINDO, the decline in cocoa production in Indonesia is not only reflected in cocoa production, but also the productivity which only

reached 400 kg / ha / year. "This is due to the decline in farmers' interest in growing cocoa, mainly due to the imposition of 10% export duty for cocoa beans which came into force since 2010, 10% VAT % applicable since July 2014, and 0.5% Income Tax, so that farmers are imposed with a total burden of 20.5%.

Prior to the application of export duty in 2010, rebate (discount) imposed on cocoa exports in the New York Stock Exchange to cocoa farmers in Indonesia is USD350 / MT. After the determination of export duty, the discount imposed increased to USD550 / MT and was valid until July 2014. After the imposition of VAT in 2014, the amount of dis-

count increases, reaching USD750 / MT. Therefore, the total cost to be borne by farmers after the application of export duty and VAT policy becomes higher, i.e. USD400 / MT or equivalent to IDR5,600 / kg, "he said.

That is why, said Zulhefi, the imposition of export duty VAT which are directly charged to farmers should be removed. Moreover, farmers do not have a bargaining power, so this condition causes farmers to manage other crops which have more profitable resale value, such as rubber, oil palm, and corn. Among farmers there is no regeneration, moreover there are no mentors in the field, who would assist farmers in facing a variety of plant diseases that attack cocoa plant. (E)



STANDARDIZATION OF INDUSTRIAL AREA IS CONSIDERED AN APPROPRIATE STEP

Jakarta, *Business News*

The Ministry of Industry considered that the preparation of standards for industrial zones is an appropriate step. To that end, the Ministry of Industry is currently preparing a draft Regulation of the Minister of Industry concerning Standard of Industrial Area. Standard of industrial area is used as a benchmark in evaluating and assessing the performance of the operating company. Thus, the government will have detailed data and information related to the development of domestic industries.

Additionally, the government has also introduced accreditation of industrial zones to prepare performance ranking of managers. Accreditation function is used by the government, among others, as a basis for granting infrastructure improvement assistance in the region in the next five years which is budgeted at IDR 6 trillion. Moreover, in National Industrial Development Master Plan 2015-2035, the government is targeting to build a minimum of 36 new industrial zones with addition of area of minimum 50,000 hectares.

Imam Haryono, Director General for Industrial Zoning Development of the Ministry of Industry, on Tuesday (January 5), mentions that there are four criteria applied in standard of industrial area. The criteria include management and services that require developers to have a business plan, and to comply with the ratio of allotment of industrial land. Then, there is also infrastructure aspect, namely developer must provide road network, guarantee of energy supply, and must have a good drainage system.

In addition, the industrial areas also should

pay attention to aspect of environmental management, awareness and community empowerment. As a preparation, the Ministry of Industry initiated awarding to industrial area company. The awarding is an appreciation to the managers of industrial area that have met the specified criteria.

In addition, Indonesia would also develop halal industry zone in line with the huge demand for halal products. He said that his party had been preparing a draft regulation together with the Indonesian Chamber of Commerce and Industry (Kadin Indonesia) and the Indonesian Ulema Council (MUI). As a first step, Imam explained, the Ministry of Industry will conduct trials by making halal industrial zone which has been established as a pilot project. After that, it will be applied in the subsequent industrial area. According to him, Thailand and Malaysia have been focused on halal food and beverage industry. This requires a careful preparation of rules and procedures.

However, Imam admitted that to start production in halal industrial zone, greater investment than ordinary industry is required. This is because this area must be absolutely guaranteed. In addition, guarantee that a product is halal or not, is not only during the manufacturing and packaging process, but also during the logistics process. According to Imam, kosher products are not only synonymous for the Muslim community alone, but have been connoted with better treatment, ranging from selection of raw materials, production processes, packaging, and logistics.

He said that currently the Ministry of Industry already has the designs and patterns to create a halal industrial zone. So far, the potential area for development as halal industrial zone is Java island, because it

has many industrial areas. As a first step, the Ministry of Industry expects investment to come from local businesses. Development of industrial area will also consider products that have export orientation, particularly to Middle Eastern countries.

Meanwhile, Chairman of Association of Industrial Area, Sanny Iskandar, welcomes the government's plan to draft regulations related to standard of industrial area. It is very important to determine the technical guidelines for all industrial areas. Ac-

cording to him, the government should set standards and technical guidelines for industrial area. Thus, the industrial area can provide convenience to investors.

In addition, the standard of industrial zones can also become a mentoring activity including supervision of companies located in industrial areas throughout Indonesia. Sanny said that it is time for Indonesia to have technical guidelines that can be implemented and followed by industrial estate developer. (E)

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THE PROSPECT OF PRIMARY COMMODITY PRICES 2016

Jakarta, *Business News*

After being adverse through 2015, there was hope for betterment of commodity prices in 2016, Bloomberg survey in 108 traders, analysts, economists and strategists in Asia, Europe and the USA unveiled there would be betterment of prices of gold, natural gas and wheat in 2016.

However not all commodity prices would post increase. Price of crude oil which had been done since 1998 might sink even deeper. Meanwhile survey outcome showed grave pessimism of copper price.

Weakening of commodity prices suppressed nearly all commodities, reducing company's profit including that of Anglo American Plc, South Africa and energy producer Royal Dutch Shell Plc.

The world was trapped in a condition of over supply of raw materials after many years of expansion ending with economic slowdown in China. Strategist saw there would be much jigsawing but in 2016 there

was opportunity of stabilizing of commodity prices. It was all because there are a number of signals that the mining commodity markets will go into a little more positive path.

Index of Bloomberg commodity which calculated profit of 22 commodities dropped by 24% in 2015 which led to annual loss of 3 consecutive years, the longest downturn since data collecting in 1991. Only cotton and sugar yielded profit.

Nickel performance was the worst, dropping by 33% due to speculations that reduction of supply was not enough to reduce global over supply. Trading of heating oil in New York posted loss of 34% the second worse loss.

Price expectation which was more stable was also highlighted in projection of Citigroup which anticipated the end of commodity Super Cycle by end of 2012. In their report of last November Citigroup analyst Ed Morse mentioned tightening of commodity supply would begin in second half of 2016 and the market would regain support toward 2017.



Meanwhile Goldman Sach Group Inc recommended to undervalue commodity prices for the next 12 months. Goldman's record of November 18 2015 also recommended investors to again allocate higher in 2017. Respondents also had different opinion about WTI crude oil price. The highest average estimate for 2016 was USD 56 per barrel and lowest estimate was USD 33 per barrel.

In their report of December 8 2015 last, Societe Generale SA mentioned that price of oil at New York Security Exchange would probably rebound in the next few months, being supported by axing of output of US oil suppliers. Last December, a number of oil companies in the USA stated they would reduce expenditure in 2016 while OPEC decided to maintain production.

Weakening of mining commodity prices through 2015 would serve as catalysts to tighten market balancing, if growth of demand remained strong in 2016. Probably marketplayers saw that reduction of supply outside OPEC would jack up prices.

According to Bloomberg survey, copper was a commodity of most negative projection. Price of copper was predicted to reach lowest point of USD 4,014 per metric ton at London Metal Exchange stockmarket, lower by 13% of the "normal" USD

4,590 per metric ton.

Paul Christopher, a global market strategist of Wells Fargo Investment Institute rated that reduction of metal was not as much as energy. In Chile the world's largest miner country, Codelco dismissed their workers to reduce cost as Goldman Sach predicted surplus of metal would continue through 2020.

Most of the respondents surveyed by Bloomberg predicted increase of wheat price in 2016. El Nino effect had now jacked up price of food, i.e. 73 food categories.

Price of wheat would fluctuate in 2016 because harvest would be affected by El Nino. According to most respondents other commodities predicted to have rebound was gold and natural gas. Gold would rebound because people turned to gold as haven asset.

Meanwhile price of natural gas would be advantaged by reduced production and increasing export demand. This was good news because more workers of the gas industry would be dismissed if price of gas remained low as in 2015 last.

Today there was presumably 200 thousand to 300 thousand workers employed in the oil gas industry. Workers employed at subcontractor compa-



nies were the most prone to dismissal because they were highly dependent on contractor companies,

Previously OPEC's decision of not to reduce production triggered anxiety that oil price would drop close to USD 20 per barrel against the present USD 40 per barrel. The change of policy could only happen if producer countries outside OPEC especially Russia were ready to jointly reduce production.

Not only oil gas, price of coal was also down to as low as USD 50 per metric ton which caused coal miner companies to dismiss their workers in 2015.

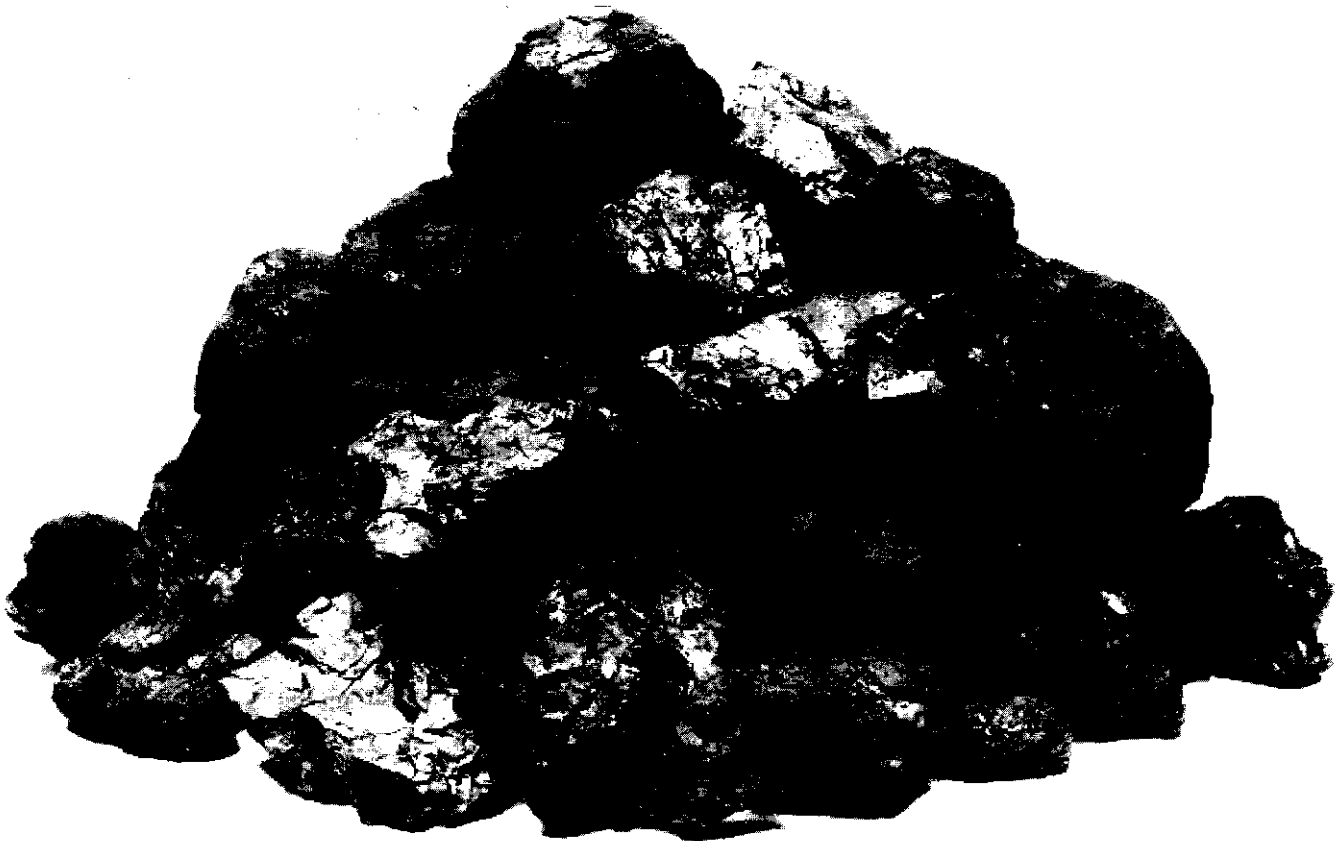
APEBINDO predicted not less than 5,000 workers in the coalmine industry had been dismissed

due to falling coal price in 2012 last.

Today 50% of coalmine companies had reduced or stop their production in austerity effort.

From the above information it was apparent that primary commodity prices of the mining and plantation sectors would tend to increase in 2016 considering demand was improving although China's economy was still weak.

However some countries outside China seemed to increase demand level with impact of better commodity prices. However the price had not returned to the "normal" level as in 2013. (SS)



FOREIGN EXCHANGE RATES

Jakarta, *Business News*

EXCHANGE RATES ON TRANSACTION

CURRENCY	VALUE	JANUARY 7, 2016			JANUARY 6, 2016		
		BUYING	MIDDLE RATE	SELLING	BUYING	MIDDLE RATE	SELLING
AUD (Australia)	1,-	9,771.48	9,822.18	9,872.87	9,814.43	9,866.31	9,918.19
BND (Brunei)	1,-	9,642.81	9,694.50	9,746.19	9,642.11	9,692.05	9,741.98
CAD (Canada)	1,-	9,843.93	9,895.00	9,946.07	9,837.40	9,888.03	9,938.65
CHF (Switzerland)	1,-	13,797.36	13,870.43	13,943.49	13,680.45	13,751.63	13,822.80
CNY (China Yuan)	1,-	2,113.76	2,124.43	2,135.09	2,111.95	2,122.52	2,133.08
DKK (Denmark)	1,-	2,008.89	2,019.17	2,029.45	1,989.59	1,999.69	2,009.78
GBP (United Kingdom)	1,-	20,308.91	20,412.77	20,516.62	20,230.28	20,334.96	20,439.64
HKD (Hong Kong)	1,-	1,789.83	1,798.93	1,808.03	1,779.34	1,788.41	1,797.47
JPY (Japan)	100,-	11,755.34	11,817.16	11,878.97	11,629.71	11,690.36	11,751.01
KRW (Korean)	1,-	11.56	11.63	11.69	11.53	11.59	11.65
KWD (Kuwaiti Dinar)	1,-	45,539.88	45,799.85	46,059.81	45,404.87	45,662.23	45,919.58
MYR (Malaysia)	1,-	3,137.24	3,155.94	3,174.63	3,159.05	3,176.68	3,194.31
NOK (Norway)	1,-	1,549.78	1,558.04	1,566.30	1,548.27	1,557.27	1,566.27
NZD (New Zealand)	1,-	9,202.56	9,251.09	9,299.62	9,163.35	9,211.28	9,259.21
PGK (Papua New Guinea)	1,-	4,512.48	4,638.96	4,765.44	4,485.81	4,611.35	4,736.88
PHP (The Philippines)	1,-	294.67	296.21	297.74	293.61	295.13	296.65
SAR (Saudi Arabian Riyal)	1,-	3,696.52	3,715.67	3,734.81	3,675.46	3,694.34	3,713.22
SEK (Sweden)	1,-	1,618.68	1,627.14	1,635.59	1,606.08	1,614.61	1,623.13
SGD (Singapore)	1,-	9,642.81	9,694.50	9,746.19	9,642.11	9,692.05	9,741.98
THB (Thailand)	1,-	381.63	383.82	386.01	380.42	382.59	384.76
USD (United States)	1,-	13,876.00	13,946.00	14,016.00	13,794.00	13,863.00	13,932.00
EUR (Europe)	1,-	14,987.47	15,065.88	15,144.29	14,843.72	14,920.06	14,996.40

NOTE : The middle rate is based on Business News calculation

**EXCHANGE RATES BASIS FOR THE PAYMENT OF
IMPORT DUTY, VALUE ADDED TAX ON GOODS
AND SERVICES AND SALES TAX ON
LUXURY GOODS, EXPORT TAX AND
INCOME TAX FOR THE PERIOD OF
JANUARY 6, 2016 TO JANUARY 12, 2016
(Decree of the Minister of Finance KMK 01/KM.10/2016
dated January 5, 2016)**

THE MINISTER OF FINANCE,

Considering :

- a. as payment of import duty, value added tax on goods and services and sales tax on luxury goods, export tax and income tax, on goods imports, tax debts connected with value added tax on goods and service and sales tax on luxury goods, export tax, and income received or earned in the form of foreign currencies, must first be valued in the rupiah;
- b. that it is therefore necessary to stipulate a decree concerning the exchange rates as the basis for the payment of import duty, value added tax on goods and services and sales tax on luxury goods, export tax and income tax for the period of January 6, 2016 To January 12, 2016.

In view of :

1. Law No. 7/1983 (BN No. 4009 pages 1A-3A and so on) on income tax (Statute Book of 1983 No. 50, Supplement to Statute Book No. 3263) as already amended the latest by the No. 10/1994 on the amendment of Law No. 17/2000 (BN No. 6513 pages 15A-18A and so on) (Statute Book of 2000 No. 127, Supplement to Statute Book No. 3985);
2. Law No. 8/1983 (BN No. 4013 pages 1A-3A and so on) on value added tax on goods and services and sales tax on luxury goods (Statute Book of 1983 No. 51, Supplement to Statute Book No. 3264) as already amended by Law No.42/2009 (Statute Book of 2009 No. 150);
3. Law No. 10/1995 (BN No. 5812 pages 19A-20A and so on) on customs affairs (Statute Book of 1995 No. 75, Supplement to statute Book No. 3612) as already amended by Law No.17/2006 (Statute Book of 2006 No. 93, Supplement to Statute Book No. 4661) ;
4. Law No. 11/1995 (BN No. 5813 pages 6A-10A and so on) on Excise (Statute Book of 1995 No. 76, Supplement to Statute Book No. 3613) as already amended by Law No. 39/2007 (Statute Book of 2007 No.105, Supplement to Statute Book No. 4755);
5. Presidential Decree No. No. 84/P Year 2009;
6. Decree of the Minister of Finance No.347/KMK.01/2008 on Delegation of Authority to First-Echelon Officials within the Ministry of Finance to Sign Letters and/or Decrees of the Minister of Finance on behalf and for the Minister of Finance;

DECIDES :

To stipulate:

THE DECREE OF THE MINISTER OF FINANCE CONCERNING EXCHANGE RATES AS THE BASIS FOR THE PAYMENT OF IMPORT DUTY, VALUE ADDED TAX ON GOODS AND SERVICES AND SALES TAX ON LUXURY GOODS, EXPORT TAX AND INCOME TAX FOR THE PERIOD OF JANUARY 6,

1	Rp.	13.800,00	per (USD)	1,-
2	Rp.	10.040,31	per (AUD)	1,-
3	Rp.	9.949,67	per (CAD)	1,-
4	Rp.	2.014,39	per (DKK)	1,-
5	Rp.	1.780,46	per (HKD)	1,-
6	Rp.	3.207,66	per (MYR)	1,-
7	Rp.	9.433,41	per (NZD)	1,-
8	Rp.	1.565,59	per (NOK)	1,-
9	Rp.	20.380,63	per (GBP)	1,-
10	Rp.	9.746,58	per (SGD)	1,-
11	Rp.	1.638,31	per (SEK)	1,-
12	Rp.	13.849,18	per (CHF)	1,-
13	Rp.	11.480,72	per (JPY)	100,-

Article 2

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

Article 3

This decree shall come into force as from January 6, 2016 To January 12, 2016.

2016 TO JANUARY 12, 2016.

Article 1

The exchange rates as the basis for the payment of import duty, value added on goods and services and sales tax on luxury goods, export tax and income tax, from January 6, 2016 To January 12, 2016 shall be as listed :

14	Rp.	10,54	per (MMK)	1,-
15	Rp.	208,13	per (INR)	1,-
16	Rp.	45.412,09	per (KWD)	1,-
17	Rp.	131,65	per (PKR)	1,-
18	Rp.	293,65	per (PHP)	1,-
19	Rp.	3.677,10	per (SAR)	1,-
20	Rp.	95,81	per (LKR)	1,-
21	Rp.	382,58	per (THB)	1,-
22	Rp.	9.739,70	per (BND)	1,-
23	Rp.	15.031,63	per (EUR)	1,-
24	Rp.	2.124,73	per (CNY)	1,-
25	Rp.	11,74	per (KRW)	1,-

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

Stipulated in Jakarta

On January 5, 2016

On Behalf Of THE MINISTER OF FINANCE
ACTING HEAD OF FISCAL POLICY AGENCY

sgd.

SUAHASIL NAZARA

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SHAREHOLDERS OF PUBLICLY LISTED COMPANY

(Regulation of the Financial Service Authority No. 32 /POJK.04/2014 dated December 8, 2014) [Continued from Business News No. 8797 page 36-48]

Article 27

Quorum of attendance and quorum of decision of RUPS for the agenda of meeting to discuss a change in the articles of association of publicly listed company requiring a seal of approval from the Law and Human Rights Minister, except a change in the articles of association of publicly listed company aimed at extending the period of time for the establishment of the publicly listed company, shall follow the following provisions:

- a. RUPS can be held if it is attended by shareholders representing at least 2/3 (two-thirds) of the entire shares with the legitimate right to vote.
- b. the decision of RUPS as referred to in letter a is legitimate if it is approved by more than 2/3 (two-thirds) of the entire shares with the right to vote that are present at RUPS.
- c. If the quorum as referred to in letter a is not reached, a second RUPS can be held on condition the second RUPS will be legitimate and have the right to take a decision if RUPS is attended by at least 3/5 (three-fifths) of the entire shares with the right to vote.
- d. The decision of the second RUPS will be legiti-

mate if it is approved by more than 1/2 (a half) of the entire shares with the right to vote that is present at RUPS.

- e. If quorum of attendance at the second RUPS as referred to in letter c is not reached, a third RUPS can be held on condition the third RUPS will be legitimate and have the right to take a decision if it is attended by shareholders of shares with the legitimate right to vote in the quorum of attendance and quorum of decision set by the Financial Service Authority upon the request of the publicly listed company.

Article 28

Quorum of attendance and quorum of decision of RUPS for the agenda of meeting to transfer the assets of publicly listed company making up more than 50% (fifty percent) of the net assets of the publicly listed company in 1 (one) transaction or more, either related to one another or not, making the loan guaranty of the assets of the publicly listed company making up more than 50% (fifty percent) of the net assets of the publicly listed company in 1 (one) transaction or more, either related to one another or not, merger, fusion, takeover, spin-off,

application for a decision declaring the publicly listed company bankrupt, extension of the period of time for the establishment of the publicly listed company, and dissolution of the publicly listed company, shall comply with the following provisions:

- a. RUPS can be held if it is attended by shareholders representing at least $\frac{3}{4}$ (three-fourths) of the entire shares with the legitimate right to vote.
- b. the decision of RUPS as referred to in letter a will be legitimate if it is approved by more than $\frac{3}{4}$ (three-fourths) of the entire shares with the right to vote that are present at RUPS.
- c. If the quorum as referred to in letter a is not reached, a second RUPS can be held on condition the second RUPS will be legitimate and have the right to take a decision if RUPS is attended by shareholders representing at least $\frac{2}{3}$ (two-thirds) of the entire shares with the right to vote.
- d. The decision of the second RUPS will be legitimate if it is approved by more than $\frac{3}{4}$ (three-fourths) of the entire shares with the right to vote that are present at RUPS.
- e. If quorum of attendance at the second RUPS as referred to in letter c is not reached, a third RUPS can be held on condition the third RUPS will be legitimate and have the right to take a decision if it is attended by shareholders of shares with the legitimate right to vote in the quorum of attendance and quorum of decision set by the Financial Service Authority upon the request of the publicly listed company.

Article 29

Quorum of attendance and quorum of decision of RUPS for the agenda of meeting to discuss transactions with a conflict of interests, shall abide by the following provisions :

- a. RUPS can be held if RUPS is attended by independent shareholders representing more than $\frac{1}{2}$ (a half) of the entire shares with the legitimate right to vote owned by the independent shareholders .
- b. the decision of RUPS as referred to in letter a will be legitimate if it is approved by independent shareholders representing more than $\frac{1}{2}$ (a half) of the entire shares with the legitimate right to vote owned by the independent shareholders.
- c. If the quorum as referred to in letter a is not reached, a second RUPS can be held on condition the second RUPS will be legitimate and have the right to take decision if RUPS is attended by independent representing more than $\frac{1}{2}$ (a half) of the entire shares with the legitimate right to vote owned by the independent shareholders.
- d. The decision of the second RUPS will be legitimate if it is approved by more than $\frac{1}{2}$ (a half) of the amount of shares held by independent shareholders who is present at RUPS.

- e. If quorum of attendance at the second RUPS as referred to in letter c is not reached, a third RUPS can be held on condition the third RUPS will be legitimate and have the right to take a decision if it is attended by independent shareholders of shares with the legitimate right to vote in the quorum of attendance set by the Financial Service Authority upon the request of the publicly listed company.
- f. The decision of the third RUPS will be legitimate if it is approved by independent shareholders representing more than 50% (fifty percent) of shares held by independent shareholders who are present.
- g. Shareholders that have a conflict of interests are considered to have given the same decision as that approved by independent shareholders that have no conflict of interests.

Article 30

Shareholders of shares with the legitimate right to vote that are present at RUPS but are abstain (do not give vote) are considered to have the same vote as the majority vote of shareholders exercising their right to vote.

Article 31

- (1) In voting, votes given by shareholders apply to the entire shares held by the shareholders and they do not have the right to give a power of attorney to more than one proxy for part of the amount of shares held by the shareholders with different vote.
- (2) Provisions in paragraph (1) do not apply to :
 - a. custodian banks or stock companies as custodians representing their customers holding the shares of the publicly listed company.
 - b. investment managers representing the interests of mutual funds managed by them.

Part Ten

Summary of RUPS and Brief Summary of RUPS

Article 32

- (1) Publicly listed company shall make a summary of RUPS and a brief summary of RUPS.
- (2) The summary of RUPS shall be made and signed by the chairman of the meeting and at least 1 (one) shareholder appointed from and by RUPS participants.

- (3) The signature as referred to in paragraph (2) will not be required if the summary of RUPS is made in the form of an official report of RUPS made by a notarial public.

Article 33

- (1) The summary of RUPS as referred to in Article 32 paragraph (1) shall be submitted to the Financial Service Authority no later than 30 (thirty) days after RUPS is held.
- (2) If the deadline for the submission of the summary of RUPS as referred to in paragraph (1) falls on a holiday, it shall be submitted no later than the next working day.

Article 34

- (1) The brief summary of RUPS as referred to in Article 32 paragraph (1) shall carry at least the following information:
- a. date of RUPS, place of RUPS, time of RUPS, and agenda of RUPS;
 - b. members of the board of directors and the board of commissioners present at RUPS;
 - c. the number of shares with the legitimate right to vote that are present at RUPS and its percentage of the entire shares with the legitimate right to vote;
 - d. the presence and absence of chance for shareholders to raise questions and/or give opinion related to the agenda of meeting;
 - e. the number of shareholders raising questions and/or giving opinion related to the agenda of meeting, if they are given a chance;
 - f. mechanism of taking the decision of RUPS;
 - g. the result of voting covering vote in favor, vote against and abstention (giving no vote) for each agenda of meeting, if the decision is taken by voting;
 - h. the decision of RUPS; and
 - i. payment of cash dividends to shareholders entitled to them, if there is a decision of RUPS related to distribution of cash dividends.
- (2) The brief summary of RUPS as referred to in paragraph (1) for the publicly listed company whose shares are listed at the stock exchange shall be announced to the public at least through :

- a. 1 (one) new Indonesian national newspaper with national circulation;
 - b. the website of the Stock Exchange; and
 - c. the website of the publicly listed company in Bahasa Indonesia and foreign language at least English.
- (3) The brief summary of RUPS as referred to in paragraph (1) for the publicly listed company whose shares are not listed at the stock exchange shall be made at least through:
- a. 1 (one) newspaper in Bahasa Indonesia with national circulation; and
 - b. the website of the publicly listed company in Bahasa Indonesia and foreign language at least English.
- (4) The brief summary of RUPS in foreign language as referred to in paragraph (2) letter b and paragraph (3) letter c shall carry information which is the same as that in Bahasa Indonesia.
- (5) In case of different interpretation of information contained in the brief summary of RUPS in foreign language and that contained in invitations in Bahasa Indonesia as referred to in paragraph (4), information in Bahasa Indonesia will be used as reference.
- (6) The announcement of the brief summary of RUPS as referred to in paragraphs (2) and (3) shall be made to the public no later than 2 (two) working days after RUPS has been held.
- (7) Evidence of the announcement of the brief summary of RUPS as referred to in paragraph (2) letter a and paragraph (3) letter a shall be conveyed to the Financial Service Authority no later than 2 (two) working days after the announcement is made.

Article 35

Provisions in Article 33 and Article 34 paragraphs (2), (3), (6), and (7) shall *mutatis mutandis* apply to :

- a. the submission of the summary of RUPS and the brief summary of RUPS announced, to the Financial Service Authority; and
- b. the announcement of the brief summary of RUPS, from the holding of RUPS by shareholders that have secured a court decision to hold RUPS as referred to in Article 5 paragraph (2).

**CHAPTER III
OTHER PROVISIONS**

Article 36

In case of a decision of RUPS related to the distribution of cash dividends, the publicly listed company shall pay cash dividends to shareholders entitled to them no later than 30 (thirty) days after the announcement of the brief summary of RUPS deciding the distribution of cash dividends.

**CHAPTER IV
SANCTIONS**

Article 37

- (1) Without reducing criminal provisions in the field of capital market, the Financial Service Authority has the authority to impose administrative sanctions on any party violating provisions in this Regulation of the Financial Service Authority, including the parties causing the violation, in the form of :
- a. written warning;
 - b. fines, namely the obligation to pay a certain sum of money;
 - c. restriction on business activities;
 - d. freeze of business activities;
 - e. revocation of business permits;
 - f. cancellation of approval; and
 - g. cancellation of registration.
- (2) The administrative sanctions as referred to in paragraph (1) letter b, c, d, e, f, or g can be imposed with or without prior administrative sanction in the form of written warning as referred to in paragraph (1) letter a.
- (3) The administrative sanction in the form of fines as referred to in paragraph (1) letter b can be imposed separately or jointly with other administrative sanctions as referred to in paragraph (1) letter c, d, e, f, or g.

Article 38

In addition to the administrative sanctions as referred to in Article 37 paragraph (1), the Financial Service Authority can take certain actions against any party violating provisions in this Regulation of the Financial Service Authority.

Article 39

The Financial Service Authority can announce the imposition of administrative sanctions as referred to in Article 37 paragraph (1) and certain actions as referred to in Article 38 to the public.

CHAPTER V**TRANSITIONAL PROVISIONS****Article 40**

Publicly listed company shall change its articles of association according to this Regulation of the Financial Service Authority no later than 1 (one) year after being promulgated.

CHAPTER VI**CONCLUSION****Article 41**

When this Regulation of the Financial Service Authority begins to take effect, Decision of the Chairman of the Capital Market and Financial Institutions Supervisory Board No.: KEP-60/PM/1996 dated January 17, 1996 on the Plan and Holding of General Meeting of Shareholders and Regulation No. IX.I.1 serving as its attachment shall be declared null and void.

Article 42

Other regulations related to RUPS shall remain applicable to publicly listed company, provided they do not contradict this Regulation of the Financial Service Authority.

Article 43

This Regulation of the Financial Service Authority shall take effect as from the date of promulgation.

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

Stipulated in Jakarta

On December 8, 2014

CHAIRMAN OF THE BOARD OF COMMISSIONERS OF
THE FINANCIAL SERVICE AUTHORITY,

sgd.

MULIAMAN D. HADAD

Promulgated in Jakarta

On December 8, 2014

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

sgd.

YASONNA H. LAOLY

STATUTE BOOK OF THE REPUBLIC OF INDONESIA
OF 2014 NO. 374

(S)

QUALITY ASSESSMENT OF ASSET BELONGING TO SYARIAH COMMERCIAL BANK AND SYARIAH BUSINESS UNIT

**(Circular Letter on Financial Service Authority Number
8/SEOJK.03/2015, dated March 10, 2015)**

WITH THE BLESSING OF THE ONE AND ONLY GOD
FINANCIAL SERVICE AUTHORITY

The

1. Board of Directors of Syariah Commercial Bank; and
2. Board of Directors of Conventional Commercial Bank Possessing Syariah Business Unit
at Address.

With respect with the taking effect of Regulation of Financial Service Authority Number 16/POJK.03/2014, concerning Quality Assessment of Asset of Syariah Commercial Bank and Syariah Business Unit (Statute Book of the Republic of Indonesia Year 2014 Number 347, Supplement Statute Book of the Republic of Indonesia Number 5625), it is necessary to govern provision on quality assessment of Syariah Commercial Bank asset and Syariah business Unit in Circular Letter Financial Service Authority as follows:

I. GENERAL PROVISION

- A. With the increased complexity of business and risk profile in anticipating economical impact in general, Syariah Commercial Bank and Syariah Business Unit hereinafter referred to as Bank, it is necessary to improve capability and effectiveness of credit risk management and minimizing potential loss in your undertaking.
- B. Development of syariah banking business needs to be supported by among other things, quality assessment of asset that present better characteristic of customer agreement and business financed and offered by the Bank.

- C. In the context of credit risk management, the Bank shall determine quality assessment of Financement resulting from assessment of the factor that affects the customer's business condition and performance consisting of business prospect, customer's performance and customer's capability to pay.
- D. Further, to minimize potential loss in your provision, the Bank may exercise Financement Restruction on the customer that still have business prospects and capability to pay with due observance of the principle of prudence, syariah principle, and the prevailing standard financial accountancy.
- E. The principle of prudence, quality improvement of newly restructured Financement will be applied as soon as the customer complies with the obligatory payment installment of the principal loan and/or margin/production sharing/ujrah within a certain period.
- F. Bank shall be obliged to provide accurate and comprehensive financial report that presents comprehensive performance of the Bank according to the standard of accountancy prevailing at the Bank in establishing Loss Reserve from Depreciated Value (CKPN). Other than complying with accountancy standard, the Bank shall continue to assess Allocaton of Eliminated Aset (PPA) that must be established the less difference of which will affect the assessment of the Bank capital ratio.

II. FINANCEMENT QUALITY

- A. Financement quality is determed based on analysis of three (3) factors of assessment, namely business prospect, performance (performance) of customer, and capability to pay.
- B. Financement quality is determined with due consideration of the significance and material of the third factor of assessment and its respective component, and its relevance with the characteristic of the customer concerned. Criteria of the respective component in determining Financement quality shall be as referred to in Attachment I to Circular Letter on Financial Service Authority.
- C. Financement quality is stipulated in (5) assessment catergories, namely Smooth, Special Attention, and Less Smooth, Questionable, and Stuck / Non-Performing well.

- D. Either of the components in the assessment factor of business factor referred to in figure II letter A is effort exercised by customer of major size and/or high risk in maintaining subsistence of living environment, as proven by Analysis of Environmental Impact (AMDAL). This is in line with the provisions in Law Number 32 Year 2009, concerning Protection and Management of Living Environment and Government Regulation Number 27 Year 2012, concerning Environmental Permit. The result of AMDAL shall be required by the Bank to ensure that the project being financed maintained subsistence of the living environment.

Pertaining to your distribution, the Bank shall be obliged to observe the type of business plan and/or activity that must be supported by AMDAL as stipulated in Regulation of the State Minister of Living Environment Number 05 Year 2012 concerning Type of Business Plan and/or Activity that must comply with the provision of AMDAL.

In the meantime, exercising assessment of Financement quality, specifically customer business prospect, the Bank shall be obliged to observe the assessment result on the implementation of Assessment Program on Company Performance Rating on Management of Living Environment (PROPER) initiated by the Ministry of Living Environment.

III. QUALITY OF SYARIAH COMMERCIAL PAPER

Syariah commercial paper may be classified in syariah commercial paper recognized based on the market value, such as, in the form of syariah commercial paper that is available for sale (available for sale) and/or for trade (trading), and syariah commercial paper recognized based on acquisition price, such as, for syariah commercial paper that it possesses, up to its maturity (hold to maturity). Besides, in the context of accommodating particular characteristic and syariah commercial paper available on the market possessed by the Bank, there is also syariah commercial paper that relates to or secured by particular asset constituting the basis thereof and syariah commercial paper issued by the Bank and/or has been endorsed by the Bank. For syariah commercial paper in the form of SUKUK resulting from agreement amendment that caused failure in complying with the Syariah principle, quality assessment based on assessment of Financement quality. For syariah commercial paper which based on its characteristic is not actively traded at the Stock Exchange and is non-ranking, assessment of quality is based on the terms on the quality of placement if the party

making the settlement is another Bank existing in Indonesia, or based on the terms on Financement quality if the party making the settlement is in the form of non-Bank existing in Indonesia.

If the syariah commercial paper has more than one ratings obtained from different rating institutions, the rating used shall be as follows:

1. If the syariah commercial paper has two (2) different ratings, the Bank shall be obliged to use the lowest rating;
2. If the syariah commercial paper has three (3) or more different ratings, the Bank shall be obliged to use the second highest rating.

Example:

If the syariah commercial paper has AA A+, BBB+ ratings, quality assessment of syariah commercial paper, the rating used shall be the second highest rating, namely A+.

Rating of investment in determining quality of syariah commercial paper shall refer to the provision that governs rating institution and the rating recognized by the Financial Service Authority.

IV. ADMINISTRATIVE ACCOUNT TRANSACTION (TRA)

- A. Determination of TRA quality does not apply for the terms of facilities wherein the agreement thereof contains a clause stating that the Bank may revoke your undertaking either partly or wholly due to particular condition or reason (uncommitted).
- B. Assessment of general reserve and special reserve in the form of TRA does not apply for the terms of facilities wherein the agreement thereof contains a clause stating that the Bank may revoke your undertaking either partly or wholly due to particular condition or reason (uncommitted).
- C. Assessment of general reserve does not apply for Financement facilities not withdrawn yet the nature of which is unilaterally irrevocable (committed).

V. YOUR PROVISION IN CERTAIN AREA

- A. In improving intermediary function and motivating economy growth in particular area, which based on

assessment by Financial Service Authority needs to be specially handled, the Bank shall be provided special treatment during the course of a certain period to assess the quality of your undertaking to customer located in particular area, which is only based on prompt payment of the principal and/or margin/production sharing/ujrah.

- B. The special provision granted for you is Financement and other grant (in the form of issue or opening of letter of credit) up to an amount of Rp.5.000.000.000,00 (five billion Rupiah) for investment and/or working capital.
- C. The particular area and particular term as referred to in figure V letter A will be determined in Decision of the Board of Commissioners of the Financial Service Authority.

VI. ABANDONED PROPERTY

Abandoned property (abandoned property) shall be fixed asset in the form of property possessed by the Bank but not used for the Bank's normal business activity. Included in Bank's normal business activity shall be property used as supporting media for the Bank's business activity in reasonable value, such as house constituting Bank's property, property used for educational facilities, and other property as determined for use in business activity forthcoming.

VII. ALLOCATED ASSET ELIMINATION AND RESERVE LOSS RESULTING FROM DECREASING VALUEI

Effective as of the date standard of financial accountancy comes to force governing establishment of CKPN in reserving asset loss, the Bank shall be obliged to establish CKPN as replacement of PPA in the financial report of the Bank.

In complying with banking prudential principle, Financial Service Authority shall keep obliging the Bank to make PPA calculation. Although the calculated result of PPA is not recorded in the Bank's financial report, but the calculation result of PPA is not recorded and this will affect the capital calculation in complying with the ratio of Obligatory Provision of Minimum Capital (KPM) by means of the following:

1. PPA on Productive Asset

- a. pertaining to the result of PPA calculation, PPA on Productive Asset must be established with greater result than that of the established CKPN, the Bank shall be obliged to calculate the difference

of PPA calculation with that of CKPN constituting deducting factor of capital in the calculation of KPMM ratio.

- b. if the calculation result of PPA to be established against the Productive Asset is equivalent to or is smaller than the established CKPN, it is not necessary for the Bank to take into account the difference in the PPA in calculating the ratio of KPMM.

Example of Productive Asset PPA:

The Bank's capital in the amount of Rp.150.000.000.000,00 (one hundred fifty billion Rupiah) and the calculation result of PPA must be established on Financement in the amount of Rp.20.000.000.000,00 (twenty billion Rupiah), the effect of PPA calculation against the capital shall be as follows:

Table 1

Scenario	Result Calculation PPA	CKPN already form	difference KPMM ratio	effect on the calculation capital	Rp million
					Capital after affected by calculation PPA
1	20.000	16.000	(4.000)	4.000	146.000
2	20.000	20.000	0	0	150.000
3	20.000	22.000	2.000	0	150.000

2. PPA on Non-Productive Asset

For Non-Production Asset, the Bank shall be obliged to calculate the total result of PPA constituting the deducting factor for calculating KPMM ratio.. In the existence of CKPN duly established by the Bank in Non-Productive Asset according to the applicable standard of financial accountancy, PPA on Non-Productive Asset will be calculated against Non-Production Asset after deducting the duly established CKPN.

Example: of PPA on Non-Production Asset:

Bank's capital in the amount of Rp.100.000.000.000,00 (one hundred billion Rupiah), Bank possessing Non-Productive Asset in the form of AYDA for two (2) years, so that the quality status of such AYDA is Stuck / Non-Performing well. Accordingly, PPA calculated on such AYDA is 100% (one hundred per cent) of the AYDA value after deducting the loss resulting from decreasing value. As such the effect on the PPA calculation on the KPMM ratio is as follows:

Table 2

Rp million

Scenario	Value AYDA	Decreasing AYDA after decrease value	Non-PPA Productive which obliged established	Effect against calculation ratio KPMM	Capital after is affected by calculation Non-Productive PPA
1	1.000	0	1.000	$100\% \times 1.000 = 1.000$	99.000
2	1.000	200	800	$100\% \times 800 = 800$	99.200

VIII.FINANCEMENT RESTRUCTION

To minimize potential loss resulting from customer encountering problem, the Bank may exercise Finance-ment Restruction over customer encountering problem in paying the principal loan and/or margin/production sharing but the customer concerned still has good business prospect and is considered to be able to fulfill the obligation after the Financement is restructured. Such Financement Restruction will be exercised based on the principles of producence, syariah, and the applicable standard of financial accountancy.

The discount granted to Murabaha in appreciation to the customer that pays installments on time is not categorized as Financement Restruction so long such appreciation is not agreed upon and is only for one time (not applies on each month of installment payment).

In applying the principles of prudence and syariah, the Bank must have guideline for Financement Restruction containing procedure for exercising Financement Restruction which at least contain the following matters:

1. Analysis and Documentation

In conducting analysis of Financement to be restructured, the Bank shall at least consider all matters below:

a. Evaluation of customer's issue, covering:

- 1) evaluation of the cause of event of overdue payment of the principal and/or margin/production sharing/ujrah which is based on the financial report, cash flow, (cash flow), finance projection, market condition, and other factors that pertain to the customer's business;
- 2) estimation of payment of the total amount of principal and/or margin/production sharing/ujrah based on Financement Agreement before and after Financement Restruction. This estimation should have been based on financial ratio, including projected financial ratio and capacity of the customer to repay the Financement received; and
- 3) evaluation of performance of customer management in determining whether it is required to restructure the company's organization, such as, it can be conducted by changing the shareholders, the Board of Directors, and change other managerial position. As required, the Bank may ask for assistance from external expert to conduct organizational restructure.

b. The approach and assumption used to estimate projected cash flow and the value to be received from the payment installment of the principal and/or margin/ujrah.

c. Analysis, conclusion, and recommendation, in making adjustment to the Financement requirements, such as amendment to term, and/or additional facilities. Such adjustment shall be made by taking into consideration the business cycle and the capacity to make anticipated payment that the

customer is capable to comply with the obligatory payment installment of the principal loan and/or margin/production sharing/ujrah when it is due.

- d. If Financement Restruction is conducted by granting additional Financement, the objective and use of such additional Financement must be made transparent. No additional Financement shall be permitted to settle overdue principal loan and/or margin/production sharing/ujrah. If Financement Restruction causes the customer's obligation to be heavier, the Bank may require a new collateral.
- e. Adjustment to the schedule of re-payment indicates the customer's capability to pay.
- f. Details that relate to transparent Financement requirements, including financial covenant in Financement Agreement, such as plan for recapitalization of the customer's company or existence of the clause stating that the Bank may make amendment to the margin/production sharing/ujrah so long it does not contravene the principle of syariah, in line with the customer's capability to pay, and in accordance with the statutory regulation.
- g. The requirements stating that Financement Agreement and other document relating to implementation of Financement Restruction must possess legal power.
- h. Completeness of the required document for the implementation of Financement Restruction.

2. Monitoring Procedure

Bank shall be obliged to have written procedure to monitor Financement that has been restructured to ensure the customer's commitment to pay in accordance with the requirements in the new Financement Agreement.

Some steps to be taken by the Bank in monitoring the implementation of Financement Restruction, among other things, are:

- a. ask the customer so submit financial statement supported by financial ratio of the principal loan, business growth, implementation of action plan, as required by the Bank to continuously monitor the customer's finance. Customer also shall report the impact of various actions taken as part of

the Financement Restruction, such as recapitalization of the customer's company and policy on distribution of dividends.

- b. evaluate the restructured Financement quarterly, including if there is any significant difference between projection and realization, such as, in the installment payment of the principal and the margin/production sharing/ujrah, cash flow, and/or estimated value of collateral; and
 - c. prepare all efforts to be taken if the customer apparently again encounters difficulty in making payment after the Financement Restruction.
3. Decision on the quality of Financement being restructured are as follows:
- a. the highest shall be equivalent to the quality of Financement before exercising Financement Restruction, so long the customer is not complying yet with the obligatory installment payment of the principal and/or margin/production sharing/ujrah in sequence for three (3) periods as agreed upon;
 - b. may upgrade up to at the most one (1) level from the previous quality of Financement prior to conducting Financement Restruction, if the customer has complied with the obligatory payment as referred to in letter a; and
 - c. quality of Financement is determined based on the evaluating factor of business prospect, customers performance, and capability to pay:
 - 1) after the quality of Financement as referred to in letter b is determined; or
 - 2) if customer fails to comply with the terms and/or obligatory payment as agreed upon in the Financement Restruction Agreement, either during the course of or for three three (3) periods obligatory payments as agreed upon. .

Example 1:

During the month of January 2015, the Bank conducted Financement Restruction on the facilities of Financement Murabahah of Customer A which quality of Financement is classified as Stuck / Non-Performing well. The Financement Restruction states that Customer A is obliged to make monthly installment payments of the principal and/or margin effective as of February 15, 2015. Further, Customer A in three (3) periods in sequence (February 15, 2015, March 15, 2015, and April 10, 2015) may comply with the obligatory payment according to the term of Agreement on Financement Restructure.

Table 3

Period	Compliance with Agreement		Quality of Financement at Other Terms at evaluation at the end of the month
	Payment	Requirements	
February 2015	complies with	complies with	Stuck / Non-Performing well
March 2015	complies with	complies with	Stuck / Non-Performing well
April 2015	complies with	complies with	may upgrade up to maximum one level to become Questionnable
Mei 2015	complies with	complies with	based on evaluation factor business prospect, customer's performance, and capability to pay

Example 2:

During the month of January 2015, the Bank conducted Financement Restruction in the form of Murabahah over the facilities of Financement of Customer B with quality of Financement classified as Questionable. If the Financement Restruction Agreement declares that Customer B is obliged to pay the principal and/or the margin in installments monthly effective as of February 15, 2015. Further, during the third period of payment (April 15, 2015), Customer B fails to comply with his/her obligatory payment on time. As such the quality of Financement of Customer B as of February 2015 shall be determined as follows:

Table 4

Period of	Compliance with Agreement		Quality of Financement during the Other Terms at the end of evaluation.
	Payment	Requirements other	
February 2015	complies with	complies with	Questionnable
March 2015	complies with	complies with	Questionnable
April 2015	fails to comply with	complies with	based on evaluation factor
May 2015	complies with	complies with	business prospect, Customer's performance, and capability to pay up to Questionnable, up to Questionnable (equivalent) to the quality of Financement before restructure).
June 2015	complies with	complies with	up to Questionnable (equivalent to the quality of Financement prior to restructure).
July 2015	complies with	complies with	may increase up to one level and stuck
Agustus 2015	complies with	complies with	based on evaluation factor and business prospect, and Customer's performance, further and capability to pay

Example 3:

During the month of January 2015, the Bank shall exercise Financement Restruction on the facilities of Murabahah Financement for Customer C with the quality of Financement classified Stuck.

The Financement Restruction Agreement states that Customer C is obliged to pay the principal and/or the margin in installment monthly effective as of February 15, 2015, besides the Customer will also be requested to replace either of the members of Management by January 31, 2015 at the latest. Customer C always complies with obligatory payment on time. However, the new replacement of member

of the Management may only be made in April 2015, so that prior to replacement of member of the Management, Customer C shall be deemed to have failed to comply with the requirements as agreed upon. As such, the quality of Financement of Customer C effective as of February 2015 is determined as follows:

Table 5

Period of	Compliance with Agreement		Quality of Financement during the Other Terms at the end of evaluation.
	Payment	Requirements other	
February 2015	complies with	not complying with	based on the evaluation factor Complies with business prospects, Customer's performance, and capability to pay up to position Stuck
March 2015	complies with	non-complying with	based on evaluation factor Complies with business prospects, Customer's performance, and capability to pay up to position Stuck,
April 2015	complies with	complies with	may be upgraded up to one level of position as Special Attention
May 2015 and so forth	complies with	complies with	based on evaluating factor and business prospects, Customer's performance and capability to pay.

4. Grant of Grace Period for Payment

In exercising Financement Restructure, the Bank may provide grace period facilities for installment payment of Financement that has been restructured of installment of the principal or margin/production sharing/ujrah only applies on:

- a. Financement under Financement Agreement based on Murabahah, Istishna', Ijarah, Ijarah Muntahiyah Bittamlik, Mudharabah, and Musyarakah Agreements; and

- b. type of use for working capital and investment.

Quality of Financement after restructure with grace period for payment is governed differently, namely during payment grace period payment the quality thereof shall be determined the same as that of quality of Financement prior to exercising restructuring. In general, the grace period for payment may be granted by the Bank to customer in the form of postponed installment payment of the principal Financement or margin/production sharing/ujrah.

Example 1:

Financement Restruction is conducted on the facilities of Muharabah Financement for Customer D's working capital with quality of Financement classified as Non-Performing well well. The Bank shall grant to Customer D, grace period for three (3) months for installment payment of the principal, while payment of the margin/production sharing will be made monthly. During the three (3) months payment grace period quality of the customer will be determined based on the previous quality prior to exercising restructuring, such as Non-Performing well. At expiry of the payment grace period, Customer D shall comply with his/her obligations based on the Financement Restruction Agreement. Thereby the quality of Financement for Customer D shall be determined as follows:

Table 6

Period	Compliance with Agreement		Quality of Financement at the end of months evaluation
	Principal	Margin	
1	-	complies with	Non-Performing well
2	-	complies with	Non-Performing well
3	-	complies with	Non-Performing well
4	complies with	complies with	Non-Performing well
5	complies with	complies with	Non-Permoning well
6	complies with	complies with	will upgrade up to one level maximum to needs to be Attended Special Attention
7	complies with	complies with	based on evaluation factor business prospect, Customer performance, and capability to pay

Example 2:

Financement Restruction will be conducted on facilities of Muharabah Financement of Customer E with quality of Financement classified as Questionnable With regard to Customer E, the Bank shall grant six (6) months grace period of payment of installment of the principal for, while payment of the margin will be made monthly. During the six (6) months grace period, quality of Customer E shall be determined based on the previous quality prior to restructuring, such as, Questionnable. At expiry of the grace period for payment, Customer E shall comply with his/her obligations based on the Financement Restruction Agreement. With respect to such matter, the quality of Financement of Customer E shall be determined as follows:

Table 7

Period	Compliance with Agreement		Quality of Financement at end of the evaluation month
	Principal	Margin	
1	-	complies with	Questionnable
2	-	complies with	Questionnable
3	-	complies with	Questionnable
4	-	complies with	Questionnable
5	-	complies with	Questionnable
6	-	complies with	Questionnable
7	complies with	complies with	Questionnable
8	complies with	complies with	Questionnable
9	complies with	complies with	may be upgraded up to one level maximum to Less Performing Good Performance; and
10	complies with	complies with	based on evaluation factor, further Business prospect, customer performance, and capability to pay

5. Application of Syariah Principle in Financement Restruction shall be, among other things,:

- a. Bank may charge loss compensation (ta'widh) to customer in default or that violates the agreement that inflicts loss to the Bank.
- b. Loss compensation will be determined in real-charge expended by the Bank in the collection of rights that should have been paid by the customer but not the potential loss as anticipated to take place (potential loss) due to loss of opportunity (opportunity loss/al-furshah al-dha-i'ah).
- c. Determination of loss compensation and method of calculation must be stated in Addendum to the Financement Agreement.
- d. Financement Restruction is exercised by referring to the prevailing advice.

Procedure for Financement Restruction shall be implemented by referring to Attachment II to this Circular Letter Financial Service Authority.

IX. ADDRESS FOR SUBMISSION OF ACTION PLAN

Action Plan must be submitted to Financial Service Authority at the address cited below:

1. The Department of Syariah Banking, at Menara Radius Prawiro, Office Complex of Bank Indonesia, Jl. M.H. Thamrin Number 2 Jakarta 10350, for Bank having its Head Office within the working area of the Head Office of Financial Service Authority; or
2. Regional Office or local Office of Financial Service Authority, for Bank having its Head Office offsite the working area of the Head Office of Financial Service Authority.

X. MISCELLANEOUS

Attachment I and Attachment II constitute inseparable parts of this Circular Letter of Financial Service Authority.

XI. CLOSING

By the time this Circular Letter of Financial Service Authority takes effect:

- a. Circular Letter Bank Indonesia Number 13/10/DPbS, dated April 13, 2011, concerning Quality Assessment of Asset of Syariah Commercial Bank and Syariah Business Unit;
- b. Circular Letter Bank Indonesia Number 10/34/DPbS, dated October 22, 2008 concerning Financement Restruction of Syariah Commercial Bank and Syariah Business Unit; and
- c. Circular Letter of Bank Indonesia Number 13/18/DPbS, dated May 30, 2011 concerning Amendment to Circular Letter of Bank Indonesia Number 10/34/DPbS, dated October 22, 2008, concerning Financement Restruction on Syariah Commercial Bank and Syariah Business Unit, is hereby revoked and is declared null and void.

This Circular Letter of the Financial Service Authority takes effect on the date it is stipulated.

For public cotgnizance, this Circular Letter of Financial Service Authority shall be announced by placing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

dated March 10, 2015

HEAD OF BANKING SUPERVISORY EXECUTIVES

OF FINANCIAL SERVICE AUTHORITY,

sgd.

NELSON TAMPUBOLON

Note from Editor:

Due to technical reason, no Attachment is provided herein..

(MA)

INFLATION TARGETS FOR 2016, 2017, AND 2018

(Regulation of the Finance Minister of the Republic of Indonesia No. 93/PMK.011/2014 dated May 21, 2014)

BY THE GRACE OF GOD ALMIGHTY

THE FINANCE MINISTER OF THE REPUBLIC OF INDONESIA,

Considering :

- a. that based on Article 10 of Law No. 23/1999 on Bank Indonesia as already several times amended the latest by Law No. 6/2009, Bank Indonesia has the authority to set monetary targets by observing inflation targets set by the Government after coordinating with Bank Indonesia;
- b. that based on Article 21 of Law No. 17/2003 on State Finance , the Government and Bank Indonesia shall coordinate in setting and implementing fiscal and monetary policies;
- c. that to conduct the coordination as referred to in letters a and b, the Government and Bank Indonesia have signed a Memorandum of Understanding on July 1, 2004 on the Mechanism of Setting Targets, Monitoring and Controlling Inflation in Indonesia;
- d. that to form and direct public expectation of inflation in the future and give directives to policy makers and market agents, the Government has coordinated with Bank Indonesia to achieve and control inflation at an increasingly lower and more stable level so that it will be conducive to boost economic growth in a sustainable manner;
- e. that based on the considerations as referred to in letters a, b, c, and d, it is necessary to stipulate Regulation of the Finance Minister on Inflation Targets for 2016, 2017 and 2018;

In view of :

1. Law No. 23/1999 on Bank Indonesia (Statute Book of 1999 No. 66, Supplement to Statute Book No. 3843) as already several times amended the latest by Law No. 6/2009 on the Passage of Government Regulation in lieu of Law No. 2 /2008 on the Second Round of Amendment to Law No. 23/1999 on Bank Indonesia into Law (Statute Book of 2009 No. 7, Supplement to Statute Book No. 4962);
2. Law No. 17/2003 on State Finance ((Statute Book of 2003 No. 47, Supplement to Statute Book No. 4286);

DECIDES :

To stipulate :

REGULATION OF THE FINANCE MINISTER ON INFLATION TARGETS FOR 2016, 2017, AND 2018.

Article 1

Referred to in this Ministerial Regulation as :

1. Inflation target is an inflation rate which will be achieved during a certain period of time.
2. Consumer price index inflation (headline inflation), hereinafter called IHK inflation, is an increase in IHK from certain time to another calculated and published by the Central Statistics Agency.

Article 2

- (1) The type of inflation target set and announced constitutes annual IHK inflation (year-on-year).
- (2) The model of inflation target set constitutes a certain point with tolerance (point with deviation).
- (3) The level and period of IHK inflation target are set as follows:
 - a. 4.0% (four percent) for 2016;
 - b. 4.0% (four percent) for 2017; and
 - c. 3.5% (three point five percent) for 2018,
 with a deviation of 1.0% (one percent).

Article 3

- (1) To monitor and control inflation nationwide, the Finance Minister shall form a coordination team.
- (2) The coordination team as referred to in paragraph (1) is made up of representatives from the Finance Ministry and Bank Indonesia, as well as other relevant State Ministries/Institutions.

Article 4

This Ministerial Regulation shall come into force as from the date of promulgation.

For public cognizance, this Ministerial Regulation shall be promulgated by placing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

On May 21, 2014

THE FINANCE MINISTER OF THE REPUBLIC OF INDONESIA,

sgd.

MUHAMAD CHATIB BASRI

Promulgated in Jakarta

On June 3, 2014

THE LAW AND HUMAN RIGHTS MINISTER OF

THE REPUBLIC OF INDONESIA,

sgd.

AMIR SYAMSUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA

OF 2014 NO. 681

(S)