

BANK INDONESIA REGULATION
NUMBER 8/16/PBI/2006
CONCERNING
THE SINGLE PRESENCE POLICY IN INDONESIAN BANKS

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas in order to attain a sound and strong Indonesian banking structure it is necessary to take measures on bank consolidation;
 - b. whereas in order to encourage the bank consolidation it is necessary to restructure bank ownership through the application of a single presence policy in Indonesian banks;
 - c. whereas in addition, the single presence policy in Indonesian banks constitutes one of important factors in supporting the effectiveness of bank supervision;
 - d. whereas based on the considerations as referred to in letter a, letter b, and letter c, it is deemed necessary to draw up stipulations on the single presence policy in Indonesian banks in a Bank Indonesia Regulation;

- In view of :
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement of the State Gazette of the Republic Indonesia Number

- 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement of the State Gazette of the Republic of Indonesia Number 3790);
2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED :

To enact : **BANK INDONESIA REGULATION CONCERNING THE
SINGLE PRESENCE POLICY IN INDONESIAN BANKS**

Article 1

The terminology used in this Bank Indonesia Regulation means as follows.

1. Bank is a Commercial Bank as referred to in Article 1 number 3 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, not including branch office of a foreign bank
2. Single Presence is a condition where a party only becomes a Controlling Shareholder in 1 (one) Bank.
3. Controlling Shareholder is a legal entity and/or an individual and/or a business group which :

a. holds ...

- a. holds Bank shares amounting to 25% (twenty five percent) or more of shares issued by the Bank and owns voting rights;
 - b. holds Bank shares less than 25% (twenty five percent) of shares issued by the Bank and owns voting rights but has evidently exercised control on the Bank either directly or indirectly.
4. Bank Holding Company is a legal entity established and/or held by a Controlling Shareholder in order to directly consolidate and control the whole activities of its subsidiary banks.

Article 2

- (1) Any party may only become a Controlling Shareholder in 1 (one) Bank.
- (2) Stipulations as referred to in paragraph (1) are excluded for :
 - a. Controlling Shareholder in 2 (two) Banks which carry out business under a different principle respectively, namely conventional and based on Shariah principles;
 - b. Controlling Shareholder in 2 (two) Banks, one of which is a Joint Venture Bank;
 - c. Bank Holding Company as referred to in Article 3 paragraph (1) letter c.

Article 3

- (1) Since the enactment of this Bank Indonesia Regulation those parties which have become Controlling Shareholders in more than 1 (one) Banks are required to adjust their ownership structure as follows.
 - a. to transfer a part or the whole ownership on their shares in one or more Banks under their control to other party resulting that they only become a Controlling Shareholder in 1 (one) Bank; or

b. to implement ...

- b. to implement merger or consolidation on Banks under their control; or
 - c. to establish a Bank Holding Company by :
 - 1) establishing a new legal entity as the Bank Holding Company; or
 - 2) assigning one of Banks under their control as the Bank Holding Company.
- (2) If after the enactment of this Bank Indonesia Regulation those parties as referred to in paragraph (1) carry out purchase on other Bank shares and causes them meet criteria as the Controlling Shareholders of the Bank they have purchased, they are required to implement merger or consolidation on the Bank with Bank they have previously held.

Article 4

- (1) In the event that a Controlling Shareholder decides to establish a Bank Holding Company as referred to in Article 3 paragraph (1) letter c, it shall submit its plans of the Bank Holding Company establishment and share transfer from the Controlling Shareholder to the Bank Holding Company to Bank Indonesia fully equipped with supporting documents.
- (2) Bank Indonesia conducts Fit and Proper Test toward the Bank Holding Company's prospective board of executives in accordance with applicable stipulations.
- (3) Share transferring process as referred to in paragraph (1) is excluded from stipulations regulating Commercial Bank Acquisition and Commercial Bank Share Purchase.

Article 5

- (1) Bank Holding Company as referred to in Article 3 paragraph (1) letter c number 1) shall be a legal entity legally incorporated as a Limited Liability

Company ...

Company established in Indonesia and in accordance with applicable laws in Indonesia.

- (2) Bank Holding Company as referred to in Article 3 paragraph (1) letter c number 1) is prohibited to carry out other business activity than becoming a Bank shareholder.

Article 6

- (1) Bank Holding Company as referred to in Article 3 paragraph (1) letter c is required to give strategic direction and consolidate financial reports of its subsidiary Banks.
- (2) Bank Indonesia regulates and supervises Bank Holding Company as referred to in paragraph (1) as an inseparable part from its duties on bank regulation and supervision.
- (3) In order to conduct the supervision as referred to in paragraph (2) Bank Indonesia may request reports and execute examination on Bank Holding Company either regularly or occasionally if necessary.

Article 7

- (1) The ownership structure adjustment as referred to in Article 3 is required to be completed by no later than the end of December 2010.
- (2) On request of a Controlling Shareholder and Banks under its control, Bank Indonesia may grant time extension for the ownership structure adjustment if, according to Bank Indonesia, the complexity of problems faced by the Controlling Shareholder and/or Banks under its control causes the ownership structure adjustment unable to be resolved within the time period as referred to in paragraph (1).

Article 8

- (1) Banks with a same Controlling Shareholder are required to prepare an ownership structure adjustment plan and submit it to Bank Indonesia by no later than the end of December 2007.
- (2) The ownership structure adjustment plan as referred to in paragraph (1) includes at least the selected method of ownership structure adjustment, action plan, and its schedule of implementation.
- (3) The ownership structure adjustment plan as referred to in paragraph (1) may be prepared and submitted by each Bank or cumulatively by several Banks with a same Controlling Shareholder and shall be signed by the concerned Controlling Shareholder and approved by the Board of Directors and the Board of Commissioners of respective Bank.
- (4) Banks as referred to in paragraph (1) are required to submit reports on ownership structure adjustment developments as referred to in paragraph (1) to Bank Indonesia quarterly since January 1, 2008.

Article 9

- (1) Controlling Shareholder as referred to in Article 3 which does not execute ownership structural adjustment within the time period as referred to in Article 7 is prohibited to exercise control and to hold shares with voting rights on each Bank more than 10% (ten percent) of total Bank shares.
- (2) Banks with Controlling Shareholders as referred to in paragraph (1) are required :
 - a. to record the ownership of shares with voting rights for the concerned party at a maximum of 10% (ten percent) of total Bank shares;
 - b. to give voting rights for the concerned party in the Shareholder General Meeting at a maximum of 10% (ten percent) of total Bank

shares.

shares.

- (3) Banks as referred to in paragraph (2) are required to administer excess of shares of over 10% (ten percent) owned by Controlling Shareholder as shares without voting rights till the shares are transferred to other party.

Article 10

Controlling Shareholder as referred to in Article 9 paragraph (1) is required to transfer shares without voting rights as referred to in Article 9 paragraph (3) to other party no later than 1 (one) year after the time period of ownership structure adjustment ends as referred to in Article 7.

Article 11

The shares without voting rights as referred to in Article 9 paragraph (3) are not taken into consideration in setting the quorum number to be obtained in the Shareholder General Meeting in accordance with laws and regulation or Statutes.

Article 12

Any Bank violating the provision in Article 9 paragraph (2) and paragraph (3) is imposed with administrative sanction to pay an amount of Rp500,000,000.00 (five hundred million rupiahs).

Article 13

- (1) Any Controlling Shareholder violating provision as referred to in Article 10 is imposed with administrative sanction in the form of prohibition to become a Controlling Shareholder in any bank in Indonesia for a period of

20 (twenty) years.

- (2) The imposition of sanction as referred to in paragraph (1) shall not cancel the Controlling Shareholder's requirement to continuously transfer shares without voting right as referred to in Article 10.

Article 14

Any Bank Holding Company violating provision in Article 5 paragraph (2) is imposed with administrative sanction in the form of Fit and Proper Test toward its board of executives.

Article 15

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

Enacted in Jakarta

Dated October 5, 2006

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 73 OF 2006

DPNP

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 8/16/PBI/2006
CONCERNING
SINGLE PRESENCE POLICY IN INDONESIAN BANKS

GENERAL REVIEW

Bank consolidation is one of prerequisites to the attainment of a sound and strong structure of Indonesian banks. The bank consolidation is expected to strengthen the economic of scale of banks in Indonesia and improve the effectiveness of bank supervision, especially through consolidated supervision.

The bank consolidation measures are taken, among other things, through ownership restructure on Indonesian banks, especially by the application of a single presence policy.

In principle, the single presence policy in Indonesian banks is effective for Bank share ownership by Controlling Shareholders obtained after the enactment of this regulation. However, in order to support the attainment of this policy objective the Controlling Shareholder of Bank which has controlled more than 1 (one) Commercial Banks at the beginning of the enactment of this regulation is also required to adjust its share ownership structure in Banks under its control.

To adjust the Bank share ownership structure the Controlling Shareholder may select any of adjustment method alternatives provided by this regulation. Those adjustment method alternatives are provided referring to the single presence policy objective, namely bank consolidation and improvement of bank

supervision ...

supervision effectiveness, by continuously considering the interest of the Controlling Shareholders which have placed their capital in Indonesian banks.

The application of the single presence policy, including requirement for ownership structure adjustment for the Controlling Shareholder which have controlled more than 1 (one) banks, is exempted for foreign bank and joint venture bank branch offices, considering Indonesia has committed to the Uruguay Round agreement in the World Trade Organization forum to continuously bear mutual respect on the presence of foreign party in the form of foreign bank and joint venture bank.

Exemption is also granted for any Controlling Shareholder which controls 2 (two) Banks each of which carries out business activities under a different principle, namely conventional and based on Shariah principles. It is under consideration that based on its characteristics, each of those two Banks is more appropriate to carry out business activities as a separate business entity.

ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

Based on Bank Indonesia stipulations concerning Fit and Proper Test, for Controlling Shareholder constituting a legal entity, the meaning of Controlling Shareholder is up to the legal entity's ultimate shareholder.

In line, the meaning of “has exercised control either directly or indirectly” also refers to applicable Bank Indonesia stipulations on Fit and Proper Test.

Paragraph (2)

Letter a

Based on this stipulation, if a Controlling Shareholder holds more than 2 (two) Banks and some of those Banks operate under a same business activity principle, the ownership on the Banks with the same business activity principle shall not obtain exemption.

For example : a Controlling Shareholder which has held 1 (one) conventional Bank and 1 (one) Bank based on Shariah Principles which then acquires a Bank based on Shariah Principles, the Controlling Shareholder is required to implement merger or consolidation on those two Banks based on Shariah Principles.

Letter b

Joint Venture Bank in this stipulation is defined as a Bank established and owned by a bank located abroad and a Bank in Indonesia which has obtained business license prior to the enactment of Act Number 10 of 1998 concerning Amendment to Act Number 7 of 1992 concerning Banking and at the beginning of the enactment of this Bank Indonesia Regulation its shareholder composition remains a bank located abroad and a Bank in Indonesia.

In line with the elucidation in Letter a, if a Controlling Shareholder of a Joint Venture Bank holds more than 1 (one) other Banks which are no Joint Venture Bank, the ownership on

the Banks ...

the Banks of non-Joint Venture Bank shall not obtain exemption.

For example : a Controlling Shareholder which has held 1 (one) Joint Venture Bank and 1 (one) other Bank of non-Joint Venture Bank and then acquires another Bank, the Controlling Shareholder is required to implement merger or consolidation on those two Banks which are no Joint Venture Bank.

Letter c

Self-explanatory.

Article 3

Paragraph (1)

Letter a

Other party as referred to in this paragraph is a party outside the business group and/or with family ties up to the second degree of descent of Controlling Shareholder.

The transfer of a part or the whole shares from the Controlling Shareholder to the other party is executed in accordance with stipulations concerning Commercial Bank Acquisition and Commercial Bank Share Purchase.

Letter b

The implementation of merger or consolidation refers to stipulations regulating Commercial Bank merger or consolidation.

Letter c

By this stipulation, Banks which are controlled by the Controlling Shareholder continue to exist as original but the

share ...

share ownership which are formerly either directly or indirectly under the Controlling Shareholder shall be transferred to the Bank Holding Company.

Paragraph (2)

Self-explanatory.

Article 4

Paragraph (1)

Among supporting documents required to be submitted to Bank Indonesia are :

- a. Shareholder General Meeting official report of respective Bank;
- b. Draft statutes and list of prospective board of executives of Bank Holding Company;
- c. Draft of Bank share transfer certificate.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 5

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 6

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 7

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 8

Paragraph (1)

The ownership structure adjustment plan shall be submitted to Bank Indonesia, c.q. concerned Directorate of Bank Supervision.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

The ownership structure adjustment plan shall be submitted to Bank Indonesia, c.q. concerned Directorate of Bank Supervision.

Article 9

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

The recording as referred to in this Letter shall not influence either Bank's accounting or capital record.

Letter b

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 10

Other party as referred to in this Paragraph is a party outside the business group and/or with family ties up to the second degree of descent of the Controlling Shareholder.

The transfer of shares from the Controlling Shareholder to the other party is executed in accordance with stipulations concerning Commercial Bank Acquisition and Commercial Bank Share Purchase.

Article 11

The quorum is established based on number of shares with voting rights.

Article 12

Self-explanatory.

Article 13 ...

Article 13

Bank in this Article is defined as a Commercial Bank and a Rural Credit Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

Article 14

Self-explanatory.

Article 15

Self-explanatory.