Financial Services Authority

The Republic of Indonesia

A COPY OF

REGULATION OF FINANCIAL SERVICES AUTHORITY

NUMBER 18/POJK.03/2014

CONCERNING

IMPLEMENTATION OF INTEGRATED GOOD CORPORATE GOVERNANCE FOR FINANCIAL CONGLOMERATES

BY THE GRACE OF GOD ALMIGHTY

THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES AUTHORITY

Considering:

a. that in order to have a continuously growing, stable and highly competitive financial sector, it is necessary to implement good corporate governance in the financial sector;

b. that the existence of Financial Services Institutions, which have ownership relations and/or control over various financial services industries has increased the complexity of transactions and
interactions amongst financial services institutions within a financial conglomerate, hence necessitates integrated good corporate governance;

c. that given financial conglomerates comprise financial services institutions from various financial industries, it is therefore essential to improve the quality of good corporate governance of financial conglomerates;

d. that by considering point a, point b, and point c above, it is necessary to stipulate a Regulation of Financial Services Authority concerning Implementing Integrated Good Corporate Governance in Financial Conglomerates;

Pursuant to :

1. Law Number 7 of 1992 concerning Banking (the State Gazette of the Republic of Indonesia of 1992 Number 31, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as has been amended with Law Number 10 of 1998 (the State Gazette of the Republic of Indonesia of 1998 Number 182, Supplement to the State Gazette of the Republic of Indonesia Number 3790);

2. Law Number 8 of 1995 on Capital Markets (the State Gazette of the Republic of Indonesia of 1995 Number 64, Supplement to the State Gazette of the Republic of Indonesia Number 3608);

3. Law Number 21 of 2008 concerning Syariah Banking (the State Gazette of the Republic of Indonesia of 2008 Number 94, Supplement to the State Gazette of the Republic of Indonesia Number 4867)

4. Law Number 21 of 2011 concerning the Financial Services Authority (the State Gazette of the Republic of Indonesia of 2011 Number 111, Supplement to the State Gazette of the Republic of Indonesia Number 5253);
HAS DECIDED:

To stipulate: **REGULATION OF THE FINANCIAL SERVICES AUTHORITY CONCERNING IMPLEMENTING INTEGRATED GOOD CORPORATE GOVERNANCE IN FINANCIAL CONGLEMERATES.**

CHAPTER 1

GENERAL PROVISIONS

Article 1

Terminologies used in this Financial Services Authority’s Regulation are defined as follows:

1. Financial Services Institutions hereinafter referred to as FSIs are entities that carry out business activities in the banking sector, capital market, insurance, pension fund, financing institutions, and other Financial Services Institutions as referred to in the Law concerning Financial Services Authority.

2. Financial Conglomerate refers to a group of FSIs bound by ownerships and/or control.

3. Main Entity refers to the parent FSI of a Financial Conglomerate or an FSI appointed by the controlling shareholders of the Financial Conglomerate.

4. Good Corporate Governance refers to good corporate governance of FSI, which incorporates transparency, accountability, responsibility, independency or professionalism, and fairness principles.

5. Integrated Good Corporate Governance refers to good corporate governance that incorporates integrated transparency, accountability, responsibility, independency or professionalism, and fairness principles within a Financial Conglomerate.

6. The Board of Directors:
a. of an FSI which is a Limited Liability Company, refers to the definition stipulated in the Law concerning Limited Liability Companies;
b. of an FSI which is a Regional Company, refers to the definition stipulated in the Law concerning Regional Companies;
c. of an FSI which is a Cooperative, refers to the management as stipulated in the Law concerning Cooperatives;
d. of an FSI which is a Mutual Company, refers to the definition as stipulated in its Article of Association;
e. of an FSI which is a branch office of an entity located overseas, refers to the head of branch and officials one level underneath.

7. The Board of Commissioners:
   a. of an FSI which is a Limited Liability Company, refers to the definition as stipulated in the Law concerning Limited Liability Companies;
b. of an FSI which is a Regional Company, refers to the supervisor as stipulated in the Law concerning Regional Companies;
c. of an FSI which is a Cooperative, refers to the supervisor as stipulated in the Law concerning Cooperatives;
d. of an FSI which is a Mutual Company, refers to the definition as stipulated in its Article of Association;
e. of an FSI which is a branch office of an entity located overseas, refers to the party appointed for supervisory role.

Article 2

Financial Conglomerates should implement Integrated Good Corporate Governance comprehensively and effectively in accordance with provisions in this Regulation of the Financial Services Authority.

Article 3

(1) A Financial Conglomerate as referred to in Article 2 has a structure which consists of the Main Entity and:
   a. subsidiaries; and/or
   b. sister companies and their subsidiaries.

(2) The Financial Conglomerate as referred to in clause (1) comprises the following FSIs:
a. banks;
b. insurance and re-insurance companies;
c. securities companies; and/or
d. loan providers.

Article 4

(1) Subsidiaries as referred to in Article 3 clause (1) are legal entities or companies owned and/or controlled by an FSI directly or indirectly, in the country or overseas; and conduct their business activities in financial services sectors.

(2) Subsidiaries as referred to in clause (1) consist of:
   a. Subsidiaries whose more than 50% (fifty percent) shares are owned by an FSI;
   b. Participating Companies, namely companies whose 50% (fifty percent) or less shares are owned by an FSI, nevertheless the FSI still controls the companies;
   c. Companies whose 20% (twenty percent) up to 50% (fifty percent) shares are owned by an FSI under the following conditions:
      a. the ownership of FSI and other parties on the subsidiary is equal; and
      b. each owner jointly controls the subsidiary based on agreement, and proven by a written agreement or commitment by the owners to provide financial and non-financial supports according to their ownership.
   d. Other entities, which according to the prevailing financial accounting standard, need to be consolidated.

Article 5

Sister companies as referred to in Article 3 clause (1) are several FSIs that are separated institutionally and/or legally, nevertheless are owned and/or controlled by the same controlling shareholders.

Article 6

(1) An FSI should identify the linkages of ownership and/or control with other FSIs in determining Financial Conglomerate as referred to in Article 3.

(2) A Financial Conglomerate should have a Main Entity.
(3) If a Financial Conglomerate structure consists of a parent FSI and subsidiary FSI, the Main Entity should be the parent FSI.

(4) If the structure of a Financial Conglomerate is different from what is referred to in clause (3), the controlling shareholders of the Financial Conglomerate should appoint the Main Entity.

(5) If a Financial Conglomerate is owned by more than one party with equal ownership proportion, the appointment of Main Entity should be based on an agreement by the parties with equal ownership proportion.

(6) The appointed Parent Entity as referred to in clause (4) and clause (5) refers to FSI that owns most assets and/or has a good quality of risk management implementation.

(7) The Financial Services Authority is authorized to order a Main Entity to made adjustment on:
   a. FSI included in the Financial Conglomerate; and/or
   b. FSI appointed as the Main Entity.

Article 7

Main Entities are required to implement Integrated Good Corporate Governance.

Article 8

The implementation of Integrated Good Corporate Governance as referred to in Article 7 should at least include:

a. requirements for the Board of Directors and the Board of Commissioners of the Main Entity;

b. duties and responsibilities of the Board of Directors and the Board of Commissioners of the Main Entity;

c. duties and responsibilities of Integrated Good Corporate Governance Committee;

d. duties and responsibilities of integrated compliance work unit;
e. duties and responsibilities of integrated internal audit work unit;
f. implementation of integrated risk management; and
g. development and implementation of Integrated Good Corporate Governance Guidelines.

CHAPTER II
THE BOARD OF DIRECTORS, BOARD OF COMMISSIONERS, AND SYARIAH SUPERVISORY BOARD OF MAIN ENTITY

Article 9
Candidates for Board of Directors and Board of Commissioners of a Main Entity should have knowledge concerning the Main Entity and FSIs within the Financial Conglomerate.

Article 10
(1) The Board of Directors of a Main Entity should ensure the implementation of Integrated Good Corporate Governance in the Financial Conglomerate.
(2) Duties and responsibilities of the Board of Directors of the Main Entity in ensuring the implementation of Integrated Good Corporate Governance as referred to in clause (1) should include at least:
   a. developing Integrated Good Corporate Governance Guidelines;
   b. directing, supervising and evaluating the implementation of the Integrated Good Corporate Governance Guidelines; and
   c. following up the direction or advice of the Board of commissioners of the Main Entity in order to improve the Integrated Good Corporate Governance Guidelines.

Article 11
The Board of Directors of a Main Entity should ensure that the audit findings and recommendations from integrated internal audit work unit, external auditors, and
results from the Financial Services Authority’s supervision and/or supervision by other authorities have been followed up by FSIs in the Financial Conglomerate.

Article 12

(1) Board of Commissioners of a Main Entity should supervise the implementation of Integrated Good Corporate Governance.

(2) Duties and responsibilities of Board of Commissioners of the Main Entity in supervising the implementation of Integrated Good Corporate Governance as referred to in clause (1) should include at least:

a. supervising the implementation of Good Corporate Governance in each FSI to ensure compliance with Integrated Governance Guidelines;

b. supervising the implementation of duties and responsibilities of Board of Directors of the Main Entity, and providing direction or advice to the Board of Directors of the Main Entity in implementing Integrated Good Corporate Governance Guidelines; and

c. evaluating the Integrated Good Corporate Governance Guidelines and providing directions for improvement.

Article 13

(1) Board of Commissioners of a Main Entity should organize meetings regularly at least once every semester.

(2) The meeting of Board of Commissioners of the Main Entity can be done through a video conference;

(3) Results of the meeting of Board of Commissioners of the Main Entity should be properly incorporated into meeting minutes and well documented.

(4) Any dissenting opinion in the meeting of Board of Commissioners of the Main Entity should be clearly stated along with reasons thereof in the minutes of meeting.

Article 14

(1) In order to support effective implementation of their duties, the Board of Commissioners of a Main Entity should establish an Integrated Good Corporate Governance Committee.
(2) If the Main Entity has already had a Good Corporate Governance Committee, the role of Integrated Good Corporate Governance Committee can be carried out by the existing Good Corporate Governance Committee by adjusting the membership, functions and responsibilities.

Article 15

The implementation of duties and responsibilities of the Board of Directors and/or Board of Commissioners of a Main Entity is not considered as a concurrent job.

Article 16

If a Main Entity operates based on syariah principles, the Syariah Supervisory Board of the Main Entity should ensure that the implementation of Integrated Good Corporate Governance does not contradict syariah principles.

CHAPTER III

INTEGRATED GOOD CORPORATE GOVERNANCE COMMITTEE

Article 17

(1) An Integrated Good Corporate Governance Committee should at least consist of:
   a. an Independent Commissioner who is the Head of a committee in the Main Entity, concurrently as the chair and member;
   b. Independent Commissioners who represent and are appointed by FSIs within the Financial conglomerate, as members;
   c. an independent party, as a member; and
   d. members of the Syariah Supervisory Board of FSIs within the Financial Conglomerate, as members.

(2) The number and composition of Independent Commissioners in the Integrated Good Corporate Governance Committee as referred to in clause (1) point b are adjusted according to the need of the Financial Conglomerate and the effectiveness and efficiency in conducting the Integrated Good Corporate Governance Committee’s duties, and by at least considering the representation of each financial service sector.
(3) The membership of Independent Commissioner in the Integrated Good Corporate Governance Committee as referred to in clause (1) point b can be permanent or non-permanent according to the needs of the Financial Conglomerate.

Article 18

The membership of Independent Commissioners, independent parties, and members of Syariah Supervisory Board as referred to in Article 17 clause (1) in the Integrated Good Corporate Governance Committee of a Financial Conglomerate, is not considered as a concurrent position.

Article 19

An Integrated Good Corporate Governance Committee should at least have the following duties and responsibilities:

a. evaluating the implementation of Integrated Good Corporate Governance by at least assessing the adequacy of internal control and the implementation of integrated compliance function; and
b. providing recommendations to the Board of Commissioners of the Main Entity for the improvement of Integrated Good Corporate Governance Guidelines.

Article 20

(1) An Integrated Good Corporate Governance Committee should hold a meeting at least once every semester.
(2) Integrated Good Corporate Governance Committee’s meetings can be done through a video conference.
(3) The results of Integrated Governance Committee’s meetings are incorporated into minutes of meeting and documented properly.
(4) Any dissenting opinion in the meetings of Integrated Good Corporate Governance Committee should be clearly recorded in the minutes of meeting along with reasons thereof.

CHAPTER IV

INTEGRATED COMPLIANCE AND INTERNAL AUDIT WORK UNITS
Article 21

(1) Main Entities should have an independent Integrated Compliance Work Unit.
(2) If a Main Entity has already had a compliance work unit, therefore integrated compliance duties can be carried out by the existing compliance work unit.

Article 22

An Integrated Compliance Work Unit has duties that at least include monitoring and evaluating the implementation of compliance function at each FSI within the Financial Conglomerate.

Article 23

(1) An Integrated Compliance Work Unit formulates and submits reports on the implementation of its duties and responsibilities to the Compliance Director of the Main Entity or a Director appointed to supervise FSIs within the Financial Conglomerate.
(2) The Compliance Director of the Main Entity or the Director appointed by the President Director of the Main Entity as referred to in clause (1) formulates and submits reports on the implementation of integrated compliance duties and responsibilities to the Board of Directors and Board of Commissioners of the Main Entity.

Article 24

(1) Parent Entities should have an independent Integrated Internal Audit Work unit.
(2) If a Parent Entity has already had an internal audit work unit, integrated internal audit duties can be carried out by the existing internal audit work unit.

Article 25

An Integrated Internal Audit Work Unit has duties that at least include monitoring the implementation of internal audit at each FSI within the Financial Conglomerate.
An Integrated Internal Audit Work Unit submits integrated internal audit reports to the Director appointed to supervise FSIs within the Financial Conglomerate, the Board of Commissioners of the Main Entity, and the Director who oversees the Main Entity’s compliance function.

CHAPTER V
INTEGRATED RISK MANAGEMENT

Article 27

Parent Entities should implement an integrated risk management comprehensively and effectively with reference to provisions on the implementation of integrated risk management by financial conglomerates.

CHAPTER VI
INTEGRATED GOOD CORPORATE GOVERNANCE GUIDELINES

Article 28

(1) Integrated Good Corporate Governance Guidelines formulated by a Main Entity’s Board of Directors and approved by its Board of Commissioners should cover at least:

   a. an Integrated Good Corporate Governance framework for the Main Entity; and

   b. an Integrated Good Corporate Governance framework for FSIs within the Financial Conglomerate.

(2) The formulation of framework as mentioned in clause (1) point b refers to this regulation and prevailing good corporate governance provisions in each FSI.

(3) The Main Entity’s Board of Directors submits Integrated Good Corporate Governance Guidelines to the Board of Directors of FSIs within the Financial Conglomerate.

Article 29
The Integrated Good Corporate Governance framework for the Main Entity as referred to in Article 28 clause (1) point a should at least incorporate:

a. requirements for the Board of Directors and Board of Commissioners of the Main Entity;
b. duties and responsibilities of the Board of Directors and Board of Commissioners of the Main Entity;
c. duties and responsibilities of the Integrated Good Corporate Governance Committee;
d. duties and responsibilities of the Integrated Compliance Work unit;
e. duties and responsibilities of the Integrated Internal Audit Work unit; and
f. integrated risk management implementation.

Article 30

(1) The Good Corporate Governance framework as referred to in Article 28 clause (1) point b should at least incorporate:

a. requirements for the candidates of Board of Directors and Board of Commissioners;
b. requirements for the candidates of Syariah Supervisory Board;
c. structures of the Board of Directors and Board of Commissioners;
d. structure of Syariah Supervisory Board;
e. independency of the Board of Commissioners’ actions;
f. implementation of FSI management function by the Board of Directors;
g. implementation of supervisory function by the Board of Commissioners;
h. implementation of supervisory function by the Syariah Supervisory Board;
i. implementation of compliance, internal audit and external audit functions;
j. the implementation of risk management function;
k. remuneration policies; and
l. management of conflict of interest.

(2) The requirements for, structure and supervisory functions of Syariah Supervisory Board as referred to in clause (1) point b, point d, and point h are incorporated in the Integrated Good Corporate Governance framework provided that the Financial Conglomerate has FSIs whose business activities are based on Syariah principles.

Article 31
Requirements for the candidates of Board of Directors and Board of Commissioners as referred to in Article 30 clause (1) point a, and the candidates of Syariah Supervisory Board as referred to in Article 30 clause (1) point b should at least include integrity, competency, and financial reputation requirements.

Article 32

The structures of the Board of Directors and Board of Commissioners as referred to in Article 30 clause (1) point c, should at least include:

a. the minimum and maximum numbers of members of the Board of Directors and Board of Commissioners;
b. the concurrent positions of the members of the Board of Directors and Board of Commissioners; and
c. the number and composition of Independent Commissioners.

Article 33

The structure of Syariah Supervisory Board as referred to in Article 30 clause (1) point d should at least include:

a. the minimum and maximum numbers of the Syariah Supervisory Board; and
b. the concurrent positions of the members of Syariah Supervisory Board.

Article 34

The independency of actions of the Board of Commissioners as referred to in Article 30 clause (1) point e should at least include the criteria of actions of the Board of Commissioners that are considered independent.

Article 35

The implementation of FSI management function by the Board of Directors as referred to in Article 30 clause (1) point f should at least include the following duties and responsibilities:
a. implementing Good Corporate Governance principles;
b. following up the results of audits by internal and external parties;
c. formulating code of conducts; and
d. conducting meetings of the Board of Directors that at least include procedures in making decision and documenting meeting.

Article 36

The implementation of supervisory function by the Board of Commissioners as referred to in Article 30 clause (1) point g should at least include the following duties and responsibilities:

a. overseeing the implementation of good corporate governance, the Board of Directors’ duties and responsibilities and follow up actions on the results of audits by internal and external parties;
b. establishing committees or appointing parties to carry out functions that support the duties and responsibilities of the Board of Commissioners, which at least include an audit monitoring committee or function, and compliance monitoring committee or function;
c. organizing the Board of Commissioners’ meetings, which at least include frequency, attendance and decision making procedure; and
d. formulating the Board of Commissioners’ code of conduct.

Article 37

The implementation of supervisory function by the Syariah Supervisory Board as referred to in Article 30 clause (1) point h should at least include the following duties and responsibilities:

a. providing advices and suggestions to the Board of Directors and supervising FSIs’ activities to ensure compliance with Syariah principles; and
b. formulating the Syariah Supervisory Board’s code of conduct.

Article 38

The implementation of compliance, internal audit, and external audit functions as referred to in Article 30 clause (1) point i should at least include:
a. establishing compliance and internal audit functions that are independent;

b. implementing internal audits at least on FSIs; and

c. implementing external audits by external parties on FSIs’ financial reports.

Article 39

The implementation of risk management function as referred to in Article 30 clause (1) point j should at least include comprehensive and effective risk management policies with reference to provisions concerning risk management of each FSI.

Article 40

Remuneration policies as referred to in Article 30 clause (1) point k should at least include policies that consider risk profile in order to achieve prudent work ethics.

Article 41

Conflict of interest management as referred to in Article 30 clause (1) point l should at least incorporate policies on:

a. identifying, mitigating and managing conflicts of interest including those resulted from transactions with affiliated parties and intra-group transactions;

b. prohibiting the members of Board of Directors and Board of Commissioners from taking any actions that can cause loss to or reduce the profit of the FSI; and

c. the requirement to declare any conflict of interest in each decision making process.

CHAPTER VII

INTEGRATED GOOD CORPORATE GOVERNANCE FOR FINANCIAL CONGLOMERATES WHOSE MAIN ENTITIES ARE THE BRANCH OFFICES OF FOREIGN ENTITIES

Article 42
Financial Conglomerates whose Parent entities are the Branch Offices of foreign entities should comply with the provisions concerning Integrated Good Corporate Governance stipulated in this Regulation of the Financial Services Authority.

Article 43

The implementation of functions of the Board of Commissioners and the establishment of Integrated Good Corporate Governance Committee are adjusted according to the prevailing organizational structure of the concerned Main Entity.

CHAPTER VIII

REPORTING

Article 44

(1) A Main Entity should submit a report on FSI serving as the Main Entity and other FSIs serving as members of the Financial Conglomerate to the Financial Services Authority.

(2) The Main Entity should submit the report to the Financial Services Authority if:
   a. it is a new Financial Conglomerate, along with the appointment of its Main Entity;
   b. the Main Entity is changed;
   c. there is a change in the membership of the Financial Conglomerate; and/or
   d. the Financial Conglomerate is dismissed.

(3) The report should be submitted within 20 (twenty) working days since the conditions as referred to clause (2) occur.

(4) If the report as referred to in clause (2) has been submitted to the Financial Services Authority based other provisions of the Financial Services Authority, the report is considered qualified.

(5) The Main Entity should submit adjustments to the report on:
   a. FSIs within the Financial Conglomerate; and/or
   b. the FSI appointed as the Main Entity,
if it is so ordered by the Financial Services Authority as referred to in Article 6 clause (7).

Article 45

(1) Main Entities should regularly provide assessment reports on the implementation of Integrated Good Corporate Governance.

(2) The assessment of Integrated Good Corporate Governance implementation as referred to in clause (1) is divided into 5 (five) levels.

(3) An assessment report on the implementation of Integrated Good Corporate Governance is prepared each semester as of the end of June and December.

(4) Main Entities should submit Assessment reports on the implementation of Integrated Good Corporate Governance to the Financial Services Authority.

(5) Assessment reports on the implementation of Integrated Good Corporate Governance should be submitted not later than the 15\textsuperscript{th} (fifteenth) day of the second month after the end of the reporting month.

(6) If the 15\textsuperscript{th} (fifteenth) day falls on a Saturday/Sunday/public holiday, the assessment reports on the implementation of Integrated Good Corporate Governance should be submitted on the following day.

Article 46

(1) Main Entities should prepare annual reports on the implementation of Integrated Good Corporate Governance.

(2) The annual reports on the implementation of Integrated Good Corporate Governance should be submitted to the Financial Services Authority within 5 (five) months since the end of the Fiscal Year.

(3) The Main Entities should publicize the annual reports on the implementation of Integrated Good Corporate Governance in their websites within 5 (five) months since the end of the fiscal year.

(4) An annual report on the implementation of Integrated Good Corporate Governance can be incorporated into or submitted separately from the Financial Conglomerate’s annual report.

Article 47
Main Entities are deemed late in submitting assessment reports on the implementation of Integrated Good Corporate Governance if the reports are received by the Financial Services Authority after the dateline as stipulated in Article 45 clause (5).

Main Entities are deemed late in submitting annual reports on the implementation of Integrated Good Corporate Governance if the reports are received by the Financial Services Authority after the dateline as stipulated in Article 46 clause (2).

Article 48
If a Main Entity is a Bank and has regularly submitted assessment reports on the implementation of Integrated Good Corporate Governance, it is considered that the bank has regularly fulfilled its obligation in submitting Consolidated Governance assessment reports as referred to in provisions concerning good corporate governance for commercial banks.

Article 49
If a Main Entity is a Bank and has regularly submitted Annual Reports on the Implementation of Integrated Good Corporate Governance, it is considered that the bank has fulfilled its obligation in submitting reports on the implementation of good corporate governance as referred to in provisions concerning good corporate governance for commercial banks.

CHAPTER IX
OTHER PROVISIONS

Article 50
Connections amongst FSIs that are owned and controlled directly by the Central Government of the Republic of Indonesia are excluded from the definition of Financial Conglomerate.
Article 51

(1) If a Financial Conglomerate operates in the same financial services sector, which is governed by provisions on good corporate governance for financial services sectors stipulated by the Financial Services Authority, the implementation of Integrated Good Corporate Governance as mentioned in Article 8 should refer to the provisions of the Financial Services Authority concerning good corporate governance for financial services sectors.

(2) The Financial Conglomerate as referred to in clause (1) should:
   a. have a Main Entity as referred to Article 6 clause (2);
   b. establish an Integrated Compliance Work unit, an Integrated Internal Audit Work unit, and an Integrated Good Corporate Governance Committee;
   c. formulate Integrated Good Corporate Governance Guidelines;
   d. submit an assessment report on the implementation of Integrated Good Corporate Governance as referred to in Article 45;
   e. submit an annual report on the implementation of Integrated Good Corporate Governance as referred to in Article 46.

Article 52

Main Entities should provide data and information related to the implementation of Integrated Good Corporate Governance to the Financial Services Authority.

CHAPTER X

SANCTIONS

Article 53

Any Financial Conglomerate that violates provisions in Article 2, Article 6 clause (2), Article 42, and Article 51 clause (2); any Parent Entity that violates provisions in Article 7, Article 21 clause (1), Article 24 clause (1), Article 27, Article 44 clause (1), clause (2) and clause (5), Article 45 clause (1) and clause (4), Article 46 clause (1) and
clause (3), and Article 52; any FSI that violates provisions in Article 6 clause (1); any controlling shareholder of Financial Conglomerate who violate provisions in Article 6 clause (4); any Board of Directors of Parent Entity that violates provisions in Article 10 clause 91) and Article 11; and any Board of Commissioners of Parent Entity that violates provisions in Article 12 clause (1), Article 13 clause (1), and Article 14 (1) can be charged with administrative sanctions such as:

a. a written warning;
b. demotion of health level;
c. cancellation of fit and proper test results;
d. restriction of business activities;
e. an order to change management;
f. management being blacklisted; and/or
g. revocation of approval, registration and validation.

Article 54

Main Entities that are deemed late in submitting:
a. assessment reports on the implementation of Integrated Good Corporate Governance as referred to in Article 45 clause (5); and/or
b. annual reports on the implementation of Integrated Good Corporate Governance as referred to in Article 46 clause (2), are given a written warning and sanctioned with a penalty of IDR1,000,000 (one million rupiah) for each day of the delay with the maximum total penalty of IDR 100,000,000 (one hundred million rupiah).

Article 55

Sanction mechanisms as referred to in Article 53 and Article 54 refer to provisions applicable for FSIs in each financial services sector.

CHAPTER XI

TRANSITIONAL PROVISIONS

Article 56
Reports on FSI serving as the Main Entity and FSIs serving as the members of a Financial Conglomerate as referred to in Article 44 clause (1) are submitted not later than 31 March 2015.

Article 57

The requirement to submit an assessment report on the implementation of Integrated Good Corporate Governance as referred to in Article 45 clause (5) for the first time, is done for the following reporting period:

a. June 2015, for Main Entities categorized as Business-Based Commercial Banks (BBCB) 4;
b. December 2015, for Main Entities categorized as banks other than BBCB 4, and non-bank.

Article 58

The imposition of sanctions as referred to in Article 53 shall be effective since:

a. 1 January 2017, for Main Entities categorized as Business-Based Commercial Banks (BBCB) 4;
b. 1 January 2018, for Main Entities categorized as banks other than BBCB 4, and non-banks.

CHAPTER XII

CONCLUDING PROVISIONS

Article 59

Further provisions on Implementing Integrated Good Corporate Governance in Financial Conglomerates are stipulated in a Circular Letter of the Financial Services Authority.

Article 60

Upon the enactment of this Regulation of the Financial Services Authority, FSIs should continue to implement prevailing provisions in each financial services sector.

Article 61
This Regulation of the Financial Services Authority shall be effective on the date of its promulgation.

For public cognizant, it is hereby ordered that this Regulation of Financial Services Authority be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
On 18 November 2014
THE CHAIR OF BOARD OF COMMISSIONERS,
FINANCIAL SERVICES AUTHORITY,

[Signature]
MULIAMAN D. HADAD

Promulgated in Jakarta
On 19 November 2014
MINISTER OF LAW AND HUMAN RIGHTS
THE REPUBLIC OF INDONESIA,

[Signature]
YASONNA H. LAOLY

A copy of the original document
Director of Law I
Legal Department

[Sign]
TINI KUSTINI

THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2014 NUMBER 349
ELUCIDATION
OF
REGULATION OF FINANCIAL SERVICES AUTHORITY
NUMBER 18/POJK.03/2014
CONCERNING
IMPLEMENTING INTEGRATED GOOD CORPORATE GOVERNANCE IN FINANCIAL CONGLOMERATES
I. GENERAL

A sustainably-growing and stable financial sector is one of the main prerequisites to establish a stable financial system that can play an optimum role in the national economy.

The financial industry is one of the industries with highly complex operations and competitions; therefore it is exposed to high risks and must operate prudently and efficiently.

Globalization, development of information technology, and the innovation of goods and activities of Financial Services Institutions (FSI) have created a financial complex and dynamic system, with interconnected financial sector in terms of products and institutions, or ownership. Therefore it is necessary to implement good corporate governance in FSI and Financial Conglomerates.

In order to implement integrated good corporate governance, Financial Conglomerates should have an Integrated Good Corporate Governance Guidelines with reference to conservative regulations in order to guide FSIs within the Financial Conglomerates in implementing good corporate governance to improve the quality of integrated good corporate governance. By implementing integrated good corporate governance, Financial Conglomerates will be encouraged to have more prudent corporate governance that incorporates transparency, accountability, responsibility, independency or professional, and fairness principles. Moreover, through the implementation of integrated good corporate governance in Financial Conglomerates, it is hoped that the stability of financial system can grow continuously, hence increasing national competitiveness.

In that regard, it is deemed necessary to stipulate the Implementation of Integrated Good Corporate Governance in Financial Conglomerates in the regulation of Financial Service Authority.

II. ARTICLE BY ARTICLE

Article 1
Self-explanatory.

Article 2
Self-explanatory.

Article 3
Self-explanatory.

Article 4
Clause (1)
Self-explanatory.

Clause (2)

Point a
Self-explanatory.

Point b
“Control” refers to individuals or corporates/entities that either independently or collectively; and directly or indirectly own 50% (fifty percent) or less of voting shares of a company or another entity, however:
1. there is an agreement with other shareholders, therefore they have voting right above 50% (fifty percent);
2. they have the authority to manage the financial and operational policies of another company/entity according to its article of association/an agreement;
3. they have the authority to appoint or replace most members of Board of Directors and Board of Commissioners or other equivalent organs; and control another company/entity through the Board of Directors and Board of Commissioners or other organs; and/or
4. they are able to control the majority vote in the meetings of the Board of Directors and the Board of Commissioners or other equivalent organs; and the company/entity through the Board of Directors and the Board of Commissioners or other the equivalent organs.

Point c
Self-explanatory.

Point d
Self-explanatory.
Article 5
Self-explanatory.

Article 6
Clause (1)
Self-explanatory.
Clause (2)
Self-explanatory.
Clause (3)
For instance: FSI A is the Parent FSI directly to subsidiaries FSI B and FSI C; and indirectly to FSI D and FSI E. therefore, the Main Entity of the Financial Conglomerate is FSI A. For details, please refer to the following chart.

Clause (4)
Controlling shareholders mentioned in this clause comprise:
1. individuals/non-financial companies; or
2. individuals/companies located overseas.
For example: “Non-FSI 1” is a controlling shareholder of a Financial Conglomerate consisting of FSI A, FSI B, and FSI C. The “non-FSI 1” is required to appoint a Main Entity in order to comply with Integrated Good Corporate Governance. For details, please refer to the following chart.
Another example: “Non-FSI 2” is the controlling shareholder of a Financial Conglomerate consisting of FSI A, FSI B, FSI C, FSI D and FSI E. The “non-FSI 2” is required to appoint a Main Entity in order to comply with Integrated Good Corporate Governance. For details, please refer to the following chart.

Clause (5)
Self-explanatory.

Clause (6)
Self-explanatory.

Clause (7)
Self-explanatory.

Article 7
Self-explanatory.

Article 8
Article 9
Candidates for the Board of Directors and candidates Board of Commissioners of the Main Entity are still obliged to comply with the requirements referred to in provisions concerning fit and proper test for each financial service sector.
The requirement for candidates of the Main Entity’s Board of Directors Board of Commissioners to have knowledge on FSIs in Financial Conglomerates is necessary because of the increased duties and responsibilities in the management of financial conglomerates. "Knowledge" refers to among others, understanding of core business activities and the main risks of FSIs in financial conglomerates.

Article 10
Self-explanatory.

Article 11
“Other authorities” refer, but not limited, to:
a. the Central Bank of Indonesia;
b. supervisory authority over the Head Office of FSI, if the FSI is the branch office of an entity located overseas.

Article 12
Self-explanatory.

Article 13
Clause (1)
Organizing the meetings of Board of Commissioners of the Main Entity includes scheduling the meeting.
Clause (2)
Self-explanatory.
Clause (3)
Self-explanatory.
Clause (4)
Self-explanatory.

Article 14
Self-explanatory.

Article 15
It is not considered as a concurrent job because it is ex-officio, which means one's position on a particular institution by virtue of holding another office.

Article 16
Self-explanatory

Article 17
Clause (1)
Point a
Self-explanatory.
Point b
Self-explanatory.
Point c
An independent party can be from the independent member of the Committee at the Main Entity.
Point d
Sharia Supervisory Board can be the members of Integrated Good Corporate Governance Committee only if there is any FSI that conducts its business based on Sharia principles.
The number of Sharia Supervisory Board in the Integrated Good Corporate Governance Committee is adjusted according to the needs of the Financial Conglomerate, and the efficiency and effectiveness of the implementation of duties of the Integrated Good Corporate Governance Committee
Clause (2)
Self-explanatory.
Clause (3)
Given that the number and composition of members of Independent Board of Commissioners in the Integrated Good Corporate Governance Committee are adjusted according to the needs of the Financial Conglomerate; the efficiency and effectiveness of the implementation of duties of the Integrated Good Corporate Governance Committee, therefore if required, the Main Entity can add non-permanent members of Independent Commissioners from FSIs, which has not included in the Integrated Good Corporate Governance Committee.

Article 18
Self-explanatory.

Article 19
Point a
In conducting evaluation, an Integrated Good Corporate Governance Committee obtains information from evaluation results of internal audit and compliance of each FSI from the Board of Commissioners of each FSI who are the members of Integrated Good Corporate Governance Committee.

Point b
Self-explanatory.

Article 20
Clause (1)
Organizing the meetings of Integrated Good Corporate Governance Committee includes scheduling the meetings.

Clause (2)
Self-explanatory.

Clause (3)
Self-explanatory.

Clause (4)
Self-explanatory.
Article 21
Clause (1)
“Independent” refers to, among others, segregating the work unit conducting integrated compliance function from risk-taking unit at the Main Entity.
Clause (2)
Self-explanatory.

Article 22
Self-explanatory.

Article 23
Clause (1)
The appointment of Director to conduct supervisory role over FSIs in a Financial Conglomerate is done in accordance with the article of association of the FSI serving as the Main Entity.
Clause (2)
Self-explanatory.

Article 24
Clause (1)
“Independent” refers to, among others, segregating the work unit conducting integrated internal audit function from risk-taking unit at the Main Entity.
Clause (2)
Self-explanatory.

Article 25
An Integrated Internal Audit Work Unit can conduct audit on FSIs either individually or collectively, or based on the report of each FSI’s Internal Audit Work Unit.

Article 26
The appointment of Director to conduct supervisory role over FSIs in a Financial Conglomerate is done in accordance with the article of association of the FSI serving as the Main Entity.

Article 27
Self-explanatory.

Article 28
Self-explanatory.

Article 29
Self-explanatory.

Article 30
Self-explanatory.

Article 31
Self-explanatory.

Article 32
Point a
Self-explanatory.

Point b
Self-explanatory.

Point c
“Independent” means does not have any relationship in terms of finance, management, share ownership either directly or indirectly, and/or family up to the second tier either vertically or horizontally with the shareholders, members of Board of Directors, other members of Board of Commissioners, and/or members of Syariah Supervisory Board or other affiliations that can influence their ability to act independently.

Article 33
Self-explanatory.
Article 34
Self-explanatory.

Article 35
Self-explanatory.

Article 36

Point a
Self-explanatory.

Point b
The party appointed to support the duties and responsibilities of the Board of Commissioners is the organ of the Board of Commissioners outside the organizational structure of FSI.

Point c
Self-explanatory.

Point d
Self-explanatory.

Article 37
Self-explanatory.

Article 38
Self-explanatory.

Article 39
Self-explanatory.

Article 40
Self-explanatory.

Article 41
Self-explanatory.
Article 42
Self-explanatory.

Article 43
Self-explanatory.

Article 44
Clause (1)
A report is accompanied with Main Entity appointment documents.

Clause (2)
Self-explanatory.

Clause (3)
Self-explanatory.

Clause (4)
Self-explanatory.

Clause (5)
Self-explanatory.

Article 45
Clause (1)
Assessment on the implementation Integrated Good Corporate Governance is based on the result of self-assessment.

Clause (2)
The best of 5 (five) Integrated Good Corporate Governance levels is the 1st (first) level.

Clause (3)
The assessment report on the implementation of Integrated Good Corporate Governance is presented in comparison with the positions of the previous semester.

Clause (4)
Self-explanatory.

Clause (5)
Article 46
Self-explanatory.

Article 47
Self-explanatory.

Article 48
Assessment report on the implementation of Integrated Good Corporate Governance can be used by the Main Entity to conduct consolidative assessment on the level of health as defined in the provisions concerning the health assessment of commercial banks.

Article 49
Self-explanatory.

Article 50
Self-explanatory.

Article 50
Self-explanatory.

Article 51
Clause (1)
The financial service sectors consist of the banking sector, capital market sector, and non-banking industry sector.
Example:
If a Financial Conglomerate only consists of insurance companies, the implementation of Integrated Good Corporate Governance refers to the provisions concerning good corporate governance for insurance companies.
Clause (2)
Self-explanatory.

Article 52
Data and information from the Main Entity are used by the Financial Services Authority in order to evaluate and assess the implementation of Integrated Good Corporate Governance by the Financial Conglomerate.

Article 53
Self-explanatory.

Article 54
Self-explanatory.

Article 55
Self-explanatory.

Article 57
Self-explanatory.

Article 58
Self-explanatory.

Article 59
Self-explanatory.

Article 60
Self-explanatory.

Article 61
Self-explanatory.