



**FINANCIAL SERVICES AUTHORITY  
REPUBLIC OF INDONESIA**

**COPY OF  
FINANCIAL SERVICES AUTHORITY REGULATION  
NUMBER 26/POJK.03/2015  
CONCERNING  
INTEGRATED MINIMUM CAPITAL ADEQUACY REQUIREMENT  
FOR FINANCIAL CONGLOMERATES**

**WITH THE BLESSINGS OF GOD ALMIGHTY**

**BOARD OF COMMISSIONERS OF  
FINANCIAL SERVICES AUTHORITY,**

- Considering:
- a. whereas in the context of creating a financial sector, which is stable with sustainable growth and high competitiveness, financial conglomerates need to have adequate capitals;
  - b. whereas in line with the business complexity and risks of financial conglomerates, financial conglomerates need to apply adequate capital management;
  - c. whereas financial conglomerates with adequate capital as well as adequate capital management are expected to create stability in the financial system in order to grow in a sustainable manner and thus be capable to enhance competitiveness at national level;
  - d. whereas based on considerations referred to in letter a, letter b, and letter c, it is deemed necessary to enact a Financial Services Authority Regulation concerning Integrated Minimum Capital Adequacy Requirement for Financial Conglomerates.

In view of:

1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
2. Act Number 8 of 1995 concerning Capital Market (State Gazette of the Republic of Indonesia Number 64 of 1995, Supplement to the State Gazette of the Republic of Indonesia Number 3608)
3. Act Number 21 of 2008 concerning Sharia Banking (State Gazette of the Republic of Indonesia Number 94 of 2008, Supplement to the State Gazette of the Republic of Indonesia Number 4867);
4. Act Number 21 of 2011 concerning Financial Services Authority (State Gazette of the Republic of Indonesia Number 111 of 2011, Supplement to the State Gazette of the Republic of Indonesia Number 5253);
5. Act Number 23 of 2014 concerning Local Government (State Gazette of the Republic of Indonesia Number 244 of 2014, Supplement to the State Gazette of the Republic of Indonesia Number 5587) as latest amended by Act Number 9 of 2015 (State Gazette of the Republic of Indonesia Number 58 of 2015, Supplement to the State Gazette of the Republic of Indonesia Number 5679);
6. Act Number 40 Year 2014 concerning Insurance (State Gazette of the Republic of Indonesia Number 337 of 2014, Supplement to the State Gazette of the Republic of Indonesia Number 5618);
7. Financial Services Authority Regulation Number 29/POJK.05/2014 concerning Business Operation of Financing Companies (State Gazette of the Republic of Indonesia Number 364 of 2014, Supplement to the State Gazette of the Republic of Indonesia Number 5638);
8. Financial Services Authority Regulation Number

31/POJK.05/2014 concerning Sharia Financing Business Operation (State Gazette of the Republic of Indonesia Number 366 of 2014, Supplement to the State Gazette of the Republic of Indonesia Number 5640);

9. Financial Services Authority Regulation Number 17/POJK.03/2014 concerning Implementation of Integrated Risk Management for Financial Conglomerates (State Gazette of the Republic of Indonesia Number 348 of 2014, Supplement to the State Gazette of the Republic of Indonesia Number 5626);

HAS DECREED:

To enact: FINANCIAL SERVICES AUTHORITY REGULATION  
CONCERNING INTEGRATED MINIMUM CAPITAL ADEQUACY  
REQUIREMENT FOR FINANCIAL CONGLOMERATES.

CHAPTER I  
GENERAL PROVISIONS

Article 1

The terminologies used in this Financial Services Authority Regulation shall have these following meanings:

1. Financial Service Institution (Lembaga Jasa Keuangan), hereinafter referred to as LJK, shall be an institution undertaking activities in the Banking, Capital Market, Insurance, Pension Fund, Financing Institution sectors, and other Financial Service Institutions as referred to Act Number 21 of 2011 concerning Financial Services Authority.
2. Financial Conglomerate shall be Financial Conglomerate as referred to in Financial Services Authority regulation concerning implementation of integrated risk management for financial conglomerates.
3. Lead Entity shall be Lead Entity as referred to in Financial Services Authority regulation concerning implementation of integrated risk management for financial conglomerates.
4. Subsidiary Company shall be Subsidiary Company as referred to in Financial Services Authority regulation concerning implementation of integrated risk management for

financial conglomerates.

5. Integrated Minimum Capital Adequacy Requirement (Kewajiban Penyediaan Modal Minimum/KPMM) Ratio, hereinafter referred to as Integrated KPMM Ratio, shall be the comparison between Financial Conglomerate Total Actual Capital (aggregate net equity) and Financial Conglomerate Total Minimum Capital (aggregate regulatory capital requirement).
6. Integrated Capital Management shall be a sustainable process for maintaining capital at an adequate level for supporting the Financial Conglomerate business plan as well as for anticipating potential losses arising from the Financial Conglomerate activities.
7. Board of Directors means:
  - a. in the case of LJK legally incorporated as Limited Liability Company, it is the Board of Directors as referred to in Act Number 40 of 2007 concerning Limited Liability Companies;
  - b. in the case of LJK legally incorporated as:
    - 1) Local Government Public Enterprise or Local Government Limited Liability Enterprise, it is the Board of Directors as referred to in Act Number 23 of 2014 concerning Local Government as latest amended by Act Number 9 of 2015;
    - 2) Local Government Enterprise, it is the Board of Directors of Local Government Enterprise, which legal entity form has not been amended as referred to in Act Number 23 of 2014 concerning Local Government as latest amended by Act Number 9 of 2015;
  - c. in the case of LJK legally incorporated as a Cooperative, it is the management as referred to in Act Number 25 of 1992 concerning Cooperatives;
  - d. in the case of LJK incorporated as Mutual Association (Usaha Bersama), it is the Board of Directors as referred to in the company's articles of association.
  - e. in the case of LJK that is a branch office of an entity domiciling abroad, it is the head of the branch office and officers of one level below the branch office head.
8. Board of Commissioners means:
  - a. in the case of LJK legally incorporated as Limited Liability Company, it is the Board of Commissioners as referred to in Act Number 40 of 2007 concerning Limited Liability Companies;
  - b. in the case of LJK legally incorporated as:
    - 1) Local Government Public Enterprise or Local Government Limited Liability

Enterprise, it is the Supervisory Board or Board of Commissioners as referred to in Act Number 23 of 2014 concerning Local Government as latest amended by Act Number 9 of 2015;

- 2) Local Government Enterprise, it is the Supervisors of Local Government Enterprise, which legal entity form has not been amended as referred to in Act Number 23 of 2014 concerning Local Government as latest amended by Act Number 9 of 2015;
- c. in the case of LJK legally incorporated as a Cooperative, it is the Supervisors as referred to in Act Number 25 of 1992 concerning Cooperatives;
- d. in the case of LJK incorporated as Mutual Association (Usaha Bersama), it is the Board of Commissioners as referred to in the company's articles of association.
- e. in the case of LJK that is a branch office of an entity domiciling abroad, it is the party designated to exercise the supervisory function.

#### Article 2

- (1) Financial Conglomerate is obliged to provide integrated minimum capital of no lower than 100% (one hundred percent) of Financial Conglomerate Total Minimum Capital (Total Modal Minimum/TMM) (aggregate regulatory capital requirement).
- (2) Provision of Integrated Minimum Capital as referred to in paragraph (1) should be implemented by calculating the Integrated KPMM Ratio.

#### Article 3

- (1) Financial Services Authority has the authority to set integrated minimum capital level that is higher than the minimum capital referred to in Article 2 paragraph (1), in the event the Financial Services Authority assesses that the Financial Conglomerate faces risks that require the provision of larger capital.
- (2) Financial Services Authority has the authority to request members of a Financial Conglomerate, which have the potential of causing problems in the Financial Conglomerate capital, to step up their capital and execute other matters in accordance with regulations applicable in respective financial sectors.
- (3) Request as referred to in paragraph (2) shall be made in the event the Financial Services Authority assesses that there is a downward trend in capital, which has the potential to cause the Financial Conglomerate capital to come below the integrated minimum capital adequacy requirement as referred to in Article 2 paragraph (1) or Article 3 paragraph (1)

#### Article 4

LJKs that are members of a Financial Conglomerate are prohibited from taking actions that can cause the Financial Conglomerate capital be in a condition of not meeting the provisions referred to in Article 2 paragraph (1) or Article 3 paragraph (1).

### CHAPTER II

#### FINANCIAL CONGLOMERATE TOTAL ACTUAL CAPITAL (AGGREGATE NET EQUITY)

#### Article 5

- (1) In the calculation of Integrated KPMM Ratio as referred to in Article 2 paragraph (2), the Lead Entity calculates the Financial Conglomerate Total Actual Capital (Total Modal Aktual/TMA) by totaling the nominal value of actual capital of each LJK individually and/or in consolidation with Subsidiary Companies in the Financial Conglomerate in accordance with the prevailing regulations in respective financial sectors.
- (2) The Financial Conglomerate TMA referred to in paragraph (1) should be deducted by the following capital deducting factors:
  - a. LJK's capital participations in other LJKs in the Financial Conglomerate; and/or
  - b. LJK's fund placements in other LJKs in the Financial Conglomerate that are recognized as capital instruments (regulatory capital) by the said other LJKs, as long as these have not been taken into account in capital calculation or have not been taken into account as regulatory adjustment in respective financial sectors.
- (3) In the case a financial sector has a regulation that requires LJK to calculate capital in consolidation with Subsidiary Companies, the actual capital that is calculated in the Financial Conglomerate TMA is the actual capital in consolidation with Subsidiary Companies.
- (4) In the case the regulation on the calculation of consolidated capital does not take into account the capital of Subsidiary Company, the actual capital of the said Subsidiary Company is taken into account in the Financial Conglomerate TMA.

#### Article 6

Actual capital of each LJK in a Financial Conglomerate individually and/or in consolidation with Subsidiary Company that is taken into account in the Financial Conglomerate TMA is:

- a. in the case of a bank, it is the actual Tier 1 capital and actual Tier 2 capital;
- b. in the case of a financing company, it is the actual adjusted capital;
- c. in the case of an insurance/reinsurance company, it is the actual value of the difference between allowable assets/wealth and liabilities;
- d. in the case of a securities company, it is the actual Adjusted Net Working Capital.

CHAPTER III  
FINANCIAL CONGLOMERATE TOTAL MINIMUM CAPITAL  
(AGGREGATE REGULATORY CAPITAL REQUIREMENT)

Article 7

- (1) In calculationg Integrated KPMM Ratio as referred to in Article 2 paragraph (2), the Lead Entity calculates Financial Conglomerate Total Minimum Capital (TMM) by totaling the nominal value of minimum regulatory capital of each LJK individually and/or in consolidation with Subsidiary Companies, which should be met by each LJK in the Financial Conglomerate in accordance with the prevailing regulations in respective financial sectors.
- (2) In the case a financial sector has a regulation that requires LJK to calculate capital in consolidation with Subsidiary Companies, the minimum capital that is calculated in the Financial Conglomerate TMM is the minimum capital in consolidation with Subsidiary Companies that should be met in accordance with the prevailing regulations in respective financial sectors.
- (3) In the case the regulation on the calculation of consolidated capital does not take into account the capital of Subsidiary Company, the minimum regulatory capital of the said Subsidiary Company is taken into account in the Financial Conglomerate TMM.

Article 8

Minimum capital of each LJK in a Financial Conglomerate individually and/or in consolication with Subsidiary Company that is taken into account in the Financial Conglomerate TMM is:

- a. in the case of a bank, it is the minimum capital in accordance with the risk profile;
- b. in the case of a financing company, it is the minimum adjusted capital;
- c. in the case of an insurance/reinsurance company, it is the minimum value of the difference between allowable assets/wealth and liabilities;

- d. in the case of a securities company, it is the minimum Adjusted Net Working Capital.

CHAPTER IV  
INTEGRATED CAPITAL MANAGEMENT

Article 9

- (1) Financial Conglomerate is obliged to implement Integrated Capital Management in a comprehensive and effective manner.
- (2) Implementation of Integrated Capital Management referred to in paragraph (1) should be conducted by the Lead Entity, the Lead Entity's Board of Directors, and the Lead Entity's Board of Commissioners.

Article 10

- (1) The Lead Entity's Board of Directors and the Lead Entity's Board of Commissioners have the authority and responsibility to ensure that the implementation of Integrated Capital Management as referred to in Article 9 paragraph (1) is in accordance with the characteristics and business complexity of the Financial Conglomerate.
- (2) The authority and responsibility of the Lead Entity's Board of Directors referred to in paragraph (1) shall cover at least:
  - a. development of integrated capital policy, strategy, and procedure in accordance with the characteristics, business complexity, and risk level of the Financial Conglomerate; and
  - b. implementation of integrated capital management policy, strategy, and procedure.
- (3) The authority and responsibility of the Lead Entity's Board of Commissioners referred to in paragraph (1) shall cover at least:
  - a. directions, approvals, and evaluations on the integrated capital management policy, strategy, and procedure; and
  - b. evaluations of the implementation of the integrated capital management policy, strategy, and procedure by the Lead Entity's Board of Directors.

Article 11

In the framework of the implementation of Integrated Capital Management, the Lead Entity is obliged at least:

- a. to have integrated capital management policy and procedure;
- b. to undertake assessments of integrated capital adequacy;

- c. to monitor and submit report of integrated capital;
- d. to have an adequate internal control system in relation to integrated capital; and
- e. to undertake reviews on the implementation of Integrated Capital Management periodically.

#### Article 12

- (1) Integrated capital management policy as referred in Article 11 letter a shall contain policies concerning at least:
  - a. capital level for meeting the requirement of Financial Conglomerate minimum capital (regulatory capital);
  - b. sources of the Financial Conglomerate capital both internally as well as externally;
  - c. actions that shall be taken by the Financial Conglomerate:
    - 1. to anticipate all risks arising from the Financial Conglomerate's activities;
    - 2. when capital comes below the set target; and
    - 3. to ensure the Financial Conglomerate's compliance to the prevailing regulation concerning minimum capital adequacy requirement.
- (2) Integrated capital management procedure as referred in Article 11 letter a shall contain procedures concerning at least the planning, adequacy assessment, and monitoring of the Financial Conglomerate capital.

#### Article 13

- (1) In performing assessment of integrated capital adequacy as referred to in Article 11 letter b, the Lead Entity is obliged to identify:
  - a. indications of double or multiple gearing in the Financial Conglomerate;
  - b. indications of excessive leverage;
  - c. impediments to the transfers of capital from one LJK to another LJK within the Financial Conglomerate; and
  - d. significant risks that influence the Financial Conglomerate.
- (2) Assessment of integrated capital adequacy shall be performed by the Integrated Risk Management Working Unit.
- (3) The Lead Entity is obliged to document results of the integrated capital assessments referred to in paragraph (2).

#### Article 14

- (1) In performing the monitoring and report submission of integrated capital as referred to in Article 11 letter c, the Lead Entity is obliged to have an information system that is capable of producing adequate information and reports including the impacts of risks on the Financial Conglomerate's capital requirement.
- (2) The monitoring and submission of reports of integrated capital as referred to in paragraph (1) shall be performed by the Integrated Risk Management Working Unit.
- (3) Reports on capital referred to in paragraph (2) shall be submitted periodically to the Lead Entity's Board of Directors and Integrated Risk Management Committee.

#### Article 15

The Lead Entity is obliged to have an adequate internal control system as referred to in Article 11 letter d to ensure reliability of the Integrated Capital Management implementation.

#### Article 16

Reviews of the Integrated Capital Management implementation as referred to in Article 11 letter e shall be performed by the Integrated Internal Audit Working Unit.

### CHAPTER V REPORTING

#### Article 17

- (1) The Lead Entity is obliged to establish Integrated Capital Adequacy Report each semester for the positions of end of June and December;
- (2) The Integrated Capital Adequacy Report referred to in paragraph (1) shall contain:
  - a. the actual capital of each LJK that is a member of the Financial Conglomerate;
  - b. the Financial Conglomerate TMA;
  - c. the minimum regulatory capital that should be met by each LJK that is a member of the Financial Conglomerate;
  - d. the Financial Conglomerate TMM;
  - e. the Integrated KPMM Ratio;
  - f. Details of capital participations among the LJKs in the Financial Conglomerate;and

- g. Details of fund placements by LJK in other LJKs in the Financial Conglomerate that are recognized as capital instruments (regulatory capital) by the said other LJKs.
- (3) The Lead Entity is obliged to submit the Integrated Capital Adequacy Report referred to in paragraph (1) to the Financial Services Authority no later than:
    - a. 15<sup>th</sup> (fifteenth) of August for the report of end of June position;
    - b. 15<sup>th</sup> (fifteenth) of February for the report of end of December position.
  - (4) In the event the 15<sup>th</sup> (fifteenth) falls on a Saturday/Sunday/Holiday, the Integrated Capital Adequacy Report shall be submitted in the following working day.
  - (5) The Integrated Capital Adequacy Report shall be submitted to the Financial Services Authority for the attention of Department of Supervision, or Regional Office or the Financial Services Authority Office that is responsible for supervising the LJK that is the Lead Entity.
  - (6) The Integrated Capital Adequacy Report shall be developed in accordance with the format referred to in Attachment I of this Financial Services Authority Regulation.

#### Article 18

The Lead Entity is obliged to submit the Integrated Capital Adequacy Report at any time requested by the Financial Services Authority.

### CHAPTER VI SANCTIONS

#### Article 19

Violations against the provisions in Article 2, Article 4, Article 9, Article 11, Article 13 paragraph (1), Article 13 paragraph (3), Article 14 paragraph (1), Article 15, Article 17 paragraph (1) and/or Article 18 shall be imposed with administrative sanctions in the form of:

- a. written reminder;
  - b. downgrading of soundness level;
  - c. cancellation of fit and proper test results;
  - d. restriction on business activities;
  - e. instruction to change the management;
  - f. inclusion of the management in the list of people in disgrace (daftar orang tercela);
- and/or

- g. cancellation of approvals, registrations and endorsements.

#### Article 20

The Lead Entity declared as being late in submitting the reports referred to in Article 17 paragraph (3) shall be imposed with sanctions in the form of written warning and penalty payment of Rp1,000,000.00 (one million rupiah) for each day of delay with a maximum amount of Rp100,000,000.00 (one hundred million rupiah).

#### Article 21

Mechanism for the imposition of sanctions referred to in Article 19 and Article 20 shall refer to stipulations applicable to LJKs in respective financial sectors.

### CHAPTER VII TRANSITIONAL PROVISIONS

#### Article 22

In the case of any Financial Conglomerate that comprises of LJKs of the same type, the implementation of the regulation on integrated minimum capital adequacy requirement shall come into effect when the regulations on integrated risk management and integrated governance for the said Financial Conglomerate starts to be applied at respective financial sectors.

#### Article 23

The requirement to submit Integrated Capital Adequacy Report as referred to in Article 17 paragraph (3) shall be applicable for the first time for the report of the end of December 2015 position.

#### Article 24

Imposition of sanctions as referred to in Article 19 shall become effective on:

- a. 1 January 2019 for Lead Entities that are categorized as Commercial Banks Based on Business Activities (Bank Umum Berdasarkan Kegiatan Usaha/BUKU) 4;
- b. 1 July 2019 for Lead Entities that are non banks and Lead Entities that are banks other than those categorized as Commercial Banks Based on Business Activities (Bank Umum Berdasarkan Kegiatan Usaha/BUKU) 4.

## Article 25

Imposition of sanctions as referred to in Article 20 shall become effective on:

- a. 1 January 2018 for Lead Entities that are categorized as Commercial Banks Based on Business Activities (Bank Umum Berdasarkan Kegiatan Usaha/BUKU) 4;
- b. 1 July 2018 for Lead Entities that are non banks and Lead Entities that are banks other than those categorized as Commercial Banks Based on Business Activities (Bank Umum Berdasarkan Kegiatan Usaha/BUKU) 4.

## CHAPTER IX CONCLUDING PROVISIONS

### Article 26

At the time this Financial Services Authority Regulation comes into effect, LJKs shall continue to implement stipulations prevailing in respective financial sectors.

### Article 27

This Financial Services Authority Regulation shall come into effect on the date of its enactment.

For public information, orders the enactment of this Financial Services Authority Regulation through its publishment in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta

On 4 December 2015

CHAIRMAN OF BOARD OF COMMISSIONERS  
FINANCIAL SERVICES AUTHORITY

Signature

MULIAMAN D. HADAD

Enacted in: Jakarta

On 11 December 2015

MINISTER OF LAW AND HUMAN RIGHTS  
REPUBLIC OF INDONESIA

Signature

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 292.OF 2015

Transcription is in accordance with the original  
Legal Director I  
Legal Department

Signature

Sudarmaji

ELUCIDATION  
TO  
FINANCIAL SERVICES AUTHORITY REGULATION  
NUMBER 26/POJK.03/2015  
CONCERNING  
INTEGRATED MINIMUM CAPITAL ADEQUACY REQUIREMENT  
FOR FINANCIAL CONGLOMERATES

I. GENERAL REVIEW

Financial services sector that is in a condition in which it is growing in a sustainable manner constitutes one of the primary prerequisites that enable the financial system to support the achievement of the financial system stability and to contribute at optimum level within the national economy.

Capital is the source for financial support in the implementation of Financial Conglomerate overall activities, a cushion for absorbing unexpected losses, and a safety net in crisis condition. Adequate capital can enhance shareholder trust that will support the condition and stability of the Financial Conglomerate.

The size of capital that has to be provided by a Financial Conglomerate is very much dependent on the risks it faces. Therefore, in the framework of maintaining public trust and stepping up its overall business condition, Financial Conglomerate is obliged to have an adequate system for identifying, measuring, monitoring, and controlling risks that arise from the Financial Conglomerate business activities as well as to provide adequate capital for anticipating those risks.

In view of matters mentioned above, it is deemed necessary to make arrangement for integrated minimum capital adequacy requirement for financial conglomerates in a Financial Services Authority Regulation.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Self-explanatory.

Article 3

Paragraph (1)

Risk that requires larger capital provision is among others risk from intra-group transactions.

Paragraph (2)

Others matters cover among others:

- a. limitation on certain business activities;
- b. limitation on bonus and other incentives; and/or
- c. arrangement or postponement on dividend payment.

Paragraph (3)

Self-explanatory

Article 4

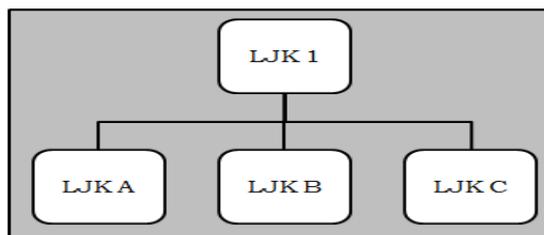
Examples of actions, which can cause the condition of the Financial Conglomerate capital not meeting the regulation, are among others:

- 1) payment of dividends;
- 2) awarding of bonuses / incentives / profit distribution / remunerations / other benefits to Board of Directors, Board of Commissioners, or employees.

Article 5

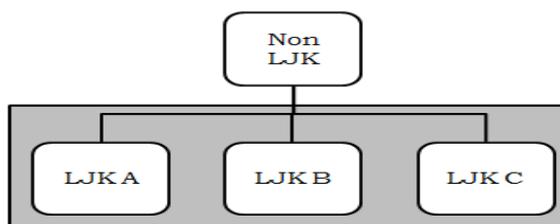
Paragraph (1)

Example 1:



Financial Conglomerate comprises of LJK 1, LJK A, LJK B, and LJK C. The Financial Conglomerate TMA is derived by totalling the actual capitals of LJK 1, LJK A, LJK B, and LJK C in accordance with the prevailing regulations in the respective financial sectors.

Example 2:



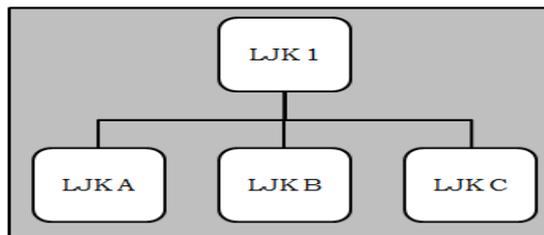
Financial Conglomerate comprises of LJK A, LJK B, and LJK C. The Financial Conglomerate TMA is derived by totaling the actual capitals of LJK A, LJK B, and LJK C in accordance with the prevailing regulations in the respective financial sectors.

Paragraph (2)

Self-explanatory.

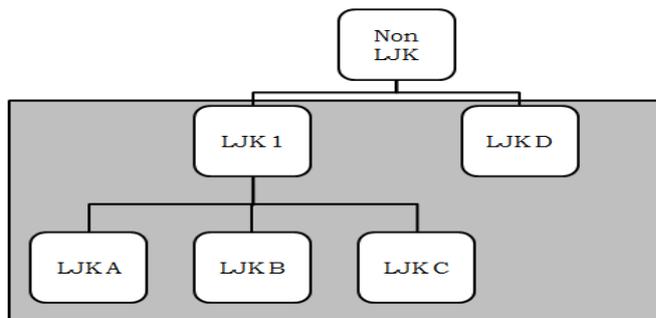
Paragraph (3)

Example 1:



Financial Conglomerate comprises of LJK 1, LJK A, LJK B, and LJK C. In the case LJK 1 has a regulation that stipulates the calculation of capital in consolidation with Subsidiary Company, Financial Conglomerate TMA is derived by totalling the actual capital of LJK 1 in consolidation with LJK A, LJK B, and LJK C.

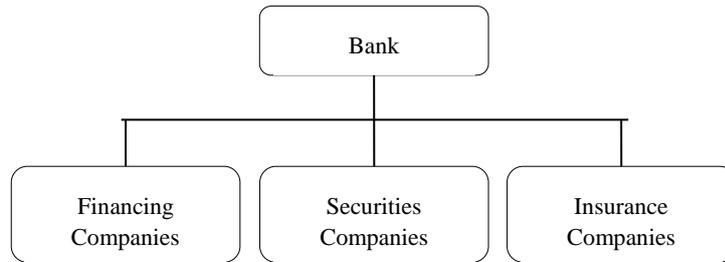
Example 2:



Financial Conglomerate comprises of LJK 1, LJK A, LJK B, LJK C, and LJK D. In the case LJK 1 has a regulation that stipulates the calculation of capital in consolidation with Subsidiary Company, Financial Conglomerate TMA is derived by totalling the actual capital of LJK 1 in consolidation with LJK A, LJK B, and LJK C and the actual capital of LJK D individually.

Paragraph (4)

Example:



Financial Conglomerate comprises a bank, a financing company, a securities company, and an insurance company. Based on the regulation that regulates banks, participation in a Subsidiary Company that is an insurance company becomes a capital deducting factor in the calculation of capital in consolidation with Subsidiary Company. Therefore, the insurance company’s capital is not added to the bank’s consolidated capital.

As such, the calculation of the Financial Conglomerate TMA includes the bank’s actual capital in consolidation with Subsidiary Companies, which are the financing company and securities company, and the actual capital of the insurance company individually.

#### Article 6

##### Letter a

“Bank” refers to commercial bank, sharia commercial bank, rural credit bank, and sharia rural financing bank.

“Tier 1 capital and Tier 2 capital” refer to core capital and supplementary capital after taking into account regulatory adjustment as referred to in the regulation concerning minimum capital adequacy requirement.

##### Letter b

“Financing company” refers to financing companies and sharia financing companies.

“Adjusted capital” refers to adjusted capital as referred to in the regulation concerning business operation of financing companies or business operation of sharia financing.

##### Letter c

“Insurance/reinsurance company” refers to insurance/reinsurance companies and sharia insurance/reinsurance companies.

“Allowable assets/wealth” refers to allowable assets/wealth as referred to in the regulation concerning financial soundness of insurance companies and reinsurance companies.

“Stability” refers to stability as referred to in the regulation concerning financial soundness of insurance companies and reinsurance companies.

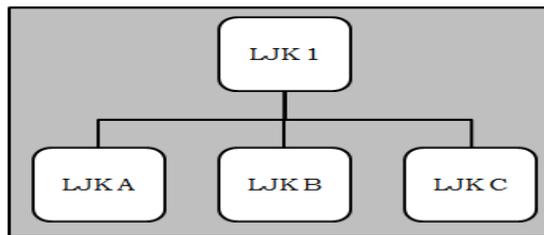
Letter d

“Adjusted net working capital’ is adjusted net working capital as referred to in the regulation concerning maintenance and reporting of adjusted net working capital.

Article 7

Paragraph (1)

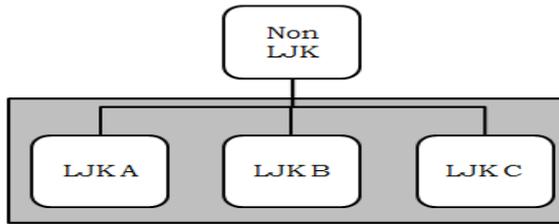
Example 1:



Financial Conglomerate comprises of LJK 1, LJK A, LJK B, and LJK C. The Financial Conglomerate TMM is derived by totalling the minimum capitals that should be met by LJK 1, LJK A, LJK B, and LJK C in accordance with the prevailing regulations in the respective financial sectors. As such, the Integrated KPMM Ratio is calculated as follows:

Actual capital of LJK 1 individually	+	Actual capital of LJK A individually	+	Actual capital of LJK B individually	+	Actual capital of LJK C individually	=	Integrated KPMM Ratio
Minimum capital that should be met by LJK 1 individually	+	Minimum capital that should be met by LJK A individually	+	Minimum capital that should be met by LJK B individually	+	Minimum capital that should be met by LJK C individually		

Example 2:

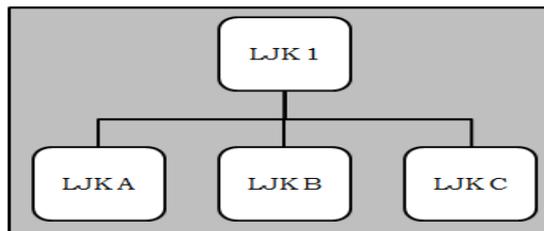


Financial Conglomerate comprises of LJK A, LJK B, and LJK C. The Financial Conglomerate TMM is derived by totaling the minimum capitals that should be met by LJK A, LJK B, and LJK C in accordance with the prevailing regulations in the respective financial sectors. As such, the Integrated KPMM Ratio is calculated as follows:

Actual capital of LJK A individually	+	Actual capital of LJK B individually	+	Actual capital of LJK C individually	=	Integrated KPMM Ratio
Minimum capital that should be met by LJK A individually	+	Minimum capital that should be met by LJK B individually	+	Minimum capital that should be met by LJK C individually		

Paragraph (2)

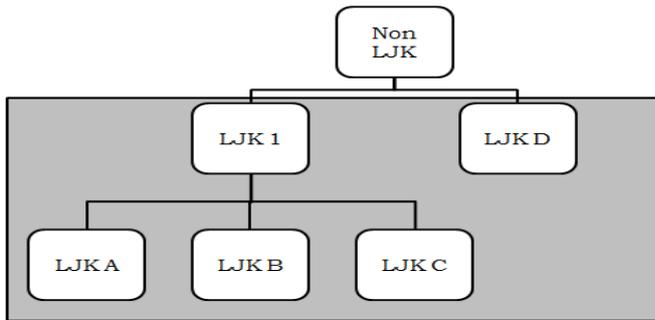
Example 1:



Financial Conglomerate comprises of LJK 1, LJK A, LJK B, and LJK C. LJK 1 has a regulation that stipulates the calculation of capital in consolidation with Subsidiary Company. Therefore, the Financial Conglomerate TMM is the minimum capital that should be met by LJK 1 in consolidation with LJK A, LJK B, and LJK C. As such, the Integrated KPMM Ratio is calculated as follows:

$$\frac{\text{Consolidated actual capital of LJK 1}}{\text{Consolidated minimum regulatory capital that should be met by LJK 1}} = \text{Integrated KPMM Ratio}$$

Example 2:



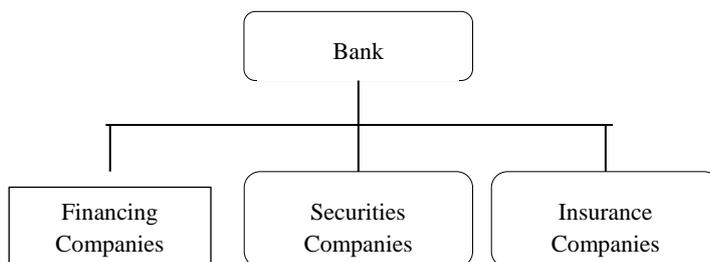
Financial Conglomerate comprises of LJK 1, LJK A, LJK B, LJK C, and LJK D. LJK 1 has a regulation that stipulates the calculation of capital in consolidation with Subsidiary Company. Therefore, Financial Conglomerate TMM is derived by totaling the minimum capital that should be met by LJK 1 in consolidation with LJK A, LJK B, and LJK C and the minimum capital that should be met by LJK D individually. As such, the Integrated KPMM Ratio is calculated as follows:

Consolidated actual capital of LJK A	+	Actual capital of LJK D individually		
			=	Integrated KPMM Ratio
Consolidated minimum regulatory capital that should be met by LJK 1	+	Minimum regulatory capital that should be met by LJK D individually	+	

Paragraph (3)

“Minimum regulatory capital of Subsidiary Company” refers to minimum capital that should be met by the Subsidiary Company in accordance with the regulations in respective financial sectors.

Example:



Financial Conglomerate comprises a bank, a financing company, a securities company, and an insurance company. Based on the regulation that regulates banks, participation in a Subsidiary Company that is an insurance company becomes a capital deducting factor in the calculation of capital in consolidation with Subsidiary Company. Therefore, the insurance company’s capital is not added to the bank’s consolidated capital.

As such, the calculation of the Financial Conglomerate TMM includes the minimum regulatory capital that should be met by the bank in consolidation with Subsidiary Companies, which are the financing company and securities company plus the minimum capital that should be met by the insurance company individually. Therefore, the Integrated KPMM Ratio is calculated as follows:

$$\frac{\boxed{\begin{array}{l} \text{Actual capital of bank in} \\ \text{consolidation with financing} \\ \text{company and securities company} \end{array}} + \boxed{\begin{array}{l} \text{Actual capital of insurance} \\ \text{company individually} \end{array}}}{\boxed{\begin{array}{l} \text{Minimum regulatory capital that} \\ \text{should be met by bank in} \\ \text{consolidation with financing} \\ \text{company and securities company} \end{array}} + \boxed{\begin{array}{l} \text{Minimum capital that should} \\ \text{be met by insurance} \\ \text{company individually} \end{array}}} = \text{Integrated KPMM Ratio}$$

Article 8

Letter a

“Bank” refers to commercial bank, sharia commercial bank, rural credit bank, and rural sharia financing bank.

“Minimum capital in accordance with risk profile” refers to minimum capital in accordance with risk profile as referred to in the regulation concerning minimum capital adequacy requirement.

Example: Bank A has risk profile 2 (two) and has minimum capital adequacy requirement in accordance with risk profile of 9% (nine percent) of Risk-Based Weighted Assets. If the bank has Risk-Based Weighted Assets of Rp1,000,000,000 (one billion rupiah), then the minimum capital in accordance with risk profile is 9% x Rp1,000,000,000 = Rp90,000,000 (ninety million rupiah).

Letter b

“Financing company” refers to financing companies and sharia financing companies.

“Adjusted capital” refers to adjusted capital as referred to in the regulation concerning business operation of financing companies or business operation of sharia financing.

Example: Financing Company A has adjusted asset value of Rp2,000,000,000 (two billion rupiah). If the minimum capital ratio is set at 10% (ten percent), the minimum adjusted capital is  $10\% \times \text{Rp}2,000,000,000 = \text{Rp}200,000,000$  (two hundred million rupiah).

#### Letter c

“Insurance/reinsurance company” refers to insurance/reinsurance companies and sharia insurance/reinsurance companies.

“Allowable assets/wealth” refers to allowable assets/wealth as referred to in the regulation concerning financial soundness of insurance companies and reinsurance companies.

“Liabilities” refers to liabilities as referred to in the regulation concerning financial soundness of insurance companies and reinsurance companies.

Example: Insurance Company A has risked-based minimum capital of Rp1,000,000,000 (one billion rupiah). If the targeted solvability level is set at 120% (one hundred twenty percent), then the minimum value of the difference between allowable assets/wealth with liabilities is  $120\% \times \text{Rp}1,000,000,000 = \text{Rp}1,200,000,000$  (one billion two hundred million rupiah).

#### Letter d

“Adjusted net working capital” is adjusted net working capital as referred to in the regulation concerning maintenance and reporting of adjusted net working capital.

#### Article 9

Self-explanatory.

#### Article 10

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Letter a

Evaluations of policy, strategy, and procedure for capital maintenance should be performed periodically, at least once a year or at any time deemed necessary.

Letter b

Self-explanatory

Article 11

Self-explanatory.

Article 12

Paragraph (1)

Letter a

Self-explanatory

Letter b

Policy on internal sources of capital should take into consideration impediments in the undertaking of transfers of capital among the LJKs in the Financial Conglomerate, due to both internal as well as external conditions of the Financial Conglomerate, such as existing prevailing regulations from the authorities that obstruct the execution of capital transfers.

Letter c

Number 1

Self-explanatory.

Number 2

“Set target” is the target that is set by the Financial Conglomerate or the Financial Services Authority.

Number 3

Self-explanatory.

Paragraph (2)

The procedure for capital planning shall take into consideration among others capital target, risks, strategy, and business plan of the Financial Conglomerate as well as the macroeconomic condition.

Article 13

Paragraph (1)

Letter a

“Double or multiple gearing” refers to a condition in which there are capital participations or placements among the LJKs that are members of the Financial Conglomerate, which cause the Financial Conglomerate capital to be assessed larger than it should actually be (overstated).

Letter b

“Excessive leverage” refers to a condition in which there is an excessive borrowing by one LJK that is placed in the form of capital in another LJK.

Letter c

Self-explanatory

Letter d

Self-explanatory

Paragraph (2)

“Integrated Risk Management Working Unit” is as referred to in the regulation concerning implementation of integrated risk management for Financial Conglomerates.

Paragraph (3)

Self-explanatory.

Article 14

Paragraph (1)

Self-explanatory.

Paragraph (2)

“Integrated Risk Management Working Unit” is as referred to in the regulation concerning implementation of integrated risk management for Financial Conglomerates.

Paragraph (3)

“Integrated Risk Management Committee” is Integrated Risk Management Committee as referred to in the regulation concerning implementation of integrated risk management for Financial Conglomerates.

Article 15

Self-explanatory.

Article 16

“Integrated Internal Audit Working Unit” is as referred to in the regulation concerning implementation of integrated governance for Financial Conglomerates.

Article 17

Self-explanatory.

Article 18

Integrated Capital Adequacy Report can be requested at any time, such as in the event the Financial Services Authority requires information concerning the latest capital condition of the Financial Conglomerate in the framework of integrated supervision on the Financial Conglomerate.

Article 19

Self-explanatory.

Article 20

Self-explanatory.

Article 21

Self-explanatory.

Article 22

“LJKs of the same type” refer to LJKs that are regulated by the same regulations concerning implementation of risk management and governance in the respective financial sectors.

Example:

- a. LJKs in the form of insurance companies;
- b. LJKs in the form of securities companies;
- c. LJKs in the form of rural credit banks.

Article 23

Self-explanatory.

Article 24

Self-explanatory.

Article 25

Self-explanatory.

Article 26

Self-explanatory.

Article 27

Self-explanatory.