

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 21 OF 2011
ON
FINANCIAL SERVICES AUTHORITY

BY THE BLESSINGS OF ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering : a. that to realize the national economy which is capable of growing in a sustainable and stable manner, it requires activities in the financial services sector implemented in an organized, fair, transparent, and accountable manner, as well as capable of realizing the financial system, and capable of protecting the consumers and public interests;

b. that based on the consideration as referred to in point a, it requires the financial services authority which has functions, duties, and authorities to regulate, and to supervise activities in the financial services sector in an integrated, independent, and accountable manner;

c. that based on the considerations as referred to in point a and point b, it is necessary to establish Law on Financial Services Authority.

Observing : 1. Article 5 section (1), Article 20, and Article 33 of the 1945 Constitution of the Republic of Indonesia;

2. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to the State Gazette of the Republic of

Indonesia Number 3843) as frequently amended and last by Law Number 6 of 2009 on Enactment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia becomes the Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to the State Gazette of the Republic Indonesia Number 4962);

With the Joint Approval of:

THE HOUSE OF REPRESENTATIVES

and

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

HAS DECIDED:

To enact : LAW ON FINANCIAL SERVICES AUTHORITY.

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Law:

1. Otoritas Jasa Keuangan, Financial Services Authority, hereinafter referred to as OJK, means an agency which is independent and free from interference by other parties, having the functions, duties, and authorities to regulate, supervise, examine, and investigate as referred to in this Law.
2. Board of Commissioners means the top management of OJK, which is collective and collegial in nature.
3. Executive Head means a member of the Board of Commissioners who is in charge of leading the implementation of the supervision of financial services, activities and reporting performances of its duties to the Board of Commissioners.
4. Financial Services Institutions mean institutions that carry out activities in the sectors of Banking, Capital Market, Insurance, Pension Fund, Financing Institutions, and Other Financial Services Institutions.

5. Banking means all matters that concern about a bank, including the institutions, business activities, as well as the procedures and processes in doing its business activities in the conventional and sharia ways as referred to in the laws on banking and sharia banking.
6. Capital Market means an activity concerned with the public offering and securities trading, the Public Company which is related to the issuance of securities, as well as the institutions and professions which are related to the Securities as referred to in the law on capital market.
7. Insurance means the insurance companies engaged in insurance business sector, namely financial services business to raise public funds through the collection of insurance premiums to provide protection for public users of insurance services against losses due to uncertain events or for a person's life or death, reinsurance business, and businesses supporting the insurance business by conducting insurance intermediary services, insurance loss assessment and actuarial services, as referred to in the law on insurance business.
8. Pension Fund means a legal entity that manages and undertakes programs that promise pension benefits as referred to in the law on pension fund.
9. Financing Institutions mean business entities that carry out financing activities in the form of providing funds or capital goods as referred to in the laws and regulations on financing institutions.
10. Other Financial Services Institutions mean pawnbrokers, guarantee agencies, Indonesia's export financing institutions, secondary housing financing companies, and institutions that manage mandatory public funds, including organizers of social security, pension, and welfare programs, as referred to in the laws and regulations on pawnbrokers, guarantee, Indonesia's export financing institutions, secondary housing financing companies, and management of mandatory public funds, as well as other financial services institutions declared to be under the supervision of OJK in accordance with laws and regulations.

11. OJK Regulations mean written regulations issued by the Board of Commissioners, generally binding, and promulgated in the State Gazette of the Republic of Indonesia.
12. Regulations of the Board of Commissioners mean written regulations issued by the Board of Commissioners and internally binding within OJK.
13. Bank Indonesia means the Central Bank of the Republic of Indonesia as referred to in the 1945 Constitution of the Republic of Indonesia.
14. Deposit Insurance Corporation means the Deposit Insurance Corporation as referred to in the law on deposit insurance corporation.
15. Consumers mean parties who put their funds and/or utilize the services available at the Financial Services Institutions, including, among others, Banking customers, Capital Market investors, Insurance policyholders, and Pension Fund participants, under the laws and regulations in the financial services sector.
16. Government means the government of the Republic of Indonesia.
17. Governor of Bank Indonesia means a leader and concurrently as a member of the Board of Governors of Bank Indonesia.
18. Minister of Finance means the minister who is in charge of the government financial affairs.
19. Chairman of the Board of Commissioners of the Deposit Insurance Corporation means a leader and concurrently as a member of the Board of Commissioners of the Deposit Insurance Corporation.
20. *Ex-officio* means a person's position in a particular institution due to the person's duties and authorities in another agency.
21. Ethics Committee means a supporting body of the Board of Commissioners, which supervises the compliance of the OJK Board of Commissioners, officials and employees with the code of ethics.

22. Audit Board means a supporting body of the Board of Commissioners, which evaluates the implementation of OJK duties and develops OJK auditing standards and risk management.
23. Selection Committee means a committee formed by the President, whose duties are to select and determine candidates of members of the Board of Commissioners to be submitted to the President.
24. Every person means a person or a corporation.
25. Financial System Stability Coordinating Forum means a coordinating forum established to maintain the financial system stability, whose members consist of the Minister of Finance as a coordinator and concurrently as a member, the Governor of Bank Indonesia as a member, the Chairman of the Board of Commissioners of the Deposit Insurance Corporation as a member, and the Chairman of the Board of Commissioners of OJK as a member.

CHAPTER II ESTABLISHMENT, STATUS, AND DOMICILE

Article 2

- (1) OJK is herewith established by this law.
- (2) OJK is an independent institution in carrying out its duties and responsibilities, free from interference by other parties, except for matters expressly governed in this Law.

Article 3

- (1) OJK is domiciled in the capital of the Republic of Indonesia.
- (2) OJK may have offices inside and outside the territory of the Unitary State of the Republic of Indonesia established according to the necessities.

CHAPTER III
OBJECTIVES, FUNCTIONS, DUTIES, AND AUTHORITIES

Article 4

OJK is established with the objectives so that the overall activities in the financial services sector are:

- a. implemented in an organized, fair, transparent and accountable manner;
- b. capable of realizing the financial system that grows in a sustainable and stable manner; and
- c. capable of protecting the Consumers and public interests.

Article 5

The functions of OJK are to establish an integrated regulatory and supervisory system for all activities in the financial services sector.

Article 6

OJK performs its regulatory and supervisory duties over:

- a. financial services activities in the Banking sector;
- b. financial services activities in the Capital Market sector; and
- c. financial services activities in the sectors of Insurance, Pension Fund, Financing Institutions, and Other Financial Services Institutions.

Article 7

In order to perform its regulatory and supervisory duties in the Banking sector as referred to under Article 6 point a, OJK has the following authorities:

- a. regulation and supervision of bank's institutional aspect which include:
 1. licenses for the establishment of banks, bank office opening, articles of association, work plan, ownership, management and human resources, mergers, consolidations and acquisitions of banks, as well as revocation of bank business licenses; and

2. business activities of banks, among others, sources of funds, provision of funds, hybridization products, and activities in the field of services;
- b. regulation and supervision of bank's soundness that include:
 1. liquidity, profitability, solvency, asset quality, the minimum capital adequacy ratio, the maximum lending limit, loan to deposit ratio, and bank reserves;
 2. bank statements relating to bank's soundness and performance;
 3. debtor information system;
 4. credit testing; and
 5. bank accounting standards;
 - c. regulation and supervision of bank prudential aspects, include:
 1. risk management;
 2. governance;
 3. the principles of know your customer and anti money laundering; and
 4. prevention of terrorism financing and banking crimes; and
 - d. bank examination.

Article 8

In order to perform its regulatory duties as referred to in Article 6, OJK has authorities:

- a. to establish implementing regulations for this Law;
- b. to establish laws and regulations in the financial services sector;
- c. to establish OJK regulations and decisions;
- d. to establish regulations on supervision in the financial services sector;
- e. to determine policies regarding the implementation of OJK duties;
- f. to establish regulations on procedures for issuing a written order to the Financial Services Institutions and certain parties;

- g. to establish regulations on procedures for appointing statutory manager at the Financial Services Institutions;
- h. to determine organizational structure and infrastructure, as well as to manage, maintain, and administer assets and liabilities; and
- i. to establish regulations on procedures for imposing sanctions in accordance with the provisions of laws and regulations in the financial services sector.

Article 9

In order to perform its supervisory duties as referred to in Article 6, OJK has authorities:

- a. to determine operational policies of supervision in financial services activities;
- b. to supervise the implementation of supervisory duties that are performed by the Executive Head;
- c. to conduct supervision, inspection, investigation, Consumers protection, and other actions towards Financial Services Institutions, subjects, and/or supporting activities to the Financial Services Institutions as referred to in the laws and regulations in the financial services sector;
- d. to provide written order to the Financial Services Institutions and/or certain parties;
- e. to appoint statutory manager;
- f. to determine the utilization of statutory manager;
- g. to impose administrative sanctions on any party violating the laws and regulations in the financial services sector; and
- h. to issue and/or revoke:
 - 1. business licenses;
 - 2. individual licenses;
 - 3. effective registration statement;
 - 4. registered-license letter;
 - 5. approval of business activities;
 - 6. legalization;
 - 7. approval or determination of liquidation; and
 - 8. other confirmation,as referred to in the laws and regulations in the financial services sector.

CHAPTER IV
BOARD OF COMMISSIONERS

Part One
Structure of the Board of Commissioners

Article 10

- (1) OJK is led by the Board of Commissioners.
- (2) The Board of Commissioners as referred to in section (1) is collective and collegial.
- (3) The Board of Commissioners consists of 9 (nine) members established by Presidential Decree.
- (4) Composition of the Board of Commissioners as referred to in section (3) consists of:
 - a. a Chairman and concurrently as a member;
 - b. a Vice Chairman functioning as the Chairman of the Ethics Committee and concurrently as a member;
 - c. an Executive Head functioning as Banking Supervisor and concurrently as a member;
 - d. an Executive Head functioning as Capital Market Supervisor and concurrently as a member;
 - e. an Executive Head functioning as a Supervisor of Insurance, Pension Fund, Financing Institutions, and Other Financial Services Institutions and concurrently as a member;
 - f. a Chairman of Audit Board and concurrently as a member;
 - g. a member in charge of the education and protection of Consumers;
 - h. an *Ex-officio* member from Bank Indonesia, who is a member of the Board of Governors of Bank Indonesia; and
 - i. an *Ex-officio* member from the Ministry of Finance, who is an echelon I level official at the Ministry of Finance.
- (5) The members of the Board of Commissioners as referred to in section (4) have equal voting rights.

Part Two
Appointment and Dismissal

Article 11

- (1) The members of the Board of Commissioners as referred to in Article 10 section (4) point a to point g are selected by the House of Representatives from the candidates proposed by the President.
- (2) The selection and determination of candidate members of the Board of Commissioners to be proposed to the President as referred to in section (1) is conducted by a Selection Committee which is formed by a Presidential Decree:
 - a. within a minimum of 6 (six) months before the term of office of members of the Board of Commissioners has ended; or
 - b. within a maximum of 2 (two) months from the date of the vacancy or the dismissal of members of the Board of Commissioners for the reasons as referred to in Article 17 section (1) point a, point b, point d, point e, point f, point g, point h, point i, and/or point j.
- (3) The Selection Committee as referred to in section (2) consists of 9 (nine) members representing the elements of the Government, Bank Indonesia, and public.
- (4) The Selection Committee announces the recruitment of candidates for the Board of Commissioners as referred to in section (1) to the public not later than 5 (five) work days after the determination of the Selection Committee as referred to in section (2).
- (5) The registration of candidates is conducted within 12 (twelve) consecutive work days.
- (6) The Selection Committee conducts an administrative selection of candidates of members of the Board of Commissioners as referred to in section (5).
- (7) The Selection Committee announces the names of candidates who have passed the administrative selection to obtain public opinions not later than 5 (five) work days from the end of the registration period as referred to in section (5).

- (8) The opinions as referred to in section (7) are submitted to the Selection Committee within 12 (twelve) work days from the date of announcement.
- (9) The Selection Committee conducts the assessment and selection as well as presents 3 (three) candidates for every member of the Board of Commissioners to the President, within a maximum of 12 (twelve) work days commencing from the end of the period as referred to in section (8).

Article 12

- (1) The President selects and presents 2 (two) candidates for every member of the Board of Commissioners to the House of Representatives, not later than 12 (twelve) work days commencing from the date of the candidate names received from the Selection Committee as referred to in Article 11 section (9).
- (2) From the candidate members of the Board of Commissioners as referred to in section (1), the President proposes 2 (two) candidates to be selected by the House of Representatives as the Chairman of the Board of Commissioners.
- (3) Candidates for the Board of Commissioners who are not selected to be the Chairman of the Board of Commissioners as referred to in section (2) are engaged in the selection for members of the Board of Commissioners by the House of Representatives.
- (4) House of Representatives votes for candidate members of the Board of Commissioners to fulfill the required number of members of the Board of Commissioners, not later than 45 (forty five) work days since the names of candidates for the Board of Commissioners are received from the President as referred to in section (1).
- (5) Selected candidates for the Board of Commissioners are presented by the House of Representatives to the President not later than 5 (five) work days since the selection process for the Board of Commissioners is completed as referred to in section (4).

- (6) The President appoints and determines selected members of the Board of Commissioners not later than 30 (thirty) work days commencing from the date of the names of selected members of the Board of Commissioners received from the House of Representatives.

Article 13

- (1) The members of the Board of Commissioners as referred to in Article 10 section (4) point h are appointed and determined by the President on the recommendation of the Governor of Bank Indonesia.
- (2) The members of the Board of Commissioners as referred to in Article 10 section (4) point i are appointed and established by the President on the recommendation of the Minister of Finance.

Article 14

- (1) The Chairman, Vice Chairman, and members of the Board of Commissioners are appointed and established by Presidential Decree.
- (2) The division of tasks among members of the Board of Commissioners as referred to in Article 10 section (4) point b to the point g is decided based on the meeting of the Board of Commissioners and enforced by the Decree of the Board of Commissioners.
- (3) The members of the Board of Commissioners as referred to in Article 10 section (4) point a to point g are appointed for a term of 5 (five) years and may be reappointed for 1 (one) more term.

Article 15

Qualifications required of candidates for the Board of Commissioners as referred to in Article 10 section (4) point a to point g are as follows:

- a. citizens of Indonesia;
- b. to have good character, morals, and integrity;
- c. competent for legal actions;

- d. to have never been declared bankrupt nor have been involved in a company as board of directors that cause the company's bankruptcy;
- e. physically healthy;
- f. a maximum of 65 (sixty five) years old at the time specified;
- g. to have experience or expertise in the financial services sector; and
- h. to have never been sentenced to prison by a court ruling with final legal force for committing a criminal act with 5 (five) years of imprisonment or more.

Article 16

- (1) A Chairman, a Vice Chairman, and members of the Board of Commissioners before taking office are obliged to take an oath or pledge according to their religions or believes before the Supreme Court.

- (2) The sound of pronunciation of oath or pledge as referred to in section (1) is as follows:

"I swear/pledge that I, to become the Chairman/Vice Chairman/member of the Board of Commissioners of OJK, directly or indirectly, in whatsoever name and reason do not give or promise to give anything to anyone".

"I swear/pledge that I, when doing or not doing something in this position, do not receive, directly or indirectly, from anyone any promise or gift of any kind".

"I swear/pledge that I will carry out the duties and obligations as the Chairman/Vice Chairman/member of the Board of Commissioners OJK in the best way and with full sense of responsibility under laws and regulations relating to the duties and obligations".

"I swear/pledge that I will be faithful to the Unitary State of the Republic of Indonesia and the 1945 Constitution of the Republic of Indonesia".

Article 17

- (1) The members of the Board of Commissioners cannot be terminated before their term ends, except for the following reasons:

- a. death;
 - b. resignation;
 - c. term of office has ended and they are not re-appointed;
 - d. permanently unable to continue the performance of duties or medically declared to be unable to perform duties for more than 6 (six) consecutive months;
 - e. not performing duties as a member of the Board of Commissioners for more than 3 (three) consecutive months with an unacceptable and unaccountable reason;
 - f. no longer a member of the Board of Governors of Bank Indonesia for the *Ex-officio* member of the Board of Commissioners from Bank Indonesia as referred to in Article 10 section (4) point h;
 - g. no longer an echelon I level official at the Ministry of Finance for the *Ex-officio* member of the Board of Commissioners from the Ministry of Finance as referred to in Article 10 section (4) point i;
 - h. having family ties until the second-degree family ties and/or related by marriage to another member of the Board of Commissioners and neither resigns from their posts;
 - i. violate the code of ethics; or
 - j. no longer meeting one of the conditions as referred to in Article 15 and violating the prohibitions as referred to in Article 22.
- (2) The termination as referred to in section (1) is proposed by the Board of Commissioners to the President for the determination.

Part Three

Interim Replacement

Article 18

- (1) In the event that a member of the Board of Commissioners as referred to in Article 10 section (4), point a to point g, is dismissed for reasons as referred to in Article 17 section (1)

point a, point b, point d, point e, point f, point g, point h, point i, and/or point j, interim replacement of members of the Board of Commissioners is executed in accordance with the procedure of the Board of Commissioners appointment procedure as governed in this Law.

- (2) The interim members of the Board of Commissioners are appointed to replace the dismissed members as referred to in section (1) and continue the remaining term of office of the respective members.
- (3) The replacement of members of the Board of Commissioners as referred to in section (1) does not take place if the remaining term of office of the dismissed members is less than 1 (one) year.

Article 19

- (1) In the event that the Chairman of the Board of Commissioners is dismissed for reasons as referred to in Article 17 section (1), the Vice Chairman of the Board of Commissioners acts as a caretaker to carry out the duties and authorities of the Chairman of the Board of Commissioners until the new Chairman of the Board of Commissioners is appointed.
- (2) In the event that the Vice Chairman of the Board of Commissioners is dismissed for reasons as referred to in Article 17 section (1), the Chairman of the Board of Commissioners acts as caretaker to perform the duties and authorities of the Vice Chairman of the Board of Commissioners until the selected Vice Chairman of the Board of Commissioners is appointed.
- (3) In the event that the Chairman and Vice Chairman of the Board of Commissioners are terminated for the reasons as referred to in Article 17 section (1), based on the consent of the Board of Commissioners, one of the members of the Board of Commissioners as referred to in Article 10 section (4) point c to point g acts as a temporary officer to carry out the duties and authorities of the Chairman and/or Vice Chairman of the Board of Commissioners until the new

Chairman and/or Vice Chairman of the Board of Commissioners is appointed.

- (4) In the event that a member of the Board of Commissioners as referred to in Article 10 section (4) point c to point g is terminated for the reasons as referred to in Article 17 section (1), based on the consent of the Board of Commissioners, one of the members of the Board of Commissioners, with the exception of the Board of Commissioners of *Ex-officio* as referred to in Article 10 section (4) and the point h and point i, acts as a temporary officer to carry out the duties and authorities of the Board of Commissioners member until a new member is appointed.

Part Four

Duties and Authorities

Article 20

The regulatory duties as referred to in Article 6 is performed by the Board of Commissioners.

Article 21

In carrying out the authorities as referred to in Article 6, the Board of Commissioners establishes the OJK Regulations, the Board of Commissioners Regulation, and/or Decree of the Board of Commissioners.

Part Five

Prohibitions

Article 22

The members of the Board of Commissioners are prohibited from:

- a. having a conflict of interest within the Financial Services Institutions supervised by OJK;
- b. resuming a position within implementing or professional organizations under the Financial Services Institutions;
- c. resuming a position within a political party, and
- d. holding positions at other institutions, except in conjunction of exercising functions, duties and authorities of OJK

and/or assignment in accordance with the provisions of laws and regulations.

Article 23

- (1) Family ties to the second degree and kinship by marriage amongst members of the Board of Commissioners are prohibited.
- (2) If intermembers of the Board of Commissioners are proved ties to kinship as referred to in section (1), one of them must resign from office within 30 (thirty) days since the date the kinship is revealed.
- (3) In the event that none of the members of the Board of Commissioners as referred to in section (2) resigns, all members of the Board of Commissioners who belong to such kinship are dismissed from office by the President.

Part Six

Meetings and Decision Making

Article 24

- (1) The Board of Commissioners holds regular meeting of the Board of Commissioners at least 1 (one) time in 2 (two) weeks or at any time requested by one of the members of the Board of Commissioners.
- (2) The Chairman of the Board of Commissioners leads the meeting.
- (3) In the event that the Chairman of the Board of Commissioners is absent, the Vice Chairman of the Board of Commissioners leads the meeting.
- (4) In the event that the Chairman and Vice Chairman of the Board of Commissioners as referred to in section (2) and section (3) is absent, based on the consensus of the Board of Commissioners, one member of the Board of Commissioners is appointed to lead the meeting of the Board of Commissioners.
- (5) The meeting of the Board of Commissioners is declared valid if attended by more than half (one half) of the total members of the Board of Commissioners.

- (6) The decision making by the Board of Commissioners is performed by deliberation to reach consensus.
- (7) In the event that such deliberation to reach a consensus as referred to in section (6) fails, decision is determined by majority vote.
- (8) Minutes of meeting is created for every meeting of the Board of Commissioners, and is signed by all members of the Board of Commissioners in attendance.
- (9) Further provisions regarding the procedures of the Board of Commissioners meeting are regulated by the Board of Commissioners.

Part Seven
Miscellaneous

Article 25

- (1) The Board of Commissioners represents OJK in litigation and non-litigation.
- (2) The Board of Commissioners may delegate the representation authorities as referred to in section (1) to one or more members of the Board of Commissioners, and/or to OJK officials or other parties representing OJK, that is specifically authorized for the representation purpose.
- (3) Provisions concerning procedures for the assignment and delivery of power to other parties as referred to in section (2) are under Regulation of the Board of Commissioners.

CHAPTER V
ORGANIZATION AND EMPLOYMENT

Article 26

- (1) To support the smooth implementation of the functions, duties and authorities of OJK, the Board of Commissioners forms the organization.
- (2) To support the smooth implementation of the functions, duties and authorities of OJK, the Board of Commissioners forms supporting organizations that include secretariat, the

Audit Board, the Ethics Committee, and other organizations as needed.

- (3) To support the smooth implementation of the functions, duties and the authorities of OJK, the Board of Commissioners may appoint expert staffs.
- (4) Further provisions on the organization and functioning of OJK are regulated by the Board of Commissioners.

Article 27

- (1) The Board of Commissioners appoints and dismisses officers and employees of OJK.
- (2) OJK may employ public servants in accordance with the provisions of laws and regulations.
- (3) Further provisions regarding employment are under Regulation of the Board of Commissioners.

CHAPTER VI

CONSUMERS AND PUBLIC PROTECTION

Article 28

For the Consumers and public protection, OJK is authorized to take necessary actions to prevent Consumers and public from losses, including:

- a. providing information and education in the characteristic of financial services sector, services and products to the public;
- b. ordering the Financial Services Institutions to stop their activities if such activities are potential to cause losses to public; and
- c. other actions deemed necessary in accordance with the provisions of laws and regulations in the financial services sectors.

Article 29

OJK provides complaint services of Consumers including:

- a. preparing an adequate system and infrastructure for complaint services of Consumers who suffer from losses committed by the perpetrator at the Financial Services Institution;

- b. making the complaints mechanism of Consumers who suffer from losses committed by perpetrators at the Financial Services Institutions; and
- c. facilitating complaints settlement of Consumers who suffer from losses committed by the perpetrators at Financial Services Institutions in accordance with laws and regulations in the financial services sector.

Article 30

- (1) For the Consumers and public protection, OJK is authorized to perform legal defense including:
 - a. ordering or performing certain actions against Financial Services Institutions to resolve any complaint of Consumers who suffer from losses committed by the Financial Services Institutions;
 - b. filing a lawsuit:
 - 1. to recover property owned by the injured party from any party that causes losses, both under control of the party causing the losses and under control of another party in a bad faith; and/or
 - 2. to obtain compensation from the party that causes losses to the Consumers and/or the Financial Service Institutions as a result of violation against laws and regulations in the financial services sector.
- (2) The compensation as referred to in section (1) point b number 2 is used only for compensation payment to the injured party.

Article 31

Further provisions regarding the Consumers and public protection are under the Regulation of the Financial Services Authority.

CHAPTER VII
CODE OF ETHICS AND CONFIDENTIAL INFORMATION

Part One
Code of Ethics

Article 32

- (1) The Board of Commissioners establish and enforce the OJK code of ethics.
- (2) Further provisions regarding the code of ethics as referred to in section (1) are regulated by the Board of Commissioners.

Part Two
Confidentiality of Information

Article 33

- (1) Every person who serves or has served as a member of the Board of Commissioners, officers or employees OJK are prohibited from using or disclosing any information that is confidential to any other party, except otherwise is required in the implementation of functions, duties, and authorities based on the decision of OJK or required by the Law.
- (2) Every person who acts for and on behalf of OJK, which is employed in OJK, or as an expert staff in OJK, is prohibited from using or disclosing any information that is confidential to any other party, except in the context of the functions, duties, and authorities based on OJK's decision or required by the Law.
- (3) Every person who knows the information that is confidential, either because of his position, his profession, as a supervised party, or any relationship with OJK, is prohibited from using or disclosing such information to other parties, except otherwise is required in the implementation of functions, duties, and authorities based on OJK's decision or required by the Law.
- (4) Violations against the provisions of section (1), section (2), and section (3) may be subject to administrative sanctions

and/or other sanctions in accordance with the provisions of laws and regulations.

- (5) Further provisions regarding confidentiality, use and disclosure of information as referred to in section (1), section (2), and section (3), are regulated by the Board of Commissioners.

CHAPTER VIII WORK PLAN AND BUDGET

Article 34

- (1) Board of Commissioners prepare and determine the OJK work plan and budget.
- (2) OJK budget is sourced from the State Budget and/or levies from parties who carry out activities in the financial services sector.
- (3) Further provisions regarding the OJK work plan and budget as referred to in section (1) are under the Regulation of the Board of Commissioners.

Article 35

- (1) The OJK budget as referred to in Article 34 section (2) is used to finance operational, administrative, and asset-procuring activities, as well as other supporting activities.
- (2) The budget and the use of budget to finance the activities referred to in section (1) are determined based on a reasonable standard in the financial services sector and are exempted from the standard of common costs, the process of procurement of goods and services, and the remuneration system as regulated in the laws and regulations on the State Budget, procurement of goods and services of the Government, and the remuneration system.
- (3) To support the operational activities of OJK, the Government may perform an initial placement of funds to OJK.
- (4) Further provisions on standard costs, the process of procurement of goods and services, and the remuneration

system is under the Regulation of the Board of Commissioners.

Article 36

For the determination of the budget as referred to in Article 34 section (1) and section (2), OJK obtains approval from the House of Representatives.

Article 37

- (1) OJK charges the levies to the parties who carry out activities in the financial services sector.
- (2) The parties who conduct activities in the financial services sector are obligated to pay levies imposed by OJK as referred to in section (1).
- (3) The levies as referred to in section (1) are revenue for OJK.
- (4) OJK receives, manages, and administers the levies as referred to in section (3) in an accountable and independent manner.
- (5) In the event that the levies received in the current year exceed the needs of OJK for the next financial year, the excess is deposited into the State Treasury.
- (6) Further provisions regarding the levies as referred to in section (1) is regulated in Government Regulation.

CHAPTER IX

REPORTING AND ACCOUNTABILITY

Article 38

- (1) OJK is obligated to prepare financial statements which consist of semi-annual and annual financial statements.
- (2) OJK is obligated to prepare activity reports which consist of monthly, quarterly, and annual activity reports.
- (3) In the event that the House of Representatives requires an explanation, OJK must submit a report.
- (4) The period of the financial statements as referred to in section (1) is 1 January to 31 December.

- (5) OJK is obligated to submit quarterly activity reports as referred to in section (2) to the House of Representatives as a form of public accountability.
- (6) The annual activity report as referred to in section (2) is submitted to the President and the House of Representatives.
- (7) For the preparation of financial statements as referred to in section (1), the Board of Commissioners determines OJK accounting standards and policies.
- (8) The annual financial report as referred to in section (1) is audited by the Audit Board of the Republic of Indonesia or Public Accounting Firm appointed by the Audit Board of the Republic of Indonesia.
- (9) OJK is obligated to publish an annual report to public through print media and electronic media.
- (10) Further provisions on the form and structure of the financial statements as referred to in section (1) and activity reports as referred to in section (2), as well as the procedure, form, and arrangement of the report which is announced to the public is regulated by the Board of Commissioners.

CHAPTER X INSTITUTIONAL RELATIONS

Part One Coordination and Cooperation

Article 39

In performing its duties, OJK coordinates with Bank Indonesia in making regulations in the field of banking supervision, among others:

- a. compliance with minimum capital requirements of the bank;
- b. integrated banking information system;
- c. policy of receipt of funds from overseas, receipt of funds in foreign, and foreign commercial loans;
- d. banking products, derivative transactions, other business activities of bank;

- e. determination of banking institutions that belong into the systemically important bank category, and
- f. other data that are exempted from the provisions on confidentiality of information.

Article 40

- (1) In the event that Bank Indonesia to carry out its functions, duties and authorities require to specifically examine a particular bank, Bank Indonesia may conduct a direct examination of the bank by submitting prior written notification to OJK.
- (2) In conducting the examination as referred to in section (1), Bank Indonesia cannot provide an assessment of a bank's soundness level.
- (3) Report of the results of bank examinations as referred to in section (1) submitted to OJK within a maximum of 1 (one) month from the issuance of examination report.

Article 41

- (1) OJK informs the Deposit Insurance Corporation about the troubled bank's restructuring efforts by OJK as referred to in laws and regulations.
- (2) In the event that OJK indicates certain banks experiencing liquidity difficulties and/or worsening soundness, OJK will immediately inform the Bank Indonesia to take measures in accordance with the authority of Bank Indonesia.

Article 42

The Deposit Insurance Corporation may conduct an examination of the related bank in accordance with its functions, duties and authorities, and coordinate in advance with OJK.

Article 43

OJK, Bank Indonesia, and the Deposit Insurance Corporation are obligated to establish and maintain an integrated means for information exchanges.

Part Two
Coordination Protocol

Article 44

- (1) To maintain the stability of the financial system, set up the Financial System Stability Forum Coordination with members consisting of:
 - a. the Minister of Finance as a member and concurrently as a coordinator;
 - b. the Governor of Bank Indonesia as a member;
 - c. the Chairman of the Board of Commissioners OJK as a member; and
 - d. the Chairman of the Board of Commissioners Deposit Insurance Corporation as a member.
- (2) The Financial System Stability Coordinating Forum assisted by secretariat that is chaired by an echelon I official at the Ministry of Finance.
- (3) Decision-making in the meeting of the Financial System Stability Coordinating Forum is based on consultation and consensus.
- (4) In the event that deliberation to reach a consensus as referred to in section (3) fails, then the decision-making is done by a majority vote.

Article 45

- (1) In normal conditions, the Coordination Forum of Financial System Stability:
 - a. is obligated to conduct monitoring and evaluation of financial system stability;
 - b. conducts meetings at least 1 (one) time in 3 (three) months;
 - c. makes recommendations to each member how to take action and/or create policies maintain financial system stability, and
 - d. exchanges information.
- (2) In abnormal conditions for the prevention and handling of the crisis, where the Minister of Finance, the Governor of

Bank Indonesia, Chairman of the Board of Commissioners OJK, and/or Chairman of the Board of Commissioners of the Deposit Insurance Corporation that indicate a potential crisis or a crisis that has occurred in the financial system, each may propose immediate meeting to the Coordination Forum for Financial System Stability to decide the measures of prevention or crisis management.

- (3) The Minister of Finance, the Governor of Bank Indonesia, Chairman of the Board of Commissioners OJK, and Chairman of the Board of Commissioners of the Deposit Insurance Corporation are authorized to take and implement decisions for and on behalf of the institution he represents in the context of Coordination of Financial System Stability Forum's decision making in abnormal conditions as referred to in section (2).
- (4) Coordination of Financial System Stability Forum formulates and implements policies that are needed in order to prevent and handle crises in the financial system in accordance with their respective authorities.
- (5) The decision of the Financial System Stability Forum Coordination associated with the completion and handling of a bank failure, is suspected to bring systemic impacts that bind the Deposit Insurance Corporation.

Article 46

- (1) The Policy of the Financial System Stability Forum Coordination related to state finance must be filed for approval by the House of Representatives.
- (2) Decisions of the House of Representatives are determined within a period of 24 (twenty-four) hours from the submission of the approval as referred to in section (1) is received by the House of Representatives.

Part Three

International Relations

Article 47

- (1) OJK may cooperate with supervisory authorities of the Financial Services Institutions in other countries and

international organizations and other international agencies, among others, in the field and/or activities as follows:

- a. institutional capacity building including training of human resources in the field of regulation and supervision of the Financial Services Institutions;
 - b. information exchange; and
 - c. cooperation in the framework of the examination and investigation and prevention of crime in the financial sectors.
- (2) OJK may become a member of international financial service authority organizations.
- (3) In the event of approval of international agreements in the financial services sector brings legal consequences and impact on the national financial system, OJK must obtain confirmation from the House of Representatives.
- (4) OJK may cooperate and provide assistance in the framework of the examination and investigation conducted the supervisory authorities of the Financial Services Institutions in other countries based on a written request.
- (5) The cooperation and assistance in the framework of the examination and investigation as referred to in section (4) may be executed if:
- a. the supervisory authorities of the Financial Services Institutions in other countries have reciprocal agreements of cooperation with OJK; and
 - b. implementation of the cooperation and assistance is not contradictory to public interest.
- (6) The cooperation and assistance in the framework of the investigation as referred to in section (4) may be executed if:
- a. the supervisory authorities of the Financial Services Institutions in other countries have reciprocal agreements of cooperation with OJK; and
 - b. implementation of the cooperation and assistance is conducted in accordance with the provisions of legislation in the field of mutual cooperation in criminal cases.

Article 48

All forms of international cooperation, including in the areas of regulation, supervision, and investigation, are obligated to be based on the principle of balanced reciprocity.

CHAPTER XI
INVESTIGATION

Article 49

- (1) In addition to Investigators of the National Police of the Republic of Indonesia, Officers of certain Civil Servants whose scope of duties and responsibilities including supervising financial services sector within OJK, they are given a special authority as investigators as referred to in the Criminal-Law Procedural Code.
- (2) Public servants as referred to in Article 27 section (2) may be appointed as the Civil Servant Investigators as referred to in section (1).
- (3) Civil Servant Investigators as referred to in section (1) are authorized:
 - a. to receive reports, notices, or complaints from individuals concerning a criminal act in the financial services sector;
 - b. to examine the truth in reports or information relating to criminal acts in the financial services sector;
 - c. to conduct examination of any person suspected of committing or engaging in criminal acts in the financial services sector;
 - d. to summon, to examine, and to request information and evidence from every person suspected of having committed, or as a witness in a criminal act in the financial services sector;
 - e. to conduct examination of book keepings, records and other documents relating to criminal acts in the financial services sector;
 - f. to search at any given place alleged any bookkeeping evidences, records and other documents and confiscate

- goods that may be used as evidence in criminal cases in the financial services sector;
- g. to inquire data, documents, or other evidence, both printed and electronic to telecommunications service providers;
 - h. in particular circumstances, to request the appropriate authorities to take precautions against those who are suspected of committing criminal acts in the financial services sector, in accordance with the provisions of laws and regulations;
 - i. to request assistance of other law enforcement officers;
 - j. to request information from banks about the financial conditions of the parties suspected of committing or involved in the alleged conduct or violation of laws and regulations in the financial services sector;
 - k. to block account with a bank or other financial institutions of the parties suspected of committing or involved in the alleged conduct or violation of laws and regulations in the financial services sector;
 - l. to ask for expert assistance in exercising of the duties of investigation of criminal acts in the financial services sector; and
 - m. to state when the investigation begins and ceases.

Article 50

- (1) Civil Servant Investigators as referred to in Article 49 convey the results of investigations before the Attorney for prosecution purposes.
- (2) Attorneys are obligated to follow up and decide on appropriate follow-up results of the investigation in accordance with their authorities, within not later than 90 (ninety) days of receipt of the results of the investigation as referred to in section (1).

Article 51

- (1) Civil Servant Investigators employed in OJK may only be withdrawn from the position within a minimum of 6 (six) months notice before withdrawal and are not handling cases at the moment.

- (2) Civil Servant Investigators must cooperate with relevant agencies.

CHAPTER XII CRIMINAL PROVISIONS

Article 52

- (1) Every person who violates the provisions of Article 33 section (1), section (2), and/or section (3), shall be punished with imprisonment for a maximum of 6 (six) years and fined up to a maximum of Rp15,000,000,000.00 (fifteen billion rupiah).
- (2) If the violation of the provisions of Article 33 section (2) and/or section (3) is perpetrated by a corporation, shall be punished with a fine of up to Rp45,000,000,000.00 (forty-five billion rupiah) and/or by the amount of loss incurred by the violation.

Article 53

- (1) Every person who intentionally ignores, does not meet, or impedes the implementation of the authorities of OJK as referred to in Article 9 point c, point d, point e, point f, point g, and/or Article 30 section (1) point a, shall be punished with imprisonment for a minimum of 2 (two) years and fined up to a minimum of Rp5,000,000,000.00 (five billion rupiah) or with imprisonment for a maximum of 6 (six) years and a fine of up to a maximum of Rp15,000,000,000.00 (fifteen billion rupiah).
- (2) If a violation as referred to in section (1) is perpetrated by a corporation, shall be punished with a fine of up to a minimum of Rp15.000.000.000, 00 (fifteen billion rupiah) or a maximum of Rp45,000,000,000.00 (forty-five billion rupiah).

Article 54

- (1) Every person who intentionally ignores and/or implements written order as referred to in Article 9 point d or statutory duty to use manager as referred to in Article 9 point f, shall

be punished with imprisonment of a minimum of 2 (two) years and fined up to a minimum of Rp5,000,000,000.00 (five billion rupiah) or with imprisonment of a maximum of 6 (six) years and a fine of up to a maximum of Rp15,000,000,000.00 (fifteen billion rupiah).

- (2) If the violation as referred to in section (1) is perpetrated by a corporation, the corporation shall be punished with a fine of up to a minimum of Rp15,000,000,000.00 (fifteen billion rupiah) or a maximum of Rp45,000,000,000.00 (forty-five billion rupiah).

Chapter XIII

TRANSITIONAL PROVISIONS

Article 55

- (1) Since 31 December 2012, the functions, duties, as well as regulatory and supervisory authorities of financial services activities in the sectors of Capital Market, Insurance, Pension Fund, Financing Institutions, and Other Financial Services Institutions are transferred from the Minister of Finance and the Capital Market and Financial Institution Supervisory Agency to OJK.
- (2) Since 31 December 2013, the functions, duties, as well as regulatory and supervisory authorities of financial services activities in the banking sector are transferred from Bank Indonesia to OJK.

Article 56

- (1) Within a maximum of 8 (eight) months since this Law is promulgated, the President appoints and determines members of the Board of Commissioners for the first time with the arrangement as referred to in Article 10 section (4) in accordance with the procedure regulated in Article 11 section (1), section (3) to section (9), Article 12 section (1) to section (3) and section (6), Article 13 and Article 14.
- (2) The Members of the Board of Commissioners as referred to in section (1) are appointed for a term of 5 (five) years.

- (3) Not later than 60 (sixty) days since this Law is promulgated, the President forms the Selection Committee to nominate candidates for the Board of Commissioners for the first time with the membership as referred to in Article 11 section (3).
- (4) The House of Representatives votes for candidate members of the Board of Commissioners according to the required number of members of the Board of Commissioners, not later than 30 (thirty) days after the names of candidates have been received from the President.
- (5) Selected candidates for the Board of Commissioners are presented by the House of Representatives to the President not later than 7 (seven) days from the completion of the selection process as referred to in section (4).

Article 57

- (1) Since this Law is promulgated until the members of the Board of Commissioners are determined as referred to in Article 56 section (1), the Ministry of Finance assisted by Bank Indonesia prepares:
 - a. organizational structure, duties and functions, design and construction of infrastructure and information technology, human resource systems, and standard operating procedures;
 - b. work plan and budget for fiscal year 2013;
 - c. OJK officers and employees;
 - d. officers and employees of the Board of Commissioners' supporting organs; and
 - e. other necessary matters in order to transfer the functions, duties, and regulatory and supervisory authorities of financial services activities in the sector of financial services from Bank Indonesia, the Minister of Finance, and the Capital Market and Financial Institution Supervisory Agency to OJK.
- (2) The Ministry of Finance presents the results of the preparations as referred to in section (1) to the Board of Commissioners of OJK to be determined.

Article 58

Not more than 7 (seven) months since this Law is promulgated, the Governor of Bank Indonesia and the Minister of Finance proposes candidates for the *Ex-officio* members of the Board of Commissioners, from Bank Indonesia as referred to in Article 10 section (4) point h and from the Ministry of Finance as referred to in Article 10 section (4) point i, to the President to be appointed and established as members of the Board of Commissioners.

Article 59

From the appointment of members of the Board of Commissioners as referred to in Article 56 section (1) until the transfer of functions, duties and authorities as referred to in Article 55, the Board of Commissioners:

- a. determines organizational structure, duties and functions, the design and structure of infrastructure and information technology, human resource systems, and standard operating procedures;
- b. determines OJK work plan and budget for fiscal year 2013;
- c. appoints OJK officers and employees;
- d. appoints officers and employees of Board of Commissioners' supporting organs; and
- e. organizes other necessary matters in order to transfer the functions, duties, as well as regulatory and supervisory authorities of financial services activities in the sector of financial services from Bank Indonesia, the Minister of Finance, and the Capital Market and Financial Institution Supervisory Agency to OJK.

Article 60

- (1) Within a maximum of 1 (one) month after the appointment of members of the Board of Commissioners as referred to in Article 56 section (1), the Board of Commissioners form a transition team in coordination with the Minister of Finance and Governor of Bank Indonesia.

- (2) The Minister of Finance and the Governor of Bank Indonesia propose members of the transition team to the Board of Commissioners within a maximum of 14 (fourteen) days upon receiving the request point for transition team members from the Board of Commissioners.
- (3) The Board of Commissioners establishes a transition team based on the recommendation from the Minister of Finance and the Governor of Bank Indonesia.

Article 61

- (1) The transition team as referred to in Article 60 section (1) have the duty to assist the smooth implementation of the duties of the Board of Commissioners as referred to in Article 59.
- (2) In performing its duty, the transition team is authorized to identify and verify the assets, infrastructure, information, documents, and others related to the regulation and supervision of the Financial s and arrange for the transfer of those items to OJK.
- (3) The transition team is required to report the implementation of its duties and authorities as referred to in section (1) and section (2) to the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners of OJK.
- (4) The Minister of Finance, the Governor of Bank Indonesia, the transition team, or officers and employees in the Ministry of Finance and Bank Indonesia who are related to the functions, duties, and regulatory and supervisory authorities of the Financial Services Institutions, are obligated to assist the implementation of the duties of the Board of Commissioners as referred to in Article 59.
- (5) The Governor of Bank Indonesia, the Minister of Finance, and/or Chairman of the Board of Commissioners of OJK report the progress of transferring the functions, duties and authorities from Bank Indonesia, Ministry of Finance, and the Capital Market and Financial Institution Supervisory Agency to OJK at least 1 (one) time every 3 (three) months to the House of Representatives.

Article 62

Not later than 2 (two) months since the appointment of members of the Board of Commissioners as referred to in Article 56 section (1), the Board of Commissioners establishes the OJK organizational structure, duties and functions, standard operating procedures, and design of infrastructure.

Article 63

- (1) At least 3 (three) months before the transfer of functions, duties and authorities as referred to in Article 55, the Chairman of the Board of Commissioners submits a written request of the proposed names of officers and employees to the Governor of Bank Indonesia and the Minister of Finance to be transferred or employed under OJK.
- (2) At least 2 (two) months before the transfer of functions, duties and authorities as referred to in Article 55, the Governor of Bank Indonesia and the Minister of Finance propose the names of officers and employees of Bank Indonesia and Ministry of Finance, as requested by the Chairman of the Board of Commissioners, to be transferred to or employed under OJK.
- (3) To meet the needs of OJK, in addition to officers and employees as referred to in section (2), the Board of Commissioners conducts an open recruitment for officers and employees.
- (4) At least 1 (one) month before the transfer of functions, duties and authorities as referred to in Article 55, the Board of Commissioners decides the officers and employees recruited by OJK.

Article 64

- (1) Commencing from the transfer of functions, duties and authorities as referred to in Article 55:
 - a. officers and/or employees of the Capital Market and Financial Institution Supervisory Agency; and
 - b. officers and/or employees of Bank Indonesia who carry out the functions, duties and regulatory and

supervisory authorities of the banking sector, as referred to in Article 63 section (4) are transferred to be employed under OJK.

- (2) The officers and/or employees transferred and employed under OJK as referred to in section (1) are obligated to work for OJK for at least:
 - a. 1 (one) of for the officers and/or employees who come from the Capital Market and Financial Institution Supervisory Agency; and
 - b. 3 (three) years for officers and/or employees from Bank Indonesia.
- (3) Officers and/or employee referred to in section (2) are required to determine their choice of status, as officers and/or employees of OJK or:
 - a. as officers and/or employees of the Ministry of Finance, within a maximum of 3 (three) months after the transfer of functions, duties and authorities as referred to in Article 55, for the officers and/or employees who come from the Capital Market and Financial Institution Supervisory Agency; and
 - b. as officers and/or employees of Bank Indonesia, within a maximum of 2 (two) years after the transfer of functions, duties and authorities as referred to in Article 55, for the officials and/or employees who come from Bank Indonesia.
- (4) Officers and/or employees as referred to in section (1) and officers and/or employees of OJK as referred to in section (3) are granted their entitlements in accordance with regulations of OJK, not less than what they have already received prior to and during the transfer process.

Article 65

- (1) Commencing from the transfer of functions, duties and authorities as referred to in Article 55:
 - a. assets and documents that are owned and/or used by Bank Indonesia in implementing its functions, duties and regulatory and supervisory authorities in the banking sector; and

- b. State assets and documents that are owned and/or used by the Ministry of Finance and the Capital Market and Financial Institution Supervisory Agency in the implementation of the functions, duties, and authorities in the regulation and supervision of the Capital Market, Insurance, Pension Fund, Financing Institutions, and Other Financial Services Institutions, may be used by OJK.
- (2) The use of assets, state assets, and the documents as referred to in section (1) is determined by a joint decision or the decision of the Minister of Finance, the Governor of Bank Indonesia, and the Chairman of the Board of Commissioners which is determined at least 1 (one) month before the transfer of functions, duties, and authorities as referred to in Article 55.

Article 66

- (1) Since this Law is promulgated until the transfer of functions, duties and authorities as referred to in Article 55:
- a. Bank Indonesia continues to perform its functions, duties and regulatory and supervisory authorities of financial services activities in the banking sector; and
 - b. the Minister of Finance and the Capital Market and Financial Institution Supervisory Agency continue to perform their functions, duties and regulatory and supervisory authorities of financial services activities in the sectors of Capital Market, Insurance, Pension Fund, Financing Institutions, and Other Financial Institutions.
- (2) Bank Indonesia, the Minister of Finance, and the Capital Market and Financial Institution Supervisory Agency submit a report on the implementation of the functions, duties and authorities as referred to in section (1) to OJK.
- (3) Costs of the implementation of such functions, duties and authorities as referred to in section (1), are covered by:
- a. Bank Indonesia for the implementation of the functions, duties, and regulatory and supervisory authorities in the banking sector; and

- b. The State Budget for the implementation of the functions, duties, and regulatory and supervisory authorities in the sectors of Capital Markets, Insurance, Pension Fund, Financing Institutions, and Other Financial Services Institutions.
- (4) Financing the OJK work plan and budget since this Law is promulgated until the transfer of functions, duties, and regulatory and supervisory authorities of financial services sector to OJK as referred to in Article 56, is covered with the budgets of the Capital Market and Financial Institution Supervisory Agency, the Ministry of Finance and/or Bank Indonesia.

Article 67

- (1) Decisions on granting business licenses, individual licenses, effective registration statement, registered-license statement, approval of business activities, validation, and approval or determination of the dissolution, and every decision that has been stipulated by Bank Indonesia, the Ministry of Finance, and the Capital Market and Financial Institutions Supervisory Agency based on the legislations in the financial services sector before the transfer of functions, duties and authorities as referred to in Article 55, remain in force.
- (2) Applications for business licenses, individual licenses, effective registration statement, registered-license statement, approval of business activities, validation, and approval or determination of the dissolution, as well as other validation applications that are currently in progress within Bank Indonesia, the Ministry of Finance, and the Capital Market and Financial Institution Supervisory Agency based on the laws and regulations in the financial services sector, since the transfer of functions, duties and authorities as referred to in Article 55, are continued by OJK.

Article 68

As from the transfer of functions, duties and authorities as referred to in Article 55, the examination and/or investigation being conducted by Bank Indonesia, the Ministry of Finance and the Capital Market and Financial Institution Supervisory Agency, are continued by OJK.

CHAPTER XIV CLOSING PROVISIONS

Article 69

- (1) The functions, duties, and authorities of Bank Indonesia as referred to in:
 - a. Article 8 point c, Article 24, Article 25, Article 26, Article 27, Article 28, Article 29, Article 30, Article 31, Article 32 and Article 33 of Law Number 23 of 1999 on Bank Indonesia, as frequently amended and last by Law Number 6 of 2009 on the Government Regulation in lieu of Law Number 2 of 2008 on Second Amendment to Law Number 23 of 1999 (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to the State Gazette of the Republic of Indonesia Number 4962);
 - b. Article 6, Article 7, Article 8, Article 11, Article 12, Article 13, Article 16, Article 18, Article 19, Article 20, Article 22, Article 27, Article 28, Article 29, Article 30, Article 31, Article 31A , Article 33, Article 34, Article 35, Article 36, Article 37, Article 37A, Section 38, Article 41, Article 41A, Section 42, Article 44, Article 52 and Article 53 of Law Number 7 of 1992 on Banking as amended by Law Number 10 of 1998 on Amendment to Law Number 7 of 1992 on Banking (State Gazette of the Republic of Indonesia of 1998 Number 182, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
 - c. Article 1 point 15, Article 5, Article 6, Article 8, Article 9, Article 10, Article 11, Article 16, Article 17, Article

20, Article 21, Article 22, Article 26, Article 27, Article 28, Article 29, Article 30, Article 31, Article 32, Article 33, Article 34, Article 35, Article 37, Article 38, Article 40, Article 42, Article 43, Article 46, Article 50, Article 51, Article 52, Article 53, Article 54 , Article 56, Article 57 and Article 58 of Law Number 21 of 2008 on Sharia Banking (State Gazette of the Republic of Indonesia of 2008 Number 94, Supplement to the State Gazette of the Republic of Indonesia Number 4867);

transfers functions, tasks, and authorities of OJK as of the transfer of such functions, duties and authorities as referred to in Article 55 section (2).

- (2) With the transfer of functions, duties and authorities as referred to in Article 55 section (2), the Banking Supervisory Board as referred to in Law Number 24 of 2004 on the Deposit Guarantee Institution (State Gazette of the Republic of Indonesia of 2004 Number 96, Supplement to the State Gazette of the Republic of Indonesia Number 4420) as amended by Law Number 7 of 2009 on the Enactment of Government Regulation in lieu of Law Number 3 of 2008 on the Amendment to Law Number 24 of 2004 on the Deposit Insurance Corporation becomes the Law (State Gazette of the Republic Indonesia of 2009 Number 8, Supplement to the State Gazette of the Republic of Indonesia Number 4963), is OJK.
- (3) Since this Law is promulgated, the functions, duties, and authorities of the Coordinating Committee as referred to in Law Number 24 of 2004 on Deposit Insurance Corporation (State Gazette of the Republic of Indonesia of 2004 Number 96, Supplement to the State Gazette of the Republic of Indonesia Number 4420) as amended by Law Number 7 of 2009 on Enactment of Government Regulation in Lieu of Law Number 3 of 2008 on Amendment to Law Number 24 of 2004 on Deposit Insurance Corporation becomes the Law (State Gazette of the Republic of Indonesia of 2009 Number 8, Republic of Indonesia Number 4963) are implemented by the Financial System Stability Coordinating Forum as referred to in this Law.

- (4) The provisions concerning the coordination protocol as referred to in Article 44, Article 45 and Article 46 apply until the promulgation of the law on the financial system safety net.

Article 70

At the time when this Law comes into force:

1. Law Number 2 of 1992 on Insurance Business (State Gazette of the Republic of Indonesia of 1992 Number 13, Supplement to the State Gazette of Republic of Indonesia Number 3467) and its implementing regulations;
2. Law Number 7 of 1992 on Banking (State Gazette of the Republic of Indonesia of 1992 Number 31, Supplement to the State Gazette of Republic of Indonesia Number 3472) as amended by Law Number 10 of 1998 on Amendment to Law Number 7 of 1992 on Banking (State Gazette of the Republic of Indonesia of 1998 Number 182, Supplement to the State Gazette of the Republic of Indonesia Number 3790) and its implementing regulations;
3. Law Number 11 of 1992 on Pension Fund (State Gazette of the Republic of Indonesia of 1992 Number 37, Supplement to the State Gazette of the Republic of Indonesia Number 3477) and its implementing regulations;
4. Law Number 8 of 1995 concerning Capital Market (State Gazette of Indonesia of 1995 Number 64, Supplement to the State Gazette of Republic of Indonesia Number 3608) and its implementing regulations;
5. Law Number 23 of 1999 on Bank Indonesia as frequently amended and last by Law Number 6 of 2009 on the Enactment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia becomes the Law (State Gazette of Republic of Indonesia of 2009 Number 7, Supplement to the State Gazette of the Republic of Indonesia Number 4962) and its implementing regulations;
6. Law Number 21 of 2008 on Sharia Banking (State Gazette of the Republic of Indonesia of 2008 Number 94,

Supplement to the State Gazette of the Republic of Indonesia Number 4867) and its implementing regulations;
and

7. other laws and regulations in the financial services sector, are declared to remain effective to the extent not contrary to and repealed by this Law.

Article 71

This Law comes into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Law by its placement in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
on 22 November 2011

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Signed

DR. H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta
on 22 November 2011

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

Signed

AMIR SYAMSUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2011 NUMBER 111.

Jakarta, 21 December 2016

Has been translated as an Official Translation
on behalf of Minister of Law and Human Rights
of the Republic of Indonesia

DIRECTOR GENERAL OF LEGISLATION,


WIDODO EKATJAHJANA

ELUCIDATION
OF
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 21 OF 2011
ON
FINANCIAL SERVICES AUTHORITY

I. GENERAL

In order to realize the national economy that is capable of growing in a stable and sustainable manner, to create vast and balance employment opportunities across all sectors of the economy, as well as to provide welfare equitably to all people of Indonesia then the national economic development programs must be implemented in a comprehensive way and capable of governing the operations of the national economy that reaches and touches broadly to the whole real sectors of the Indonesian economy. National economic development programs should also be implemented in a transparent and accountable manner, guided by the principles of economic democracy as mandated by the Pancasila and the 1945 Constitution of the Republic of Indonesia. To achieve these goals, national economic development programs need to be supported by good governance that continuously reforms the system of every component in the national economy. The important component in the national economic system in question is the entire financial system and financial services activities of the intermediation function for a variety of productive activities in the national economy. Intermediation function organized by various financial services institutions, in its development has contributed significantly in providing funds for financing the development of national economy. Therefore, the State always gives serious attention to the development activities of the financial services sector, by pursuing the establishment of

the regulatory framework and supervision of the financial services sector that is integrated and comprehensive.

The process of globalization in the financial system and the rapid advances in information technology and financial innovation has created a financial system that is very complex, dynamic, and mutually interrelated sub-sectors in terms of both financial and institutional products. In addition, a financial services institution that has a relationship of ownership in various financial subsectors (conglomerate) has added to the complexity of the transaction and interaction among institutions of financial services in the financial system.

Many intersectional problems in the financial services sector, including acts of moral hazard, non-optimal protection of the consumers of financial services, and disruption of the stability of the financial system increasingly pushes the need for the establishment of supervisory institutions in an integrated financial services sector.

In connection with the cases above, it is necessary to realign organizational structure of the institutions which carry out the regulatory and supervisory duties in the financial services sector which includes the sectors of banking, capital market, insurance, pension fund, financing institutions, and other financial institutions. The realignment is done in order to achieve more effective coordination mechanism in dealing with problems that arise in the financial system so as to better ensure financial system stability. Regulation and supervision of the overall activities of financial services must be implemented in an integrated manner.

In addition to previous considerations, the Law Number 23 of 1999 on Bank Indonesia as frequently amended and last by Law Number 6 of 2009 on Enactment of Government Regulation in Lieu of Law Number 2 Of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia becomes Law, also mandates the establishment of a financial services sector supervisory institution that includes banking, insurance, pension funds, securities, venture capital and finance companies, as well as other agencies that organize the management of public funds. The financial services sector supervisory institution mentioned above is essentially the independent institutions in performing its duties and is positioned to be outside the government. This institution is obligated to submit reports to the Audit Board and the House of Representatives

The financial services sector supervisory institutions in this Law is referred to as the Financial Services Authority. The Law on the Financial

Services Authority basically contains provisions regarding the organization and governance of the institutions that have the authority of regulating and supervising the financial services sector. Meanwhile the provisions on the types of financial products, the scope and limits the activities of financial services institutions, qualifications and criteria for financial institutions, soundness levels and prudential regulation and provision of services supporting the financial services sector and other related financial services transactions is regulated in separate sectoral laws, namely the Law on Banking, Capital Market, Insurance Business, Pension Fund, and other laws and regulations relating to other financial services sectors.

The Financial Services Authority is established with the objective so that the overall activity of financial services in the financial services sector is held in an orderly, fair, transparent, and accountable manner, as well as capable of realizing the growth of the financial system that grows in is a sustainable and stable, and able to protect the interests of consumers and public. With this objective, OJK is expected to support the interests of the national financial services sector in order to enhance national competitiveness. In addition, OJK must be able to maintain national interests, among other things, including human resources, management, control, and ownership in the financial services sector, with due consideration of the positive aspects of globalization.

The Financial Services Authority is established and based on the principles of good governance, which includes independence, accountability, accountability, transparency, and fairness.

Institutionally, the Financial Services Authority is outside the Government, which means that the Financial Services Authority does not become part of the power of the Government. However, it does not rule out the existence of elements of representative government because essentially the Financial Services Authority is an authority in the financial services sector that has strong relationships and linkages with other authorities, in this case the fiscal and monetary authorities. Therefore, the institution involves representation of the elements of both of these authorities on an *Ex-officio* basis. *Ex-officio* existence is meant to ensure coordination, cooperation, and harmonization of policies in the areas of fiscal, monetary, and financial services sector. *Ex-officio* existence is also necessary to ensure the maintenance of national interests within the framework of global competition and international agreements, the need for

coordination, and exchange of information in order to preserve and maintain financial system stability.

To achieve coordination, cooperation, and harmonization of good policy, the Financial Services Authority must be part of the system implementing government affairs organization that interact well with state institutions and other governments in achieving the objectives and ideals of the independence of Indonesia that are included in the constitution of the State Unitary of the Republic of Indonesia.

The independence of the Financial Services Authority's leadership is reflected in the Financial Services Authority. Individually, the leadership of the Financial Services Authority has the certainty of tenure and cannot be terminated, unless complying with the reasons governed in this Law. In addition, to gain leadership of the Financial Services Authority the right, this Law governs the selection mechanism which is transparent, accountable, and involving public participation through a selection committee whose elements consists of Government, Bank Indonesia, and the financial services sector. The Financial Services Authority carries out its duties and authorities based on the following principles:

1. The principle of independence, namely independent in making decisions and performing functions, duties and authority of OJK, fixedly in accordance with prevailing laws and regulations;
2. The principle of legal certainty, namely principles in a legal state that gives priority to the basis of laws and regulations and justice in every policy of the implementation of the Financial Services Authority;
3. The principle of public interest, namely the principle of defending and protecting the consumers and public and interests as well as promoting the general welfare;
4. The principle of openness, namely the principle of opening up to the right of people to obtain correct, honest, and discriminative information concerning the implementation of the Financial Services Authority, with due regard to protection of personal and group rights, as well as state secrets, including the secrets as determined in laws and regulations;
5. The principle of professionalism, namely the principle that promotes expertise in carrying out the duties and authority of the Financial Services Authority, fixedly based on the code of ethics and the provisions of laws and regulations;

6. The principle of integrity, namely the principle which clings to the principle of moral values in every action and decision taken in the implementation of the Financial Services Authority; and
7. The principle of accountability, namely the principle which determines that every activity and the end result of every activity implementation the Financial Services Authority must be accountable to the public.

In line with the principles of governance and the principles above, the Financial Authority should have a structure with the principle of "checks and balances". This is manifested by a clear separation between the functions, duties, and authority regulation and supervision. Functions, duties and regulatory authority and oversight conducted by the Board of Commissioners through a clear division of tasks for the achievement of the Financial Services Authority. The duties of members of the Board of Commissioners include the code of ethics, internal controls through the mechanism of the board of audit, education and protection of consumers, as well as the functions, duties, and supervisory authority for the sectors of Banking, Capital Market, Insurance, Pension Funds, Financing Institutions, and Other Financial Services Institutions.

The Law on the Financial Services Authority is established based on the conceptual background and aspects above.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Sufficiently clear.

Article 4

With this objective, OJK is expected to support the interests of national financial services sector so as to enhance national competitiveness. In addition, OJK must be able to maintain the

national interests, among others, human resources, management, control, and ownership in the financial services sector, with due regard to positive aspects of globalization.

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term "protecting the consumers and public interests" means including protection against abuse and crime in the financial sector such as manipulation and various forms of fraud in financial services activities.

Article 5

Sufficiently clear.

Article 6

Sufficiently clear.

Article 7

Regulating and supervising institutional, soundness, prudential aspects, and examination of banks are the scope of microprudential regulation and supervision that are parts of OJK's duties and authority. Meanwhile, the scope of the macroprudential regulation and supervision, namely the regulation and supervision governed outside this article, is the duty and authority of Bank Indonesia. In order for the macroprudential regulation and supervision, OJK assists Bank Indonesia to conduct moral suasion to banks.

Article 8

Point a

Sufficiently clear.

Point b

The term "laws and regulations in the financial services sector" means the laws and regulations on the Financial Services Institutions and the parties carrying out activities in the financial services sector.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

The term "written order" means an order in writing to perform or not to perform certain activities in order to comply with the provisions of laws and regulations in the financial services sector and/or prevent and reduce losses of Consumers, public and financial services sector.

Written instructions are given, among others, to replace the board or a particular party at the Financial Services Institutions, to terminate, restrict, or improve business activities or transactions, to terminate or amend the agreement between the Financial Services Institutions with other parties allegedly suffering from losses of Consumers, public, and financial services sector, and to convey information, documents, and/or specific reports to OJK.

Point g

The term "statutory manager" means individuals or legal entities established to carry out the OJK authority.

Statutory manager carries out OJK's authority, among others, to comply with laws and regulations in the financial services sector, prevent and reduce losses of Consumers public, and financial services sector, and/or eradication of financial crimes committed by certain parties in the financial services sector.

The measures taken by statutory manager, among others, are through ensuring the survival of the certain Financial Services Institutions, takeover of the entire authority and management functions of the Financial Services Institutions by the statutory manager, cancellation or termination of the agreement, as well as the transfer of property or business portfolio of the Financial Services Institutions.

Point h

Sufficiently clear.

Point i

Sufficiently clear.

Article 9

Point a

Sufficiently clear.

Point b

The supervision of the Board of Commissioners for the implementation of Executive Head's tasks aims to evaluate and improve the performance of the Executive Head. The supervision is not intended to give authority to the Board of Commissioners to intervene or to intervene in performing every Executive Head's duties and authority.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Article 10

Section (1)

Board of Commissioners is the top leadership of OJK. In order to cooperate with the Financial Services Authority in other countries and international organizations and other international institutions in the financial services sector, the members of the Board of Commissioners act as officials representing the state.

Section (2)

The term "collective" means that every decision of the Board of Commissioners is decided jointly by the members of the Board of Commissioners.

The term "collegial nature" means that every decision of the Board of Commissioners is based on a negotiation for consensus, on the basis of equality and unity among the members of the Board of Commissioners.

Section (3)

Sufficiently clear.

Section (4)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The Executive Head of Banking Supervisors leads the duties of supervising financial services activities in the banking sector.

Point d

The Executive Head of the Capital Market Supervisory leads the tasks of financial services supervision activities in the Capital Markets sector.

Point e

The Executive Head of Supervisors of Insurance, Pension Funds, Financing Institutions and other Institutions Financial Services leads the task of supervision of financial services activities in the sectors of Insurance, Pension Funds, Financing Institutions, and Other Financial Services Institutions.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Point i

Sufficiently clear.

Section (5)

Every member of the Board of Commissioners has the right to give an opinion in every decision-making process the Board of

Commissioners, and has voting rights at the time of the decision determined by majority votes.

Article 11

Section (1)

In the submission of candidates list for the Board of Commissioners to the House of Representatives, the President delivers the names of candidates for the Board of Commissioners.

The term "the House of Representatives" means the complementary organs of the House of Representatives in charge of finance and banking.

Section (2)

Sufficiently clear.

Section (3)

The term "public elements" means academics in the financial services sector, the banking industry, capital market industry, and/or Non-Bank Financial Industry which includes Insurance, Pension Funds, Financing Institutions, and Other Financial Services Institutions.

Section (4)

In addition to the announcement to recruit members of the Board of Commissioners, the Selection Committee may actively look for candidates who meet the requirements and representation in accordance with the expertise in financial services sector supervised by OJK.

Section (5)

Registration of candidates for members of the Board of Commissioners is conducted with due regard to the terms as set forth in this Law.

Section (6)

The term "administrative selection" means the selection of candidates for the Board of Commissioners in accordance with the requirements as referred to in this Law.

Section (7)

Sufficiently clear.

Section (8)

Sufficiently clear.

Section (9)

The term "3 (three) candidates for every member of the Board of Commissioners" means that in the nomination, selection committee submits 3 (three) candidates for every member of the Board of Commissioners with qualifications, expertise and experience of proportion in the financial services industry. For 7 (seven) members of the Board of Commissioners is required, the Selection Committee submits to the President as many as 21 (twenty one) candidates.

Article 12

Section (1)

In order to obtain 7 (seven) members of the Board of Commissioners required, the President submits to the House of Representatives for 14 (fourteen) candidates the Board of Commissioners.

Section (2)

This provision only applies where there is a need to fill the position Chairman of the Board of Commissioners.

Section (3)

This provision only applies where there is a need to fill the position Chairman of the Board of Commissioners and at least 1 (one) member of the Board of Commissioners.

Section (4)

In order to select candidates for the Board of Commissioners, the House of Representatives may ask prospective members of the Board of Commissioners to make a presentation in the session of the House of Representatives regarding the vision, experience, skills or abilities, as well as matters relating to morality and moral members of the Board of Commissioners.

The term "45 (forty five) work days" means excluding the recess.

Section (5)

The term "completion of the selection process of candidates for the Board of Commissioners" means since the determination in the plenary session of the House of Representatives.

Section (6)

Sufficiently clear.

Article 13

Sufficiently clear.

Article 14

Sufficiently clear.

Article 15

Point a

Sufficiently clear.

Point b

The term "good character, morals, and integrity" means among others never in the list of disgraceful people.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

The Members of the Board of Commissioners are not constrained by physical conditions which cause the permanent inability to carry out their duties properly.

Point f

Sufficiently clear.

Point g

The term "to have the experience or expertise in the financial services sector" means someone who has experience, knowledge, or sufficient expertise in the financial services sector.

Point h

Sufficiently clear.

Article 16

Sufficiently clear.

Article 17

Section (1)

Point a

Sufficiently clear.

Point b

The resignation of a member of the Board of Commissioners is effective since the date the resignation is approved by the President.

Point c

Sufficiently clear.

Point d

The term "permanently unable" means physical and/or mental disabilities that do not allow the concerned carry out their duties properly.

The termination of a member of the Board of Commissioners due to physical and/or mental disabilities is determined by Presidential Decree.

The term "medically declared" means medical estimation as evidenced by a written statement from a doctor stating that the member of the Board of Commissioners is concerned fails to execute the task more than 6 (six) consecutive months.

Point e

The term "with an unacceptable and unaccountable reason" means the absence of strong reasons that cause members of the Board of Commissioners getting terminated.

Reasons that may be accounted for, among other things, may include illness as evidenced by a certificate of doctor who is appointed by Board of Commissioners, other assignments from the President outside OJK activities, or other activities in the interest of the country.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

The term "related by marriage" means a familial relationship by marriage, namely the relationship between one of the spouses and relatives of the other party.

Point i

Violations of the code of ethics under this provision is categorized a severe violation and the Board of Commissioners report it to the House of Representatives.

Point j

Sufficiently clear.

Section (2)

Sufficiently clear.

Article 18

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

The term "remaining term for members of the Board of Commissioners who are terminated in less than1 (one) year" means the remaining term as of the date of termination of the concerned member.

Article 19

Section (1)

The Vice Chairman who acts the Chairman of the Board of Commissioners has the authority as the Chairman and Vice Chairman of the Board of Commissioners, but has only 1 (one) vote.

Section (2)

The Chairman who acts as caretaker Deputy Chairman of the Board of Commissioners has the authority as the Chairman and Vice Chairman of the Board of Commissioners, but has only 1 (one) vote.

Section (3)

The Member of the Board of Commissioners who acts as caretaker chairman and/or Vice Chairman of the Board of Commissioners has the authority as a member, Chairman, and/or Vice Chairman of the Board of Commissioners, but has only 1 (one) vote.

Section (4)

The Member of the Board of Commissioners who acts as caretaker of the members of the Board of Commissioners referred to under this Section, has the authority as a member of the Board of Commissioners temporarily, but has only 1 (one) vote.

Article 20

Sufficiently clear.

Article 21

Sufficiently clear.

Article 22

Point a

The term "prohibited from having a conflict of interest in the Financial Services Institutions supervised by OJK" means when the person serves as a member of the Board of Commissioners, he or she:

- 1) is not a board or equivalent committee member in the Financial Services Institutions, or is no longer a caretaker in such organization, marked by submission of written resignation as a caretaker;
- 2) does not hold controlling and managing position at the Financial Services Institutions; and
- 3) is no longer a controller at the Financial Services Institutions, marked by releasing the control and management power in accordance with laws and regulations in the financial services sector.

Point b

If a person appointed as a member of the Board of Commissioners and the concerned person is an officer of

implementing or professional organizations in the Financial Services Institutions, the person must first be leaving office at the implementing or the professional organization at the Financial Services Institutions before he or she is set to be a member of the Board of Commissioners.

Point c

If a person appointed as a member of the Board of Commissioners and the concerned person is involved, is one of the political party, he or she must first let go of the management positions in political parties before he or she is set to be a member of the Board of Commissioners.

Point d

Given that a member of the Board of Commissioners has a very strategic task in the regulation and supervision of the financial services sector, members of the Board of Commissioners must act professionally and be loyal to the execution of his duty.

However, based on task linkage and position, a member of Board of Commissioners may be concurrently a member of the office in certain institutions, such as positions in international organizations.

Article 23

Section (1)

Sufficiently clear.

Section (2)

In terms of family relationships occurred in 2 (two) or more members of the Board of Commissioners, only 1 (one) person may remain as a member of the Board of Commissioners.

Section (3)

Sufficiently clear.

Article 24

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Section (7)

Sufficiently clear.

Section (8)

Minutes of the meeting at least contain the day and date of the meeting, leaders and participants of meetings, meeting agendas, and decisions of the meeting. Minutes of the meeting state the opinion of all participants of the meeting, both of which express consent, did not give consent, or no opinion on the matter was decided in the meeting, accompanied by reasons.

Section (9)

Sufficiently clear.

Article 25

Section (1)

Sufficiently clear.

Section (2)

The Board of Commissioners appointed to represent OJK, among others in the implementation of inter-institution cooperation and international relations.

The term "Other side" means an entity, agency, institution, or person, either from within or outside OJK.

Section (3)

Sufficiently clear.

Article 26

Section (1)

The term "forming an organization" means including establishing the certain institutions to support activities, develop and coach employees and retirees. For this purpose, OJK may cooperate with other institutions.

Section (2)

The term "secretariat" means an organ under the Board of Commissioners which, among others, is in charge of general duties, finance, human resources, organizational, and institutional and community relations.

A supporting organ established by the Board of Commissioners is chaired or coordinated by a member of the Board of Commissioners based on meeting the Board of Commissioners.

The term "Other organs" means among others a remuneration committee, risk management committee, as well as information and communication technology committee.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 27

Section (1)

The term "officers and employees of OJK" means either fixed or employed officers and employees. Officials OJK hold the structural or functional positions in the agency, and consist of, among others, deputy commissioner, directors, and subordinate officers.

Section (2)

To streamline the duties and responsibilities, OJK may employ public servants from other institutions or with any other status.

The public servants may work under employment or other status for the OJK in order to support the authority of the OJK in the field of examination, investigation, or special duties. The public servants, among others, are from the civil servant investigators and/or Investigators of the National Police. Rights and obligations of the public servants are synchronized with the rights and obligations of employees OJK.

Section (3)

The term "employment" means including among others appointment, rank, career, remuneration system, termination, retirement age, procedures for hiring the public servants, and rights and duties of other officers and employees of OJK.

Article 28

Sufficiently clear.

Article 29

In order to resolve consumer complaint, OJK may conduct verification and special examinations of the complaints.

Article 30

Section (1)

Point a

Sufficiently clear.

Point b

Point 1

The term "bad faith" means the bad faith based on the assessment of OJK.

Point 2

Filing a lawsuit based on the assessment of OJK that violations committed by a party against the laws and regulations in the financial services sector resulted in material losses of consumers, public, or the financial services sector.

Section (2)

The term "injured party" means the Consumer and/or the financial services industry because of violations against laws and regulations in the financial services sector. Compensation is granted in accordance with an amount determined by authorities.

Article 31

Sufficiently clear.

Article 32

Section (1)

In line with good governance practices, OJK formulates and implements a code of ethics. The code of ethics, among others, accommodates provisions regarding the prohibition to perform acts that are not commendable and general provisions regarding

the behavior expected of members of the Board of Commissioners, officers, and employees of OJK. This code is evaluated periodically.

The enforcement of the code of ethics is pursuant to the level of office and authority of every member of the Board of Commissioners, officers, and employees of OJK.

Violations of the code of ethics consists of 3 (three) categories, namely light, moderate and serious violations.

Section (2)

Sufficiently clear.

Article 33

Section (1)

The term "confidential" means something that according to laws and regulations must be kept secret.

Section (2)

Sufficiently clear.

Section (3)

Every person who knows the information is confidential because of their position, for example, officials from the institutions that coordinate or cooperate with the OJK.

Every person who knows the information is confidential because of their profession for example, auditors, appraisers, notaries, or actuary in the financial services industry.

Section (4)

Sufficiently clear.

Section (5)

Regulation of the Board of Commissioners regarding the confidentiality, use and disclosure of information is determined with due regard to laws and regulations.

Article 34

Section (1)

Sufficiently clear.

Section (2)

The term "parties who carry out activities in the financial services sector" means the Financial Services Institutions and/or the

persons or legal entities conducting activities in the financial services sector.

OJK activities should be independently financed from levies of parties conducting activities in the financial services sector. Determination of the amount of levy is made by taking into account the ability of the parties who carry out activities in the financial services sector as well as OJK's funding needs.

However, the State Budget funding is still required to meet the needs of OJK when the levies from parties conducting activities in the financial services industry are not sufficient to fund all operational activities independently, such as, in the early establishment of OJK.

Section (3)

Sufficiently clear.

Article 35

Section (1)

The term "operational activities" means an activity of performing the functions, duties and authorities of OJK, among others, regulatory, supervisory, enforcement, education and consumer protection.

The term "administrative activities" means including activities of office, remuneration, education and training, organizational and human resources development.

The term "asset" means current and non current assets, including inventories, buildings, equipment and machinery, vehicles, office equipment, as well as information technology infrastructure.

Section (2)

The term "reasonable standard in the financial services sector" means the standard of costs that are commonly used by the financial services sector or similar regulator of financial services sector, both domestic and international. This is done so that OJK may balance the demands and dynamics of the financial services sector, both domestically and internationally.

The term "standard of common costs" means the standard of general expenses applicable to the Ministry and the Agency as

referred to in laws and regulations relating to the State Budget.

The term "remuneration system" means among others the system of income, insurance and pensions, allowances, severance pay, and reward achievement.

Section (3)

Initial funding comes from the State Budget of which amount and allocation is based on the approval of the House of Representatives.

The House of Representatives in this case is the complementary organs of the House of Representatives in charge of finance and banking.

Section (4)

Sufficiently clear.

Article 36

The term "the House of Representatives" means the complementary organs of the House of Representatives in charge of finance and banking.

Article 37

Section (1)

The term "levies" means among others levies for the cost of licensing, approving, registering, and validating, cost of regulating, supervising, examining, and researching as well as securities trading transactions.

The levies are used to finance the OJK budget that is not funded by State Budget. OJK levies are used to finance operational, administrative and asset-procuring activities as well as other supporting activities for the adjustment of the costs to a reasonable standard in the financial services industry.

The term "the parties who conduct activities in the financial services sector" means the Financial Services Institutions and/or persons or entities carrying out activities in the financial services sector.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

OJK prepares a draft Government Regulation which contains, among others, procedures for determining, the type, amount, billing time and payment of levies, fines and sanctions.

Article 38

Section (1)

Sufficiently clear.

Section (2)

Activity reports prepared by OJK among others contain:

- a. execution of its duties and authorities in the previous period.
- b. policy planning, target setting and implementation stages of duties and authorities of OJK for the next periode.

Section (3)

The term "explanation" means the explanation regarding the implementation of the duties and authorities of OJK.

The term "the House of Representatives" means the complementary organs of the House of Representatives in charge of finance and banking.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

The submission of the OJK reports to the President and the House of Representatives is intended to explain the implementation of activities and performance during the current year.

Section (7)

Preparation of accounting standards and policies by OJK is conducted with due regard to generally accepted accounting principles.

Section (8)

Sufficiently clear.

Section (9)

Sufficiently clear.

Section (10)

In order to prepare financial statements relating to the financing from the State Budget, the Board of Commissioners must consider prevailing laws and regulations.

Article 39

Procedures for coordination between OJK and Bank Indonesia arranged jointly by OJK and Bank Indonesia.

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

Sufficiently clear

Point d

The term "other business activities of banks" means including credit cards, debit cards and Internet banking.

Point e

The definition of "systemically important bank" means a bank whose asset size, capital, and liabilities, broad network, or the complexity of the transaction on banking services and linkages with other financial sector may lead to partial or complete failure of other banks or financial services sector, both operationally and financially, if the bank is experiencing disruption or failure.

Point f

Sufficiently clear

Article 40

Section (1)

Basically, examination of banks is the authority of OJK. However, in the event that Bank Indonesia needs information

through examination of banks in carrying out its functions, duties and authorities, Bank Indonesia may conduct direct examination of certain banks designated as systemically important bank and/or other banks in accordance with the authority of Bank Indonesia in the macroprudential field.

For the smooth operation of the examination by Bank Indonesia, the written notice referred to at least contains the objectives, scope, duration, and mechanisms of the examination.

Section (2)

An assessment of the soundness of the banks is the authority of OJK.

Section (3)

Sufficiently clear.

Article 41

Section (1)

Sufficiently clear.

Section (2)

The term "measures in accordance with the authority of Bank Indonesia" means the provision of short term financing facility in carrying out the functions of Bank Indonesia as a lender of last resort. In carrying out the functions referred to, Bank Indonesia may conduct an examination of the bank by submitting a written notice to OJK.

Article 42

Basically, examination of banks is the authorities of OJK. In the event that the Deposit Insurance Corporation in carrying out its functions, duties and authorities require bank examination activities, the Deposit Insurance Corporation may perform bank examinations and still coordinate in advance with OJK.

The scope of examination includes examination of the premium, the position of bank deposits, interest rates, credit with loss quality and recorded, troubled banks, asset quality, and crime in the banking sector.

Article 43

In principle, OJK builds, maintains and develops information systems in accordance with the duties and authorities.

The term "integrated" means that a system built by OJK, Bank Indonesia, and the Deposit Insurance Corporation are connected to every other, so every institution may exchange information and access to banking information needed at any time (timely basis). Such information includes general and specific information about the bank, the bank's financial statements, bank examination report conducted by Bank Indonesia, the Deposit Insurance Corporation or by OJK, and other information while maintaining confidentiality and consider the information in accordance with the provisions of laws and regulations.

Article 44

Section (1)

The Minister of Finance, the Governor of Bank Indonesia, the Chairman of the Board of Commissioners of OJK, and the Chairman of the Board of Commissioners of the Deposit Insurance Corporation each represents the Ministry of Finance, Bank Indonesia, OJK, and the Deposit Insurance Corporation.

Section (2)

The scope of work, resources, and secretarial budget agreed upon by every member of the Coordination Forum of Financial System Stability.

Section (3)

Sufficiently clear.

Section (4)

Decisions taken by the Coordination Forum of Financial System Stability binding on all members of the forum.

Article 45

Section (1)

Sufficiently clear.

Section (2)

The term "crisis in the financial system" means a condition of the financial system that has failed to carry out effectively the

functions and role in the national economy as indicated by the worsening economic and financial indicators including liquidity, solvency problems, and/or a decrease in public confidence financial system.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

The term "bank failure" means a bank that experienced financial difficulties and endanger the sustainability of its business and otherwise could not be more restored by OJK in accordance with its authority.

Article 46

Section (1)

The term "state finance" means the State Budget at the time of policy Coordination of Financial System Stability Forum is established and/or implemented.

The term "the House of Representatives" means the complementary organs of the House of Representatives in charge of finance and banking.

Section (2)

The term "the House of Representatives" means the complementary organs of the House of Representatives in charge of finance and banking.

Submission of the approval given by the Minister of Finance as coordinator for the Coordination of Financial System Stability Forum to the House of Representatives, addressed directly to the Leadership of complementary organ of the House of Representatives in charge of finance and banking, with a carbon copy to the Leadership of the House of Representatives. Points received after the stated read at the plenary meeting fittings referred to the House of Representatives.

Article 47

Section (1)

OJK may cooperate among others with:

- a. international organizations such as the International Organization of Securities Commissions (IOSCO), International Organization of Pension Supervisors (IOPS), the International Association of Insurance Supervisors (IAIS), the organization of international banking supervisors and regulators, and
- b. international agencies such as the Asian Development Bank (ADB), World Bank, Islamic Development Bank (IDB), and the Financial Action Task Force on Money Laundering (FATF).

Section (2)

Financing related to membership organizations is charged to OJK budget.

Section (3)

International treaties that impact on the national financial system including international agreements that impact on national interests in the field of human resources, control, and ownership in the financial services sector.

The term "the House of Representatives" means the complementary organs of the House of Representatives in charge of finance and banking.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Section (6)

Sufficiently clear.

Article 48

Sufficiently clear.

Article 49

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Point i

The term "law enforcement officers", means among others attorneys, police and courts.

Point j

Sufficiently clear.

Point k

Sufficiently clear.

Point l

Sufficiently clear.

Point m

Sufficiently clear.

Article 50

Sufficiently clear.

Article 51

Section (1)

Sufficiently clear.

Section (2)

The term "relevant agencies" means attorneys, police and courts.

Article 52

Sufficiently clear.

Article 53

Sufficiently clear.

Article 54

Sufficiently clear.

Article 55

Sufficiently clear.

Article 56

Section (1)

Members of the Board of Commissioners are determined by Presidential Decree.

Section (2)

The term "term of 5 (five) years" means the length of service term for member of the Board of Commissioners who are not from the Board of Commissioners of *Ex-officio* at the Ministry of Finance and Bank Indonesia.

Section (3)

The establishment of the Selection Committee established by Presidential Decree.

Section (4)

In order to select candidates for the Board of Commissioners, the House of Representatives may ask prospective members of the Board of Commissioners to make a presentation in the session of the House of Representatives regarding the vision, experience, skills or abilities, as well as matters relating to morality and moral members of the Board of Commissioners.

The term "30 (thirty) days" means excluding the recess.

Section (5)

The term "completion of the selection process of candidates for the Board of Commissioners" means as of the enactment in the plenary session of the House of Representatives.

Article 57

Section (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term "officers and employees of OJK" means officers and employees of OJK transferred from Bank Indonesia and the Capital Market and the Capital Market and Financial Institution Supervisory Agency, the Ministry of Finance.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Section (2)

Submission of the preparation is done immediately after the Board of Commissioners set. The Board of Commissioners may conduct studies and refinement to the preparation in question.

Article 58

Sufficiently clear.

Article 59

Point a

Sufficiently clear.

Point b

Financing plan and the OJK budget sourced from the State Budget.

Point c

The term "officers and employees of OJK" means OJK officers and employees transferred from Bank Indonesia and the Capital

Market and Financial Institution Supervisory Agency, the Ministry of Finance, and from an open recruitment.

Appointment of office employees of OJK conducted by the Decree of the Board of Commissioners.

Point d

Appointment of staff positions in Board of Commissioners' supporting organ is conducted based upon the Decree of the Board of Commissioners.

Point e

Sufficiently clear.

Article 60

Section (1)

Sufficiently clear.

Section (2)

Membership of the transition team from Bank Indonesia and the Ministry of Finance is in balanced proportions based on the proposal the Governor of Bank Indonesia and the Minister of Finance.

Section (3)

Sufficiently clear.

Article 61

Section (1)

Sufficiently clear.

Section (2)

In order to support the smooth implementation of its duties, the transition team may use other relevant parties at the expense of the transition team.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

The term "the House of Representatives" means the complementary organs of the House of Representatives in charge of finance and banking.

Article 62

Sufficiently clear.

Article 63

Section (1)

The term "officers and employees" means officers and employees of Bank Indonesia and the Capital Market and Financial Institution Supervisory Agency at the Ministry of Finance who are currently or experienced in handling the regulation and supervision of banking, capital markets and financial institutions as well as officers and employees who have qualified and adequate experience in the field of regulation and supervision of the financial services sector.

Section (2)

The proposed names of officers and employees who are transferred or hired from Bank Indonesia and the Capital Market and Financial Institution Supervisory Agency, the Ministry of Finance is equipped with an adequate written statement of rank, class, position, field assignments, salary and benefits, education, experience, skills, goals, the recommended position, and other related information.

The term "as requested by the Chairman of the Board of Commissioners" means the amount suitability, qualifications, experience, and target positions needed and requested Chairman of the Board of Commissioners.

Section (3)

The recruitment of officers and employees began transparently since the enactment of the organizational structure, duties and functions, and infrastructure design of OJK by the Board of Commissioners.

Section (4)

The determination of officials and employees who are accepted by OJK does not mean that the concerned officials and employees are transferred or hired as OJK officers and employees. Officials and employees are stated as officers and employees of OJK after the appointment by the Board of Commissioners. Officials and employees who are determined for OJK are entitled to choose to become an OJK permanent employee.

Article 64

Section (1)

The determination of officials and employees of the OJK is conducted by the Board of Commissioner Decision.

Section (2)

Sufficiently clear.

Section (3)

Point a

The determination of the 3 (three) months is intended to provide opportunity for OJK to conduct the recruitment process to fill the vacancies of officers and employees who opt to remain with the status as an employee of the Ministry of Finance.

Officials and employees who come from the Capital Market and Financial Institution Supervisory Agency who opt to remain as officials and employees of the Ministry of Finance is returned to the Ministry of Finance by the end of the first year.

Point b

The determination of period of 2 (two) years are meant to provide opportunity for OJK to conduct the recruitment process to fill the vacancies of officers and employees who still prefer the status as an employee of Bank Indonesia.

Officers and employees from Bank Indonesia who opt to remain as officers and employees of Bank Indonesia are returned to Bank Indonesia at the end of the third year.

Section (4)

The term "entitlements of officers and employees" means the right to recognition of employment, rank, pension, insurance, income, allowances and other rights in accordance with the provisions of the laws and regulations, which has become the right of employees concerned.

Since the officers and employees of Bank Indonesia and the Capital Market and Financial Institution Supervisory Agency are employed in the OJK, such officers and employees refer to a standardized right under the Regulation of the Board of Commissioners.

Entitlements of officers and employees after being transferred to OJK comply with the following provisions:

- a. Bank Indonesia is still responsible for costs incurred to fulfill the rights of officers and employees from Bank Indonesia, for example: retirement, insurance and/or retirement savings, in accordance with the applicable provisions in Bank Indonesia.
- b. the Ministry of Finance remains responsible for the costs incurred to fulfill the rights of officers and employees from the Ministry of Finance, for example: retirement, insurance and/or retirement savings, in accordance with regulations of the Ministry of Finance.
- c. OJK is responsible for the costs incurred to meet the equal entitlements of officers and employees from Bank Indonesia and Ministry of Finance, in order to follow standardization rights for officials and employees in OJK.

Article 65

Section (1)

The term "assets" and "state assets" means including buildings, vehicles, equipment and office supplies, and other infrastructure that is supporting the implementation of the regulation and supervision of the financial services sector.

The term "documents" means data and information either in written or electronic form which are owned and/or used in the regulation and supervision of the financial services sector.

Assets and documents of Bank Indonesia, the Ministry of Finance, and the Capital Market and Financial Institution Supervisory Agency used OJK is the assets and the documents used for the regulation and supervision of the financial services sector. While the assets and documents used for banking regulation and supervision but also required by Bank Indonesia in the framework of its operation, are used together.

The term "used" means that it may be used, managed, and maintained by OJK.

Section (2)

A collective decision or a decision of the Minister of Finance, the Governor of Bank Indonesia and the Chairman of the Board of Commissioners, among others, decisions regarding the type of property, state property, and documents that may be used, the mechanism of the use, ownership status, and procedures for use together.

Article 66

Section (1)

Sufficiently clear.

Section (2)

This provision is intended so that the Board of Commissioners may perform the functions, duties, and authorities effectively when the functions, duties, and authorities are transferred to the OJK from Bank Indonesia, the Minister of Finance, and the Capital Market and Financial Institution Supervisory Agency.

It is informed, among others:

- a. implementation of regulatory and supervisory tasks in the sectors of Banking, Capital Markets, Insurance Business, Pension Funds, Financing Institutions, and Other Financial Services Institutions;
- b. current conditions and trends that will occur in Banking, Capital Markets, Insurance Business, Pension Funds, Financing Institutions, and Other Financial Services Institutions;
- c. important events related to the Banking, Capital Markets, Insurance Business, Pension Funds, Financing Institutions, and Other Financial Services Institutions that the Board of Commissioners should be noted; and
- d. strategic policy that has been and will be taken by Bank Indonesia, the Ministry of Finance, and/or the Capital Market and Financial Institution Supervisory Agency.

Section (3)

Sufficiently clear.

Section (4)

The division of the financing is arranged jointly between the Government and Bank Indonesia.

Article 67

Sufficiently clear.

Article 68

Sufficiently clear.

Article 69

Section (1)

Point a

The duties of Bank Indonesia in regulating and supervising banks as referred to in Article 8 Point c shifted to the OJK is the regulatory and supervisory duties relating to microprudential matters as referred to in this Law.

Bank Indonesia still regulates banking on macroprudential matters.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 70

Sufficiently clear.

Article 71

Sufficiently clear.