

BANK INDONESIA REGULATION
NUMBER: 10/32/PBI/2008
CONCERNING
SHARIA BANKING COMMITTEE

WITH THE BLESSINGS OF GOD ALMIGHTY

GOVERNOR OF BANK INDONESIA,

- Considering:
- a. Whereas the existence of Sharia Principles that are incorporated into fatwa of the Indonesian Council of Ulama, is one of the aspects that form the bases for the implementation of sharia banking system.
 - b. Whereas in the framework of implementing fatwa of the Indonesian Council of Ulama into Bank Indonesia Regulations, there is a need for input from the committee that is tasked to undertake interpretation and understanding of fatwa in the field of sharia banking;
 - c. whereas based on considerations as referred to in letter a and letter b, it is deemed necessary to set stipulations concerning Sharia Banking Committee in a Bank Indonesia Regulation;

- In view of:
1. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as latest amended by Act Number 3 of 2004 (State Gazette of the Republic of

Indonesia ...

- Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);
2. Act Number 21 of 2008 concerning Sharia Banking (State Gazette of the Republic of Indonesia Number 94 of 2008, Supplement to the State Gazette Number 4867);

HAS DECREED:

To enact: BANK INDONESIA REGULATION CONCERNING
SHARIA BANKING COMMITTEE

CHAPTER I GENERAL PROVISIONS

Article 1

The terminologies used in this Bank Indonesia Regulation have the following meanings:

1. Sharia Banking Committee, hereinafter shall be referred to as Committee, is a forum comprising experts in the field of sharia muamalah and/or economic experts, financial experts, and banking experts, which is tasked to assist Bank Indonesia in implementing fatwa of the Indonesian Council of Ulama into stipulations formulated in Bank Indonesia Regulations.
2. Indonesian Council of Ulama, hereinafter shall be referred to as MUI, is a board or council that convene Islamic scholars, community notable persons (zuama) and Indonesian Moslem academicians to converge the movements and steps of Indonesian Islam believers in realizing joint aspirations, with one of its main roles being provision of fatwa (Mufti).

CHAPTER II

ESTABLISHMENT ...

ESTABLISHMENT, OBJECTIVE AND TASK OF THE COMMITTEE

Article 2

In the framework of preparing Bank Indonesia Regulations in the field of sharia banking, Bank Indonesia establishes a Committee.

Article 3

The objective for establishing the Committee is for assisting Bank Indonesia in implementing fatwa of MUI and developing sharia banking.

Article 4

Bank Indonesia determines the tasks, procedure for establishment and membership of the Committee as well as other related matters deemed necessary in order to ensure smooth execution of the Committee's tasks.

Article 5

- (1) The Committee's tasks are to assist Bank Indonesia in:
 - a. interpreting fatwa of MUI related to sharia banking.
 - b. providing input in the framework of implementing fatwa into Bank Indonesia Regulations.
 - c. undertaking development of sharia banking industry.
- (2) Results of execution of the Committee's tasks shall be submitted to Bank Indonesia in the form of Committee's recommendations.

Article 6

The Committee is accountable to Bank Indonesia

Article 7

Bugdet ...

Budget and costs related to execution of the Committee's tasks shall be borne in Bank Indonesia's budget.

CHAPTER III COMMITTEE MEMBERSHIP

Article 8

Committee members comprise elements from Bank Indonesia, Ministry of Religious Affairs and other public elements with balanced composition and with a total number of no more than 11 (eleven) people.

Article 9

- (1) Bank Indonesia determines the number and composition as well as other matters related with the Committee membership.
- (2) Composition of the Committee membership comprises:
 - a. members, which shall be no more than 11 (eleven) people; and
 - b. a chairman, coming from one of the members referred to in letter a.
- (3) The Committee Chairman as referred to in paragraph (2) letter b comes from Bank Indonesia, namely head of the work unit that undertakes the nurturing and supervision of Sharia Banks and Sharia Business Units.
- (4) Committee work procedures and mechanism are developed and set by the Committee with Bank Indonesia's approval.

Article 10

Committee members should meet the following requirements:

- a. integrity
 1. possessing good character and moral values;
 2. possessing commitment for developing sharia banking;
 3. possessing ...

3. possessing vision and mission for developing sharia banking;
 4. possessing adequate time for implementation of tasks as Committee member.
- b. competency
1. possessing good understanding in the field of sharia mu'amalah and/or the fields of economy, finance, and banking.
 2. possessing good understanding of prevailing legislations.

Article 11

Members of the Committee representing Bank Indonesia are:

- a. Director of Directorate of Sharia Banking; and
- b. Director of Directorate of Monetary Management.

Article 12

Bank Indonesia determines Committee members representing Ministry of Religious Affairs based on appointment by Ministry of Religious Affairs in accordance with the set number and requirements as referred to in Article 9 and Article 10.

Article 13

- (1) Bank Indonesia shall undertake coordination with various parties to obtain input and considerations in the framework of determining elements of the public who shall become members of the Committee.
- (2) Bank Indonesia shall determine Committee members who represent public elements, coming from institutions or organizations as well as individuals.

(3). Bank...

- (3) Bank Indonesia shall determine Committee members who represent institutions or organizations based on appointments by such institutions or organizations in accordance with the set requirements and number as referred to in Article 9 and Article 10.
- (4) Bank Indonesia could determine certain individuals to represent public elements based on input and considerations as referred to in paragraph (1) in accordance with the set requirements and number as referred to in Article 9 and Article 10.

Article 14

Members of the Committee shall be determined based on Governor of Bank Indonesia Decree.

Article 15

The term of service of Committee members outside Bank Indonesia's element is 2 (two) years as of the date of the decision, and could be extended no more than 2 (two) times of the service period.

Article 16

Committee members shall be given honorarium which amount shall refer to prevailing Bank Indonesia's internal stipulations.

Article 17

- (1) Committee membership could be discontinued in the cases of:
 - a. being at own request;
 - b. is not fulfilling Committee procedures;
 - c. being imposed with criminal judgment by a court that has fixed legal power; or
 - d. being...

- d. being under permanent inability to serve.
- (2) Discharge of Committee members as referred to in paragraph (1) shall be undertaken by Bank Indonesia based on Committee's recommendation.
- (3) Bank Indonesia could undertake to replace the Committee members that have been discharged as referred to in paragraph (2) from the same elements/representations.

CHAPTER IV EXECUTION OF COMMITTEE'S TASKS

Article 18

- (1) In executing its tasks, the Committee shall be assisted by Committee Secretariat.
- (2) Committee Secretariat as referred to in paragraph (1) shall be coordinated by Directorate of Sharia Banking.
- (3) Tasks of the Committee Secretariat include among others:
 - a. execution of administrative and correspondent functions of the Committee;
 - b. undertaking of coordination in the framework of executing Committee's meetings;
 - c. undertaking of write ups of minutes of Committee's meetings;
 - d. documenting of results of Committee's meetings;
 - e. provision of information regularly to Committee's members;
 - f. preparation of Committee's budget plan and settlement of provision process of Committee members' honorarium;
 - g. preparation of reports on Committee's activities, including Committee's financial accountability report.

(4) Other ...

- (4) Other matters related to the secretariat's functions shall be further regulated in a Bank Indonesia Circular Letter.

Article 19

Committee's meetings shall be based on:

- a. Bank Indonesia's recommendations; or
- b. Committee's recommendations.

Article 20

- (1) A Committee's meeting shall be deemed valid if the required quorum is met, which means it is attended by more than 50% of Committee members.
- (2) Decision making by Committee's meeting shall be based on musyawarah (dialogue) to reach mufakat (agreement).

CHAPTER V

TRANSITIONAL PROVISIONS

Article 21

When first established, Committee membership originates from members of Sharia Banking Development Expert Committee plus representatives of Bank Indonesia.

CHAPTER VI

CONCLUDING PROVISIONS

Article 22

With the enactment of this regulation, Bank Indonesia Governor Decree Number 10/26/KEP.GBI/2008 dated 9 April 2008 concerning Bank Indonesia

Sharia ...

Sharia Banking Development Expert Committee is revoked and declared to be no longer valid.

Article 23

Further stipulations concerning implementation of this Bank Indonesia Regulation shall be further regulated in Bank Indonesia Circular Letter.

Article 24

This Bank Indonesia Regulation shall come into force on the date of enactment.

For the public to be informed, it is ordered that this Bank Indonesia Regulation be promulgated in The State Gazette of The Republic of Indonesia.

Enacted : Jakarta

Dated : November 20, 2008

GOVERNOR OF BANK INDONESIA

BOEDIONO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 179
OF 2008
DPbS

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER: 10/32/PBI/2008
CONCERNING
SHARIA BANKING COMMITTEE

I. GENERAL REVIEW

With the enactment of Act Number 21 of 2008 concerning Sharia Banking, there are several matters mandated to Bank Indonesia, as the authority for the nurturing and supervision of sharia banking in Indonesia, that need to be followed-up.

One of the mandates for Bank Indonesia is the establishment of Sharia Banking Committee (KPS) in the framework of implementing fatwa of the MUI, which shall be formulated into Bank Indonesia Regulations. Fatwa of the MUI, which contain Sharia Principles, is one of the aspects that form the bases for the existence, sustainability and development of the sharia banking industry in Indonesia.

In the framework of implementing and harmonizing fatwa so that they can be formulated into Bank Indonesia Regulations, the interpretation and understanding of fatwa is one step that is important in the process of formulating stipulations in the form of Bank Indonesia Regulations.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Self-explanatory.

Article 3

Self-explanatory.

Article 4

Self-explanatory.

Article 5

Paragraph (1)

Self-explanatory.

Paragraph (2)

Committee's recommendations are written considerations and/or input representing Committee's voice based on Committee's meetings.

Article 6

The Committee is accountable to Bank Indonesia cq. the Deputy Governor, who supervises the work unit that undertakes the nurturing and supervision of Sharia Banks and Sharia Business Units.

Article 7

Self-explanatory.

Article 8

Self-explanatory.

Article 9

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

The Committee's work procedures and mechanisms regulate matters such as among others meeting frequency, attendance, and procedure for decision making.

Bank Indonesia's approval is the approval of the Deputy Governor who supervises the work unit that undertakes the nurturing and supervision of Sharia Banks and Sharia Business Units.

Article 10

Self-explanatory.

Article 11

Committee's membership from Bank Indonesia's element is ex officio of nature.

Article 12

Recommendation for the appointment of staff representing Ministry of Religious Affairs at the Committee is made by observing the stipulations concerning Ministry of Religious Affairs' personnel system.

Article 13

"Various parties" mean among others National Sharia Council – MUI, higher education institutions, Public Organizations.

Recommendation for appointment of Committee members from public elements, who represent institutions or organizations, is made by observing the internal stipulations of concerned institutions or organizations.

Article 14

Bank Indonesia Governor Decree concerning decision on Committee Members is issued based on Bank Indonesia Board of Governor Meeting.

Article 15

Self-explanatory.

Article 16

Self-explanatory.

Article 17

Paragraph (1)

Being under permanent inability to serve means among others having passed away, suffering from prolonged illness, having physical and/or mental disability, which causes the person concerned unable to execute his/her tasks well.

Paragraph (2)

In the framework of discharging Committee member who represents a certain institution, Bank Indonesia first undertake coordination with the concerned institution or organization prior to undertaking the discharge.

Recommendation for Committee member discharge is submitted to Bank Indonesia governor through the work unit that undertakes the nurturing and supervision of Sharia Banks and Sharia Business Units.

Paragraph (3)

The term of service of the new Committee member who replaces a previous Committee member is up to the end of the term of service of the Committee member being replaced.

Article 18

Self-explanatory.

Article 19

Self-explanatory.

Article 20

Self-explanatory.

Article 21

Sharia Banking Development Expert Committee is a committee referred to in Bank Indonesia Governor Decree Number 10/26/KEP.GBI/2008 dated 9 April 2008 concerning Bank Indonesia Sharia Banking Development Expert Committee.

Article 22

Self-explanatory.

Article 23

Self-explanatory.

Article 24

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF
INDONESIA NUMBER 4927