

CIRCULAR LETTER

To

ALL COMMERCIAL BANKS  
THAT CONDUCT BUSINESS ACTIVITIES IN CONVENTIONAL MANNER  
IN INDONESIA

Subject: Amendment to Bank Indonesia Circular Letter Number 9/33/DPNP dated 18 December 2007 concerning Guideline for The Use Of Standard Method In Calculation of Commercial Bank Minimum Capital Adequacy Requirement By Taking Into Consideration Market Risk

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Referring to Bank Indonesia Regulation Number 10/15/PBI/2008 concerning Commercial Bank Minimum Capital Adequacy Requirement (State Gazette of the Republic of Indonesia Number 135 of 2008, Supplement to the State Gazette of the Republic of Indonesia Number 4895) and in the framework of harmonization with Bank Indonesia Circular Letter Number 13/6/DPNP dated 18 February 2011 concerning Guideline for Calculation of Risk-Based Weighted Assets for Credit Risk Using Standard Approach, there is a need to amend Bank Indonesia Circular Letter Number 9/33/DPNP dated 18 December 2007 concerning Guideline for The Use of Standard Method in Calculation of Commercial Bank Minimum Capital Adequacy Requirement By Taking Into Consideration Market Risk, as follows:

1. Provisions in Attachment 1 Chapter II point 2.a.3) are amended to read as follows:
  - 3) Market value of marketable securities used in the calculation of Specific Risks and General Risks is dirty price, namely market price of marketable securities (clean price) plus the present value of accrued interest income. The present value of accrued interest can be excluded when based on the period of coupon payment the present value shall not raise material difference with the value of accrued interest.
2. Provisions in Attachment 1 Chapter II point 2.b.4) are amended to read as follows:
  - 4) The charging of Specific Risks is divided into weighting categories as described in Table 1 below.

Table 1

## Weighting Categories for Specific Risks

Issuer	Weight
1. Government of Indonesia	0.00%
2. Governments of Other Countries	
a. AAA upto AA- rating	0.00%
b. A+ upto BBB- rating with:	
i. remaining time to maturity is less than or the same as 6 (six) months	0.25%
ii. remaining time to maturity is more than 6 (six) months upto 24 (twenty four) months	1.00%
iii. remaining time to maturity is more than 24 (twenty four) months	1.60%
c. BB+ upto B-rating	8.00%
d. less than B-rating	12.00%
e. without rating	8.00%
3. Qualifying	
a. remaining time to maturity is less than or the same as 6 (six) months	0.25%
b. remaining time to maturity is more than 6 (six) months upto 24 (twenty four) months	1.00%
c. remaining time to maturity is more than 24 (twenty four) months	1.60%
4. Others	
a. Corporations with:	
i. A-1short-term rating	1.60%
ii. A-2short-term rating	4.00%
iii. A-3short-term rating	8.00%
iv. less than A-3short-term rating	12.00%
v. AAA upto AA- rating	1.60%
vi. A+ upto A- rating	4.00%
vii. BBB+ upto BB- rating	8.00%
viii. less than BB- rating	12.00%
ix. without rating	12.00%
b. Banks categorized as:	
i. Short Term Claims	
1) less than A-3 short-term rating	12.00%
2) BB+ upto B- rating	4.00%
3) less than B- rating	12.00%
4) without rating	4.00%
ii. Long Term Claims	
1) less than A-3 short-term rating	12.00%
2) BB+ upto B- rating	8.00%
3) less than B- rating	12.00%
4) without rating	8.00%
c. public sector entities and multilateral development bank and	

international institutions	
i. BB+ upto B- rating	8.00%
ii. less than B- rating	12.00%
iii. without rating	8.00%

Explanations of Table 1 concerning Weighting Categories for Specific Risks are as follows:

a) Government of Indonesia

Marketable securities that are categorized under Government of Indonesia include all instruments issued, guaranteed, or guaranteed with securities issued by:

- (1) Republic of Indonesia Central Government;
- (2) Bank Indonesia;
- (3) Other government bodies and institutions which overall operational funds come from the State Revenue and Expenditure Budget of the Republic of Indonesia Government.

b) Governments of Other Countries

Marketable securities that are categorized under Governments of Other Countries include all instruments issued, guaranteed, or guaranteed with securities issued by the central governments or central banks of other countries.

c) Qualifying

(1) Marketable securities categorized under Qualifying are:

- (a) marketable securities that are issued, guaranteed, or guaranteed with securities issued by:
  - i. District Governments as provided in legislations concerning district government;
  - ii. banks
  - iii. State-Owned Business Enterprises as provided in legislations concerning State-Owned Business Enterprises, which are not categorized as Banks;
  - iv. Multilateral development banks, namely World Bank Group comprising the International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC), Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), Inter- American Development Bank

(IADB), European Investment Bank (EIB), European Investment Fund (EIF), Nordic Investment Bank (NIB), Caribbean Development Bank (CDB), Islamic Development Bank (IDB), and Council of Europe Development Bank (CEDB);

- v. international institutions, namely Bank for International Settlements, International Monetary Fund (IMF), and European Central Bank,

which have investment grade from 1 (one) rating institution as provided in Bank Indonesia regulation concerning rating institutions and ratings acknowledge by Bank Indonesia.

Banks that are referred to in number ii include banks that operate in Indonesia and banks that operate outside Indonesia, including Indonesian Export Financing Institutions as referred to in the act concerning Indonesian export financing institution.

- (b) marketable securities issued by parties other than referred to in Chapter. II point 2.b.4).c).(1).(a), that have investment grade from no less than 2 (two) rating institutions as provided in Bank Indonesia regulation concerning rating institutions and ratings acknowledge by Bank Indonesia.

- (2) Domestic ratings shall be used for marketable securities denominated in Rupiah currency.

International ratings shall be used for marketable securities denominated in foreign currencies.

- d) Others

Marketable securities included under Others category include all marketable securities that are issued, guaranteed, or guaranteed with securities issued by corporations, banks, public sector entities, multilateral development banks and international institutions that are not categorized under Government of Indonesia, Governments of Other Countries, and Qualifying categories.

Corporations, banks, public sector entities, multilateral development banks and international institutions refer to parties included under Claims To Corporations, Claims To Banks, Claims To Public Sector Entities, and Claims to Multilateral Development Banks and International Institutions as referred to in Bank Indonesia

regulation that provides for guideline for calculation of riskweighted assets for credit risk by using standard approach.

3. Provisions in Attachment 1 Chapter II point 2.e.2) are amended to read as follows:
  - 2) Calculation of Specific Risk  
Calculation of Specific Risk from marketable securities shall be determined from:
    - a) category of issuer; and
    - b) rating and/or remaining time to maturity.
4. Provisions in Attachment 1 Chapter II point 2.f.1) are amended to read as follows:
  - 1) Calculation of Specific Risk  
Calculation of Specific Risk from marketable securities shall be determined from:
    - a) category of issuer; and
    - b) rating and/or remaining time to maturity.
5. Provisions in Attachment 1 Chapter III are deleted.
6. Form I.a in Attachment 2 is amended to become as attached, which is an inseparable part of this Bank Indonesia Circular Letter.
7. Between Chapter IV and Chapter V 2 (two) Chapters are inserted, namely Chapter IVA and Chapter IVB, which read as follows:

#### IVA. TRANSITION

1. In the event the reporting of Specific Risks as referred to in form I.a Attachment 2 of this Bank Indonesia Circular Letter cannot be submitted online through the Commercial Bank Periodic Reports, it shall be submitted offline.
2. This offline report as referred to in number 1 shall be submitted monthly for the position of end of the month and shall be submitted in submission period I as referred to in Bank Indonesia regulation concerning commercial bank periodic reports.
3. In the event the date for report submission as referred to in number 2 falls on Saturday, Sunday, and/or holiday, report submission shall be done in the following working day.
4. The report referred to in number 2 shall be submitted for the first time for the position of end of August 2012, which shall be submitted in the submission period I in September 2012.
5. The report referred to in number 2 shall be submitted to Bank Indonesia at the following addresses:

- a. Relevant Bank Supervision Department, Jalan M.H. Thamrin No. 2, Jakarta 10350, for Banks which head offices are located within the work area of Bank Indonesia head office; or
  - b. Bank Indonesia Representative Office, for Banks which head offices are located outside the work area of Bank Indonesia head office,
- with a copy to Department of Licensing and Information, Jalan M.H. Thamrin No. 2, Jakarta 10350.

#### IVB. IMPOSITION OF SANCTIONS

If in offline submission as referred to in Chapter IVA, Bank does not submit reports or submits reports that are not in line with the provisions, it shall be imposed with sanctions as provided in Article 36 of Bank Indonesia Regulation Number 10/15/PBI/2008 dated 24 September 2008 concerning Commercial Bank Minimum Capital Adequacy Requirement.

This Bank Indonesia Circular Letter becomes effective as of 1 August 2012.

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

Kindly be informed.

BANK INDONESIA

MULIAMAN D. HADAD  
DEPUTY GOVERNOR