

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 24 OF 2004
ON
DEPOSIT INSURANCE CORPORATION
BY THE GRACE OF GOD ALMIGHTY

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Considering : a. that to substantiate the realization of a stable and strong national economy, a sound and stable banking system is required;
- b. that to support a sound and stable banking system, it is required to improve the bank deposit insurance program;
- c. that to implement the deposit insurance program towards bank depositor's deposit, an independent institution needs to be established that will be assigned with duties and authorities to execute the program;
- d. that based on the considerations as referred to in point a, point b and point c, it is necessary to establish Law on Deposit Insurance Corporation;
- Observing : 1. Article 5 section (1), Article 20 section (1), Article 23, and Article 33 of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 7 of 1992 on Banking (State Gazette of 1992 Number 31, Supplement to the State Gazette Number 3472), as amended by Law Number 10 of 1998 (State Gazette of the Republic of Indonesia of 1998 Number 182, Supplement to the State Gazette Number 3790);

3. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to the State Gazette Number 3843) as amended by Law Number 3 of 2004 (State Gazette of 2004 Number 7, Supplement to the State Gazette Number 4357);
4. Law Number 17 of 2003 on State Finance (State Gazette of 2003 Number 47, Supplement to the State Gazette Number 4287);
5. Law Number 1 of 2004 on State Treasury (State Gazette of 2004 Number 5, Supplement to the State Gazette Number 4355);

With the Joint Approval of
THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA
and
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Enacting : LAW ON DEPOSIT INSURANCE CORPORATION.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Law:

1. Deposit means the deposit as referred to in Law on Banking.
2. Bank means any Commercial Bank and Rural Bank as referred to in Law on Banking.
3. *Lembaga Pengawas Perbankan*, Banking Supervisory Institution, hereinafter referred to as LPP, means Bank Indonesia or the supervising institution of the financial services sector as referred to in Law on Bank Indonesia.
4. Bank Indonesia means the Central Bank of the Republic of Indonesia as referred to in Law on Bank Indonesia.
5. Depositor means any depositor as referred to in Law on Banking.
6. Debtor means any debtor as referred to in Law on Banking.

7. Failing Bank means a bank that experiences financial difficulties and endangers the continuation of its business and is declared unable to be any longer restructured by the LPP in accordance with its authorities.
8. *Penjaminan Simpanan Nasabah Bank*, Bank Depositor's Deposit Insurance, hereinafter referred to as Deposit Insurance, means the deposit insurance implemented by Deposit Insurance Corporation on depositor's deposits.
9. Coordinating Committee means the committee whose members are the Minister of Finance, LPP, Bank Indonesia, and Deposit Insurance Corporation that determines the resolution policy of a Failing Bank that is predicted to have systemic effect.
10. Deposit Insurance Reserve means the fund allocated partially from the surplus of Deposit Insurance Corporation, which is allocated to fulfill future obligations under the duties and authorities of Deposit Insurance Corporation.
11. Special Reserve means the fund allocated partially from the surplus of Deposit Insurance Corporation that is used among others for the replacement or refurbishment of fixed assets and supplies that are used to conduct the duties and authorities of Deposit Insurance Corporation.
12. Regulation of Deposit Insurance Corporation means any regulation that is issued by the Deposit Insurance Corporation for deposit insurance and resolution of Failing Bank as regulated in this Law.
13. Board of Commissioners means the highest organ of Deposit Insurance Corporation.
14. Board of Commissioners' Decision means decision issued by the Board of Commissioners of Deposit Insurance Corporation that contains internal regulation.
15. GMS means the General Meeting of Shareholders as regulated in legislation.

CHAPTER II
ESTABLISHMENT, STATUS, AND DOMICILE

Article 2

- (1) Based on this Law, *Lembaga Penjamin Simpanan* (Indonesia Deposit Insurance Corporation) is established, hereinafter referred to as IDIC.
- (2) IDIC as referred to in section (1) is a legal entity.
- (3) IDIC means an independent, transparent, and accountable institution in conducting its duties and authorities.
- (4) IDIC is accountable to the President.

Article 3

- (1) IDIC domiciles in the capital of the Republic of Indonesia.
- (2) IDIC may open representative offices within the territory of the Republic of Indonesia.
- (3) Provisions regarding requirements of and procedures for establishing representative offices are regulated by Board of Commissioners' Decision.

CHAPTER III
FUNCTIONS, DUTIES, AND AUTHORITIES

Article 4

The functions of IDIC are:

- a. to insure depositors' deposits; and
- b. to actively participate in promoting the stability of banking system in accordance with its authorities.

Article 5

- (1) In conducting its functions as referred to in Article 4 point a, IDIC has the following tasks:
 - a. to formulate and determine policies of deposit insurance implementation; and
 - b. to implement the deposit insurance.
- (2) In conducting its functions as referred to in Article 4 point b, IDIC has the following tasks:

- a. to formulate and determine policies in order to actively participate in promoting the stability of the banking system;
- b. to formulate, determine, and implement policies for the resolution of non-systemic Failing Bank; and
- c. to conduct the resolution of systemic Failing Bank.

Article 6

- (1) In conducting its duties as referred to in Article 5, IDIC has the following authorities:
 - a. to determine and collect deposit insurance premiums;
 - b. to determine and collect contributions at the time banks become members;
 - c. to manage assets and liabilities of IDIC;
 - d. to obtain deposit data, bank's soundness data, bank's financial report, and bank examination result report as long as it does not violate bank secrecy;
 - e. to conduct reconciliation, verification, and/or confirmation on data as referred to in point d;
 - f. to determine terms, procedures, and conditions on claim payment;
 - g. to appoint, delegate, and/or assign other parties to act in the interest and/or on behalf of IDIC, for the purpose of conducting particular tasks;
 - h. to conduct public awareness programs to the banks and the public on deposit insurance; and
 - i. to impose administrative sanctions.
- (2) IDIC may conduct the resolution of Failing Bank with the following authorities:
 - a. to take over and exercise all rights and authorities of the shareholders, including rights and authorities of the GMS;
 - b. to possess and manage assets and liabilities of the Failing Bank that is rescued;
 - c. to review, annul, terminate, and/or amend any contract between the Failing Bank that is rescued and third parties that are burdensome to the bank; and

- d. to sell and/or transfer the bank's assets without debtor consent and/or the bank's liabilities without creditor consent.

Article 7

- (1) In conducting its duties and authorities, IDIC can request data, information, and/or document from other parties.
- (2) All parties, from which the data, information, and/or document are requested as referred to in section (1), are obligated to submit them to IDIC.

CHAPTER IV DEPOSIT INSURANCE

Part One Membership

Article 8

- (1) Every Bank that operates within the territory of the Republic of Indonesia shall become member of the Deposit Insurance.
- (2) The bank's obligation to become member of Deposit Insurance as referred to in article (1) does not include Rural Credit Union.

Article 9

As member of the Deposit Insurance as referred to in Article 8, every Bank is obligated to:

- a. submit the following documents:
 - 1) copy of bank's articles of association and/or deed of establishment;
 - 2) copy of banking licenses;
 - 3) letter issued by LPP on bank's soundness level with its supporting documents;
 - 4) statement letter from the bank's directors, commissioners, and shareholders, that contains:
 - i. commitment and willingness of the bank's directors, commissioners, and shareholders to

- comply with all provisions as determined in Regulations of DIC;
- ii. willingness to be personally responsible for any negligence and/or unlawful act that results in losses or endangers the continuity of the bank's operations;
 - iii. willingness to release and hand over to IDIC all entitlements, ownership, management, and/or interests if the bank becomes a Failing Bank and is decided to be rescued or liquidated;
- b. to pay membership contribution in the amount of 0.1% (one per mille) from the bank's own equity at the end of the previous fiscal year or from the paid-up capital for new banks;
 - c. to pay the Deposit Insurance premiums;
 - d. to submit periodic reports in the designated format;
 - e. to provide data, information, and documents needed in order to conduct the Deposit Insurance; and
 - f. to display the membership certificate or its copy inside the bank's office or other areas to be easily identified by the public.

Part Two

Insured Deposits

Article 10

IDIC insures Deposits of the bank's depositor in the form of current accounts, term deposits, certificate of deposit, savings accounts, and/or other forms that are equivalently treated.

Article 11

- (1) The insured Deposit amount for each depositor in one bank is a maximum of Rp100,000,000.00 (one hundred million Rupiahs).
- (2) The insured Deposit amount may be adjusted if one or more of the criteria are satisfied as follows:
 - a. there is a substantial amount of banking fund being

- withdrawn simultaneously;
- b. there is a significant inflation within a few years; or
 - c. the number of depositors whose all deposits are covered has decreased to less than 90% (ninety percent) from the total number of depositors of all banks.
- (3) Adjustment on the insured Deposit amount as referred to in section (2) is consulted with the House of Representatives.
 - (4) Result of the consultation as referred to in section (3) is further determined by Government Regulation.
 - (5) Further provisions regarding the determination of the insured Deposit amount for each depositor in one bank as referred to in section (1) are regulated in Regulations of DIC.

Part Three

Premium

Article 12

- (1) The Deposit Insurance premium as referred to in Article 9 point c is paid 2 (two) times in 1 (one) year for:
 - a. payment period of 1 January to 30 June; and
 - b. payment period of 1 July to 31 December.
- (2) The premium for each period as referred to in section (1) is paid not later than:
 - a. 31 January for the period as referred to in section (1) point a; and
 - b. 31 July for the period as referred to in section (1) point b;based on the average monthly balance of total Deposits from the previous period.
- (3) The premium as referred to in section (2) is added or subtracted in accordance with the actual average monthly balance of total Deposits of the respective period.
- (4) The addition or subtraction of the premium as referred to in section (3) is applied on the premium payment for the next period.

- (5) Further provisions regarding procedures for premium payment are determined in Regulations of DIC.

Article 13

- (1) The premium for each period as referred to in Article 12 is determined flat for each bank in the amount of 0.1% (one per mille) from the average monthly balance of total Deposits in each period.
- (2) The premium rate as referred to in section (1) may be adjusted if a minimum of one of criteria is fulfilled as follows:
 - a. there is a change in the insured Deposit amount for each depositor in a bank as referred to in Article 11 section (1);
 - b. the accumulation of deposit insurance reserves has exceeded its target of 2.5% (twenty-five per mille) of the total Deposits in each bank; or
 - c. there is a change in the risk exposure level in the banking industry.
- (3) The adjustment on premium rate as referred to in section (2) is consulted with the House of Representatives.
- (4) Result of the consultation as referred to in section (3) is further determined by Government Regulation.

Article 14

- (1) The premium is calculated by the bank itself.
- (2) IDIC may verify premium calculation as referred to in section (1).
- (3) The verification as referred to in section (1) may be conducted through document verification, calling forth relevant bank officials, and/or on-site bank examination.
- (4) The on-site bank examination as referred to in section (3) is conducted by the LPP upon a request from IDIC.
- (5) The LPP must complete the on-site bank examination as referred to in section (3) not later than 3 (three) months after the LPP receives request from IDIC.
- (6) In the event that there is a difference between the premium

calculation result conducted by the bank itself and the verification result as referred to in section (2), the bank is obligated to make adjustment to the premium amount paid on the premium payment of the next period according to the result verification of IDIC.

Article 15

- (1) Method of the premium determination as referred to in Article 13 section (1) may be adjusted so that the premium rate becomes different from one bank to another based on the scale of bank failure risk.
- (2) In the event that premium rate is differently determined from one bank to another, the difference between the minimum and the maximum premium rates does not exceed 0.5% (five per mille).
- (3) The procedure adjustment to premium and premium rate determinations based on the scale of bank failure risk as referred to in section (1) is consulted with the House of Representatives.
- (4) Result of the consultation as referred to in section (3) is further determined by Government Regulation.

Part Four

Payment on Deposit Insurance Claims

Article 16

- (1) IDIC shall pay Deposit Insurance claims to Depositors of the bank whose operating licenses have been revoked.
- (2) IDIC has the right to obtain data on Depositors and other information required as of the date when the bank's operating licenses are revoked from LPP and/or the bank in order to proceed with the calculation and payment of Deposit Insurance claims.
- (3) IDIC is obligated to determine eligible Deposits, after the reconciliation and verification on the data as referred to in section (2) not later than 90 (ninety) working days from the day the bank's operating licenses are revoked.

- (4) IDIC starts to pay the eligible Deposits not later than 5 (five) working days from the date the verification begins.
- (5) In the process of reconciliation and verification as referred to in section (3), the shareholders, board of commissioners, directors, and employees of the bank of which operating licenses have been revoked, and other parties related to the bank, are obligated to assist in providing all data and information required by IDIC.
- (6) IDIC announces the starting date for Deposit Insurance claim submission in a minimum of 2 (two) widely circulated daily newspapers.
- (7) The period for submission of Deposit Insurance claims by the Depositors to IDIC is 5 (five) years from the date the bank's operating licenses are revoked.
- (8) Further provisions regarding reconciliation, verification, determination of deposits eligibility, and procedures of Deposit Insurance claim submission and payment are determined in Regulations of DIC.

Article 17

- (1) The Deposit Insurance claims may be paid in cash and/or with any other equivalent payment instruments.
- (2) All Deposit Insurance claims are paid in rupiah currency.
- (3) The Deposit Insurance claim for Deposits in foreign currencies is paid in equivalent rupiah based on the median exchange rate of Bank Indonesia.
- (4) The payment instrument for paying Deposit Insurance claim and the median exchange rate used are further determined in Regulations of DIC.

Article 18

In the event that the Depositors at the same time have obligations to the bank, the Deposit Insurance claim is paid after the obligations are firstly calculated in accordance with the legislation.

Article 19

- (1) The Deposit Insurance claim is declared ineligible, if based on the reconciliation and/or verification results:
 - a. the Deposit data are not recorded in the bank;
 - b. the Depositors are the parties unfairly benefited; and/or
 - c. the Depositors are the parties that cause unsound condition of the bank.
- (2) Further provisions regarding parties that are unfairly benefited and parties that cause unsound condition of the bank are regulated in Regulations of DIC.

Article 20

- (1) In the event the Depositors as referred to in Article 19 section (1) experience detriment, the depositors may:
 - a. file an objection to IDIC substantiated with factual and clear evidence; or
 - b. undertake legal action through court.
- (2) In the event that IDIC accepts the Depositors' objection or the court has granted the Depositors' legal action as referred to in section (1), IDIC only pays the Deposit in accordance with the Deposit Insurance including the fair interest.

CHAPTER V

RESOLUTION OF FAILING BANKS

Part One

Decision Making

Article 21

- (1) IDIC receives notification from LPP regarding banks under special surveillance which are in the process of restructuring as referred to in legislation on banking.
- (2) IDIC conducts the resolution of non-systemic Failing Bank after LPP or the Coordinating Committee transfers the resolution to IDIC.
- (3) IDIC conducts the resolution of systemic Failing Bank after the Coordinating Committee transfers the resolution of the bank to IDIC.

Article 22

- (1) The resolution of Failing Bank as referred to in Article 21 section (2) and section (3) is conducted by IDIC with the following procedures:
 - a. the resolution of non-systemic Failing Bank is conducted by rescuing or not rescuing the Failing Bank;
 - b. the resolution of systemic Failing Bank is conducted by rescuing the Failing Bank with or without the existing shareholders' participation.
- (2) The decision to rescue or not to rescue a Failing Bank as referred to in section (1) point a is determined by IDIC, based on at least the estimated costs of rescuing or not rescuing the Failing Bank.
- (3) IDIC conducts calculations on the estimated costs of rescuing or not rescuing Failing Bank as referred to in section (2).

Article 23

- (1) The estimated cost of rescuing as referred to in Article 22 section (2) includes capital injections until the bank fulfills the provisions on solvability and liquidity levels.
- (2) The estimated cost of not rescuing as referred to in Article 22 section (2) takes into consideration the cost of payment of insured Deposits, cost of bridging fund of unpaid salary, bridging fund of employee severance, and IDIC's income estimation from the sale of assets of the bank of which operating licenses have been revoked.

Part Two

Rescue of Non-Systemic Failing Bank

Article 24

- (1) IDIC determines to rescue non-systemic Failing Bank if the following requirements are fulfilled:
 - a. the estimated cost of rescuing the bank is significantly lower than the estimated cost of not rescuing the bank;

- b. after being rescued, the bank still indicates good business prospect;
 - c. there is a statement from the GMS of the bank that, at a minimum, contains agreement:
 - 1) to hand over the rights and authorities of the GMS to IDIC;
 - 2) to hand over the management of the bank to IDIC; and
 - 3) not to press charges against IDIC or other parties appointed by IDIC if the rescue process was not successful, as long as IDIC or the other parties appointed by IDIC conduct their duties in accordance with the legislation; and
 - d. the bank submits to IDIC, documents concerning:
 - 1) utilization of funding facilities from Bank Indonesia;
 - 2) financial data of Debtors;
 - 3) capital structure and the composition of shareholders for the past 3 (three) years; and
 - 4) other information that are related to assets, liabilities including bank's capital, which are required by IDIC.
- (2) Further provisions regarding the requirements of rescuing the bank as referred to in section (1) are regulated in Regulations of DIC.

Article 25

After all the requirements as referred to in Article 24 are fulfilled, the GMS hands over all their rights and authorities to IDIC.

Article 26

After the GMS hands over all their rights and authorities as referred to in Article 25, IDIC may conduct the following course of actions:

- a. to possess, manage, and own assets that belong to or become the subjective rights and/or liabilities of the bank;
- b. to conduct temporary capital injection;

- c. to sell and/or transfer bank's assets without Debtor's consent and/or bank's liabilities without Creditor's consent;
- d. to transfer the management of the bank to other parties;
- e. to merge or consolidate with other banks;
- f. to transfer the bank ownership; and
- g. to review, annul, terminate, and/or amend any bank's contracts which bind the bank and third parties, that according to IDIC are burdensome to the bank.

Article 27

All funds paid by IDIC to rescue the bank become IDIC's temporary capital injection on the bank.

Article 28

- (1) In the event that the bank's equity is positive at the time of hand over to IDIC as referred to in Article 25, IDIC and the former shareholders make an agreement that regulates the utilization of results of the bank's shares sale after the rescue.
- (2) In the event that the bank's equity is zero or negative at the time of hand over to IDIC as referred to in Article 25, the former shareholders do not reserve rights on the results of the bank's shares sale after the rescue.

Article 29

- (1) The agreement as referred to in Article 28 section (1) regulates the utilization of results of the rescued bank's shares sale with the following order:
 - a. refund of all rescue costs that have been paid by IDIC;
 - b. refund to the former shareholders in the amount of equity at the time of hand over as referred to in Article 25.
- (2) If there is any excess after the utilization of results of the bank's shares sale as referred to in section (1), such excess is distributed proportionately to IDIC and the former shareholders in accordance with the ratio in point a and point b of section (1).

Article 30

- (1) IDIC must dispose all shares of the rescued bank within a period of not later than 2 (two) years as from the handover as referred to in Article 25.
- (2) The disposal of shares as referred to in section (1) is conducted in an open and transparent manner, while considering the optimum return rate for IDIC.
- (3) The optimum return rate as referred to in section (2) is at a minimum in the amount of the total temporary capital injection conducted by IDIC.
- (4) In the event of the optimum return rate as referred to in section (2) and section (3) cannot be executed within a period of not later than 2 (two) years, the period as referred to in section (1) can be extended for a maximum of 2 (two) times with 1 (one) year period for each extension.
- (5) In the event of the optimum return rate as referred to in section (2) and section (3) cannot be executed within the extended period of time as referred to in section (4), IDIC disposes the bank's shares without taking into account the provision as referred to in section (3) within the following 1 (one) year period.

Part Three

Unrescued Non-Systemic Failing Banks

Article 31

- (1) In the event of failure to meet the terms as referred to in Article 24 or IDIC has decided not to continue the rescue process, IDIC will request the operating licenses of the referred bank to be revoked in accordance with the legislation.
- (2) IDIC pays the Deposit Insurance claim to the Depositors of the bank of which operating licenses have been revoked as referred to in section (1) in accordance with the provision in Chapter IV Part Four.

Part Four
Resolution of Systemic Failing Bank with
Capital Injection by the Shareholders

Article 32

The resolution of systemic Failing Bank is conducted by IDIC by involving the shareholders (open bank assistance).

Article 33

- (1) The resolution of systemic Failing Bank as referred to in Article 32 may only be conducted if:
- a. shareholders of the Failing Bank have injected capital at a minimum of 20% (twenty percent) of the resolution cost estimation;
 - b. there is a statement from the GMS of the bank that, at a minimum, contains agreement:
 - 1) to hand over the rights and authorities of the GMS to IDIC;
 - 2) to hand over the management of the bank to IDIC; and
 - 3) not to press charges against IDIC or other parties appointed by IDIC in the event the resolution process was not successful, as long as IDIC or other parties appointed by IDIC conduct their duties in accordance with the legislation;
 - c. the bank submits to IDIC, documents concerning:
 - 1) utilization of funding facilities from Bank Indonesia;
 - 2) financial data of Debtors;
 - 3) capital structure and the composition of shareholders for the past 3 (three) years; and
 - 4) other information that are related to assets, liabilities, and bank's capital, which are required by IDIC.
- (2) Further provisions regarding the requirements of resolution of the bank as referred to in section (1), are regulated in Regulations of DIC.

Article 34

As from the date IDIC determines to conduct the Failing Bank resolution as referred to in Article 33, in accordance with this Law:

- a. the shareholders and the bank management release and hand over to IDIC all the rights, titles of ownership, management, and/or other interests on the referred bank; and
- b. the shareholders and bank management cannot press charges against IDIC or other parties appointed by IDIC in the event the resolution process was not successful, as long as IDIC or other parties appointed by IDIC conduct their duties in accordance with the legislation.

Article 35

- (1) In the event that the bank's equity is positive after the former shareholders conduct temporary capital injection, IDIC and the former shareholders make an agreement that regulates the utilization of results of the bank's shares sale.
- (2) In the event that the bank's equity is zero or negative after the former shareholders conduct temporary capital injection, the former shareholders do not reserve rights on the results of the bank's shares sale.

Article 36

- (1) The agreement as referred to in Article 35 section (1) regulates the utilization of results of the bank's shares sale with the following order:
 - a. refund of all resolution costs that have been paid by IDIC;
 - b. refund to the former shareholders in the amount of the equity on the position right after the former shareholders conduct capital injection as referred to in Article 33 point a.
- (2) If there is any excess after the utilization of results of the bank's shares sale as referred to in section (1), such excess is distributed proportionately to IDIC and the former

shareholders in accordance with the ratio in point a and point b of section (1).

Article 37

- (1) IDIC is responsible for the shortfall of the Failing Bank's resolution cost subsequent to the capital injection conducted by the former shareholders as referred to in Article 33 point a.
- (2) The resolution cost of the Failing Bank incurred by IDIC becomes IDIC's temporary capital injection on the bank.

Article 38

- (1) IDIC must dispose all shares of the bank under resolution within a period of not later than 3 (three) years as from the handover as referred to in Article 34 point a.
- (2) The disposal of shares as referred to in section (1) is conducted in an open and transparent manner, while considering the optimum return rate for IDIC.
- (3) The optimum return rate as referred to in section (2) is at a minimum in the amount of the total temporary capital injection conducted by IDIC.
- (4) In the event of the optimum return rate as referred to in section (2) and section (3) cannot be executed within a period of not later than 3 (three) years, the period as referred to in section (1) can be extended for a maximum of 2 (two) times with 1 (one) year period for each extension.
- (5) In the event of the optimum return rate as referred to in section (2) and section (3) cannot be executed within the extended period of time as referred to in section (4), IDIC disposes the bank's shares without taking into account the provision as referred to in section (3) within the following 1 (one) year period.

Part Five
Resolution of Systemic Failing Bank
without Capital Injection by Shareholders

Article 39

In the event of the resolution of Failing Bank as referred to in Article 32 cannot be conducted, IDIC undertakes the resolution of the referred Failing Bank without shareholders' participation.

Article 40

As from the date IDIC determines to conduct the Failing Bank resolution as referred to in Article 39, in accordance with this Law:

- a. IDIC takes over all rights and authorities of the GMS, title of ownership, management, and/or other interests on the referred bank;
- b. The shareholders and the bank management cannot press charges against IDIC or other parties appointed by IDIC in the event of unsuccessful resolution, as long as IDIC or the other parties appointed by IDIC conduct their duties in accordance with the legislation;

Article 41

- (1) After IDIC takes over all rights and authorities of the GMS, title of ownership, management, and/or other interests of the bank as referred to in Article 40 point a, IDIC may conduct all the actions as referred to in Article 26.
- (2) All funds paid by IDIC for the Failing Bank resolution become IDIC's temporary capital injection on the bank.
- (3) Further provisions regarding the Failing Bank resolution as referred to in section (1) are regulated in Regulations of DIC.

Article 42

- (1) IDIC must dispose all shares of the bank under resolution within a period of not later than 3 (three) years as from the beginning of the Failing Bank resolution as referred to in Article 39.

- (2) The disposal of shares as referred to in section (1) is conducted in an open and transparent manner, while considering the optimum return rate for IDIC.
- (3) The optimum return rate as referred to in section (2) is at a minimum in the amount of the total temporary capital injection conducted by IDIC.
- (4) In the event of the optimum return rate as referred to in section (2) and section (3) cannot be executed within a period of not later than 3 (three) years, the period as referred to in section (1) can be extended for a maximum of 2 (two) times with 1 (one) year period for each extension.
- (5) In the event of the optimum return rate as referred to in section (2) and section (3) cannot be executed within the extended period of time as referred to in section (4), IDIC disposes the bank's shares without taking into account the provision as referred to in section (3) within the following 1 (one) year period.
- (6) In the event that the bank's equity is positive at the time of handover to IDIC as referred to in Article 40 point a, the referred utilization of results of the bank's shares sale is based on the provisions as referred to in Article 29.
- (7) In the event that the bank's equity is zero or negative at the time of handover to IDIC as referred to in Article 40 point a, the former shareholders do not reserve rights on the results of the bank's share sale after resolution.

CHAPTER VI LIQUIDATION

Part One

Liquidation of Failing Banks by IDIC

Article 43

In the process of liquidating a Failing Bank of which operating licenses are revoked, IDIC conducts as follows:

- a. to execute the authorities as referred to in Article 6 section (2);

- b. to provide the bridging fund for unpaid employee salary and bridging fund for employee severance in the amount of the severance minimum amount as regulated in the legislation;
- c. to execute necessary actions in order to preserve the bank's assets prior to the liquidation process; and
- d. to decide on dissolving the bank's legal entity, appoint a liquidation team, and announce the bank's status as under liquidation, based on the authorities as referred to in point a.

Article 44

- (1) Members of liquidation team are at most 9 (nine) persons.
- (2) If necessary, one of the members of the existing board of directors, board of commissioners, or shareholders may be appointed as a member of the liquidation team.

Article 45

- (1) The decision to dissolve the bank's legal entity as referred to in Article 43 point d must be:
 - a. registered in the company register and at the district court's registrar where the bank is domiciled;
 - b. published in the State Bulletin of the Republic of Indonesia and in 2 (two) widely circulated daily newspapers; and
 - c. informed to the authorized institutions.
- (2) The publication as referred to in section (1) point b also includes a statement that all assets of the bank under liquidation are in the responsibility and administration of the liquidation team.

Article 46

- (1) The liquidation of bank is conducted by liquidation team.
- (2) With the establishment of liquidation team, responsibility and management of the bank under liquidation are carried out by the liquidation team.
- (3) In conducting its duties, the liquidation team is authorized to act on behalf of the bank under liquidation in all aspects

pertaining to the completion of rights and liabilities of the bank.

Article 47

- (1) As of the establishment of the liquidation team, the board of directors and the board of commissioners of the bank under liquidation become inactive.
- (2) The shareholders, board of directors, and board of commissioners as well as employees and former employees of the bank under liquidation are obligated at all times to assist in providing all data and information needed by the liquidation team.
- (3) The shareholders, board of directors, and board of commissioners as well as employees of the bank under liquidation are prohibited from directly or indirectly obstructing the liquidation process.

Article 48

The liquidation of bank by liquidation team must be completed within not later than 2 (two) years as from the date of the establishment of the liquidation team and can be extended by IDIC for a maximum of 2 (two) times with a maximum of 1 (one) year for each extension.

Article 49

Supervision upon bank liquidation is conducted by IDIC.

Article 50

In the event of dispute in the liquidation process, such dispute is settled through the commercial court according to the prevailing provisions.

Article 51

- (1) In conducting the duties and authorities, members of the liquidation team either individually or collectively are prohibited from performing any actions for personal or other unlawful parties' advantages.

- (2) Members of the liquidation team are personally responsible if in conducting their duties they violate the provisions as referred to in section (1).

Article 52

- (1) For the interests upon assets or liabilities of the bank under liquidation, the liquidation team may request annulment from the commercial court on all juridical acts of the bank that cause reduction of assets or increase of liabilities of the bank, which are executed within the period of 1 (one) year prior to the revocation of the bank's operating licenses.
- (2) Exempted from provision as referred to in section (1) is the referred bank's juridical acts that are conducted based on the Law.

Article 53

Bank liquidation is conducted in the following ways:

- a. disposal of assets and/or collection of receivables towards the debtors followed by payment of the bank's liabilities to creditors from the results of such disposal and/or collection;
or
- b. transfer of the bank's assets and liabilities to other parties based on IDIC's approval.

Article 54

- (1) Payment of the bank's liabilities to creditors from the disposal and/or collection results as referred to in Article 53 are conducted in the following order:
 - a. refund of the bridging fund of unpaid employee salary;
 - b. refund of the bridging fund of employee severance;
 - c. court fees at the court of law, unpaid auction fees, and office operating expenses;
 - d. resolution costs incurred by IDIC and/or payment on Deposit Insurance claims that must be paid by IDIC;
 - e. unpaid taxes;
 - f. portions of uninsured Deposits and ineligible Deposits;
and

- g. other creditors' rights.
- (2) All costs pertaining to the liquidation and listed on the list of liquidation costs become expense of the bank under liquidation and are firstly paid from every disposal result.
- (3) Honorarium of the liquidation team that is included as part of the costs as referred to in section (2) is determined according to the Regulations of DIC.
- (4) If there is any excess of the liquidation results after all liabilities of the bank under liquidation have been paid as referred to in section (1), the excess is transferred to the former shareholders.
- (5) If there are no more assets of the bank in the liquidation process and there are still bank's liabilities to other parties, such liabilities must be paid by the former shareholders that are proven to cause the bank becomes Failing Bank.

Article 55

After the completion of liquidation process in such a way as referred to in Article 53 or to the maximum period as referred to in Article 48, the liquidation team submits the final liquidation balance sheet and accounts for the implementation of its duties to IDIC.

Article 56

After accepting the accountability of the liquidation team as referred to in Article 55, IDIC:

- a. requests the liquidation team:
 - 1) to publish the completion of liquidation by placing the information in the State Bulletin of the Republic of Indonesia and in 2 (two) widely circulated daily newspapers;
 - 2) to inform the authorized institution in order that the referred bank's legal entity name is deleted from the company register; and
- b. dissolves the liquidation team.

Article 57

Any claims filed after the completion of liquidation process may be charged to the excess of liquidation results that belongs to the shareholders.

Article 58

Legal entity status of the liquidated bank is revoked as of the publication date of the completion of liquidation process in the State Bulletin of the Republic of Indonesia as referred to in Article 56 point a number 1.

Article 59

- (1) In the event that the branch office of a bank which domiciles overseas has its operating licenses revoked by LPP, the following conditions apply:
 - a. all assets of the referred branch office are prioritized to pay all of its liabilities in Indonesia;
 - b. the head office of the referred bank is responsible to fulfill its branch office's liabilities in Indonesia.
- (2) In implementing the conditions as referred to in section (1), IDIC forms a settlement team that is equipped with the rights, responsibilities, and authorities as that of the liquidation team.
- (3) In implementing the conditions as referred to in section (1) point b, IDIC cooperates with the LPP.
- (4) The settlement period of liabilities as referred to in section (2) for the branch office of a bank domiciling overseas is not later than 2 (two) years from the establishment of settlement team and can be extended by IDIC for a maximum period of 1 (one) year.

Article 60

In the event that according to IDIC, members of the liquidation team do not duly perform their duties and/or violate the legislation, IDIC terminates the referred members and appoints replacement.

Part Two
Bank Liquidation by the Shareholders

Article 61

- (1) Liquidation of a bank of which operating licenses are revoked that is requested by its own shareholders is conducted by the referred shareholders.
- (2) IDIC does not pay the Deposit Insurance claims from the bank of which operating licenses are revoked that is requested by its own shareholders as referred to in section (1).

CHAPTER VII
ORGANIZATION

Part One
Body of IDIC

Article 62

The body of IDIC consists of Board of Commissioners and Chief Executive Officer.

Article 63

- (1) The Board of Commissioners is the leader of IDIC.
- (2) The Board of Commissioners formulates and determines policies as well as conducts supervision in order to conduct the duties and authorities of IDIC as regulated in this Law.
- (3) The Board of Commissioners is led by a Chairman of the Board of Commissioners.
- (4) Rules and procedures for conducting the duties and authorities of the Board of Commissioners are determined by the Board of Commissioners' Decision.

Article 64

- (1) One of the members of the Board of Commissioners appointed as the Chief Executive Officer conducts the operational activities of IDIC.

- (2) Duties and authorities of the Chief Executive Officer are determined in the Board of Commissioners' Decision.

Part Two

Board of Commissioners

Article 65

- (1) Members of the Board of Commissioners are 6 (six) persons, who consist of:
 - a. 1 (one) official equivalent to the echelon I from the Ministry of Finance appointed by the Minister of Finance;
 - b. 1 (one) of LPP leaders appointed by LPP leaders;
 - c. 1 (one) of Bank Indonesia leaders appointed by Bank Indonesia leaders;
 - d. 3 (three) members originating from internal and/or external IDIC.
- (2) The members of the Board of Commissioners as referred to in section (1) are appointed by the President on the recommendation from the Minister of Finance.
- (3) Number of candidates for the members of the Board of Commissioner as referred to in section (1) point d is recommended by the Minister of Finance which is 2 (two) persons for each appointment of member of the Board of Commissioners.
- (4) In the event of the candidates recommended by the Minister of Finance as referred to in section (3) for each member of the Board of Commissioners who would be appointed are not approved by the President, the Minister of Finance recommends another 2 (two) candidates not later than 14 (fourteen) days as of the disapproval date.

Article 66

- (1) One of the members of the Board of Commissioners as referred to in Article 65 section (1) point d, is appointed by the President as the Chairman of the Board of Commissioner.

- (2) One of the members of Board of Commissioners as referred to in Article 65 section (1) point d who is not the Chairman of the Board of Commissioners, is appointed by the President as the Chief Executive Officer.
- (3) The members of the Board of Commissioners are appointed for a term of 5 (five) years and may only be re-appointed for 1 (one) subsequent term of office.
- (4) The members of the Board of Commissioners as referred to in Article 65 section (1) point d conduct the duties on a full-time basis and are not allowed to hold executive positions elsewhere, except it is an assignment relating to the held positions or part of social activities.

Article 67

In order to be eligible for being appointed as members of the Board of Commissioners, these following terms must be fulfilled:

- a. be an Indonesian citizen;
- b. be capable of conducting juridical acts;
- c. be physically and mentally healthy;
- d. be maximum of 63 years old;
- e. not be consultant, employee, part of management, and/or owner of banks directly or indirectly;
- f. not be in the management of political parties;
- g. have experience and/or expertise in economics, finance, banking, and/or law;
- h. never be imprisoned due to committing crimes;
- i. never be declared bankrupt or never be part of management of banks/companies that cause the banks/companies bankrupt or liquidated; and
- j. not be declared as despicable person in banking and another financial services fields based on the legislation.

Article 68

Members of the Board of Commissioners are prohibited from having a next of kin relationship to the second degree or by in-laws within the Board of Commissioners.

Article 69

- (1) Members of the Board of Commissioners may only be terminated by the President if:
 - a. be permanently unavailable;
 - b. the term of office terminates;
 - c. voluntarily resign;
 - d. be absent in the Board of Commissioners' meetings for 4 times consecutively without any reasons;
 - e. not conduct the duties as members of the Board of Commissioners for more than 6 (six) months notwithstanding justification is presented;
 - f. have a next of kin relationship up to the second degree or by in-laws with another members of the Board of Commissioners, and none of them resigns; or
 - g. fail to fulfill the terms as referred to in Article 67.
- (2) The members of the Board of Commissioners as referred to in Article 65 section (1) point a, point b, and point c are terminated from the positions for the reasons as referred to in section (1) or the members no longer hold equivalent position of echelon one at the Ministry of Finance, members of the leaders of LPP or members of the leaders of Bank Indonesia.
- (3) The termination as referred to in section (1) and section (2) is determined by Presidential Decree, based on the recommendation from the Minister of Finance.
- (4) The termination of members of the Board of Commissioners and the recommendation of new members must be conducted in such a manner that the number of members of the Board of Commissioners is a minimum of 3 (three) persons.
- (5) In the event that members of the Board of Commissioners are terminated, the successors must be determined not later than 3 (three) months as from the date of termination.
- (6) Term of office of the successors appointed to replace the terminated members that are not due to the end of the term of office as referred to in section (1) point c is the remaining term of office of the former members of the Board of Commissioners.

Article 70

- (1) The Board of Commissioners is authorized to act on behalf of IDIC before and out of the court of law.
- (2) The Board of Commissioners may delegate the authorities as referred to in section (1) to the Chief Executive Officer or other members of the Board of Commissioners, with or without the right of substitution.
- (3) Provisions regarding the delegation of authorities as referred to in section (2) are regulated by the Board of Commissioners' Decision.

Article 71

- (1) The Board of Commissioners is obligated to conduct periodic meeting at a minimum of 1 (one) time in a month with agenda:
 - a. to determine policies on Deposit Insurance in accordance with this Law;
 - b. to determine policies of IDIC in supporting the stability of banking system;
 - c. to evaluate the implementation of Deposit Insurance and implementation of IDIC's role in supporting the stability of banking system;
 - d. to receive and evaluate another matters reported by the Chief Executive Officer; and/or
 - e. other matters related to the duties of IDIC.
- (2) The Chairman of the Board of Commissioners presides the Board of Commissioners' meeting.
- (3) In the event that the Chairman of the Board of Commissioners is unavailable to preside the meeting, the Chairman of the Board of Commissioners may appoint another member of the Board of Commissioners to preside the meeting.
- (4) In the event that the Chairman of the Board of Commissioners is unavailable to preside the meeting and cannot appoint members of the Board of Commissioners to preside the meeting, therefore the other members of the Board of Commissioners through deliberation and consensus choose one of them to preside the meeting.

- (5) Further provisions regarding procedures for the Board of Commissioners' meeting are regulated by the Board of Commissioners' Decision.

Article 72

- (1) Decision making of the Board of Commissioners is conducted based on the deliberation to reach consensus.
- (2) In the event that the deliberation as referred to in section (1) does not reach consensus, the decision is made based on the most number of votes.
- (3) In making decision as referred to in section (1) and section (2), the Chief Executive Officer does not have any voting right.
- (4) The decision of the Board of Commissioners is legitimate if it is based on the Board of Commissioners' meeting.
- (5) The meeting of the Board of Commissioners is legitimate if it is attended by more than a half of the members of the Board of Commissioners that have the voting rights.
- (6) The decision of the Board of Commissioners binds all members of the Board of Commissioners.
- (7) All notes and data including argumentation presented by members of the Board of Commissioners in the decision making of the Board of Commissioners must be recorded in the minutes of meeting and must be signed by all members of the Board of Commissioners who are present.
- (8) Further provisions regarding procedures for decision-making of the Board of Commissioners are regulated by the Board of Commissioners' Decision.

Article 73

In the event that members of the Board of Commissioners have any personal interests, whether directly or indirectly, which may create conflict of interest with the object to be decided, the referred members are not allowed to vote in the decision making as referred to in Article 72 section (1) and section (2).

Article 74

- (1) The Board of Commissioners determines IDIC's organizational structure, job and position descriptions, and operating procedures.
- (2) The Board of Commissioners establishes audit committee, information committee, and other committees as necessary.
- (3) IDIC's organizational structure, job and position descriptions, operating procedures as referred to in section (1) and the establishment, membership, and duties of the committee as referred to in section (2) are determined by the Board of Commissioner's Decision.

Article 75

- (1) The Board of Commissioners may delegate duties and/or authorities on IDIC's operation to IDIC's employees and/or other parties specifically appointed for that purpose, except the authority of delegation as referred to in Article 70.
- (2) In conducting the duties and/or authorities delegated as referred to in section (1), employees who receive the delegation must conduct them in accordance with the delegation granted.
- (3) Further provisions regarding delegation of duties and/or authorities as referred to in section (1) and section (2) are determined by the Board of Commissioners' Decision.

Article 76

- (1) Salary, other benefits, and facilities for the Chairman and members of the Board of Commissioners are determined by the Board of Commissioners' Decision.
- (2) The amount of salary and other benefits for the Chairman of the Board of Commissioners as referred to in section (1) are determined to a maximum of 2 (two) times of the salary and other benefits of the highest-ranking employee.

Part Three
Chief Executive Officer and Director

Article 77

- (1) The Chief Executive Officer is assisted by not more than 5 (five) directors.
- (2) The directors as referred to in section (1) are appointed and terminated by the Board of Commissioners.
- (3) The Chief Executive Officer and the directors at least conduct the functions of deposit insurance, risk management, legal, finance, resolution, liquidation, and administration.
- (4) The Chief Executive Officer may delegate the duties and/or authorities to IDIC's officials and/or employees, except the authority to delegate.
- (5) Provisions regarding the number of directors, requirements and procedures of director appointment, as well as distribution of director's duties are determined by the Board of Commissioners' Decision.

Part Four
Employment

Article 78

- (1) The Board of Commissioners determines employment system, remuneration system, reward, pension program and retirement benefits, as well as other benefits for IDIC employees.
- (2) The Chief Executive Officer appoints and terminates IDIC employees excluding the directors.
- (3) Implementation of the provisions as referred to in section (1) is determined by the Board of Commissioners' Decision.
- (4) Implementation of the provisions as referred to in section (2) is determined by the Chief Executive Officer's Decision.

Article 79

- (1) In the event that under a final and binding court judgment members of the Board of Commissioners or former members

of the Board of Commissioners, Chief Executive Officer or former Chief Executive Officer, and/or employees of IDIC or former employees of IDIC, are obligated to compensate losses to other parties, as long as the persons conduct the referred duties, authorities, and/or functions in accordance with the legislation, IDIC pays the referred compensation.

- (2) The cost of settlement as referred to in section (1) is borne by IDIC.

Article 80

IDIC employees who have personal interests towards a bank, whether directly or indirectly, that may create conflict of interest in conducting the duties, are prohibited from being involved in assignments relating to the referred bank.

CHAPTER VIII ASSET, FINANCING, AND MANAGEMENT

Article 81

- (1) Authorized capital of IDIC is determined a minimum of Rp4,000,000,000,000.00 (four trillion Rupiahs) and a maximum of Rp8,000,000,000,000.00 (eight trillion Rupiahs).
- (2) IDIC's assets are separate state asset.
- (3) IDIC is responsible for the management and administration of its entire assets.

Article 82

- (1) IDIC's assets are in the form of investment and non-investment.
- (2) Assets in the form of investment can only be placed in commercial papers issued by the Government of Indonesia and/or Bank Indonesia.
- (3) IDIC cannot place investment in banks or other companies, except temporary capital injection in order to conduct resolution of Failing Bank.
- (4) IDIC may place non-investment asset in conducting its operational activities.

Article 83

- (1) Surplus obtained by IDIC from operational activities during 1 (one) year is allocated as follows:
 - a. 20% (twenty percent) for special reserve;
 - b. 80% (eighty percent) accumulated as deposit insurance reserve.
- (2) In the event that the accumulation of deposit insurance reserves reaches the target rate of 2.5% (twenty five per mille) from the total Deposits in all banks, the parts of surplus as referred to in section (1) point b are regarded as Non-Tax State Revenue.
- (3) Further provisions regarding surplus and its utilization as referred to in section (1) are determined by the Government Regulation.

Article 84

- (1) Deficit that occurs due to the payment of deposit insurance claim in 1 (one) year is calculated as subtraction of deposit insurance reserve.
- (2) In the event that the deposit insurance reserve is no longer sufficient, therefore the deficit as referred to in section (1) is calculated as subtraction of IDIC's capital.

Article 85

- (1) In the event that IDIC's capital is less than the authorized capital as referred to in Article 81 section (1), the Government with approval of the House of Representatives covers the insufficiency.
- (2) In the event that IDIC has liquidity difficulties, IDIC may obtain loans from the Government.
- (3) Provisions regarding the liquidity level as referred to in section (2) are determined by the Government Regulation.

CHAPTER IX
ANNUAL WORK PLAN AND BUDGET

Article 86

- (1) Within the period of not later than 3 (three) months prior to new fiscal year, the Chief Executive Officer submits the Annual Work Plan and Budget for approval from the Board of Commissioners.
- (2) Simultaneously to the submission of Annual Work Plan and Budget as referred to in section (1), the Chief Executive Officer also submits the evaluation on implementation of the current year budget to the Board of Commissioners.
- (3) Format and structure of the Annual Work Plan and Budget as referred to in section (1) are determined by the Board of Commissioners' Decision.

CHAPTER X
REPORTING AND ACCOUNTABILITY

Article 87

The Board of Commissioners submits the approved Annual Work Plan and Budget, as well as the evaluation on implementation of the current year budget as referred to in Article 86 section (1) and section (2) to the President and the House of Representatives.

Article 88

- (1) IDIC is obligated to prepare annual report for each year ending on 31 December.
- (2) The annual report as referred to in section (1) consists of operational activities and financial reports.
- (3) The financial report as referred to in section (2) is audited by the Audit Board of the Republic of Indonesia.
- (4) Audit result of the financial report as referred to in section (3) is published not later than 31 March of the following year.
- (5) Format and structure of the annual report as referred to in

section (1) are determined by the Board of Commissioners' Decision.

Article 89

- (1) IDIC is obligated to submit the annual report as referred to in Article 88 to the President and the House of Representatives, not later than 30 April of the following year.
- (2) IDIC is obligated to publish the audited financial report in a minimum of 2 (two) widely circulated daily newspapers, not later than 30 April of the following year.
- (3) Format and structure of the financial report as referred to in section (2) are determined by the Board of Commissioners' Decision.

CHAPTER XI

RELATION WITH OTHER INSTITUTIONS

Article 90

- (1) In conducting its duties, IDIC may cooperate with domestic and foreign organizations or institutions.
- (2) IDIC may act as member of international organizations or institutions on behalf of the Republic of Indonesia if there are provisions that membership of such international organizations or institutions must be in the name of State.

CHAPTER XII

DATA CONFIDENTIALITY

Article 91

- (1) The Board of Commissioners, the Chief Executive Officer, IDIC employees, or every party who is assigned for and on behalf of IDIC are obligated to treat with confidentiality all classified documents, information, and records acquired or resulted from conducting their duties in accordance with legislation.
- (2) Juridical acts of the Board of Commissioners, the Chief

Executive Officer, IDIC employees, or every party who is assigned for and on behalf of IDIC in accordance with legislation are exempted from the provision as referred to in section (1).

CHAPTER XIII ADMINISTRATIVE AND CRIMINAL SANCTIONS

Article 92

- (1) IDIC imposes administrative sanctions on banks that violate the provisions as referred to in Article 9 point c and point d.
- (2) The administrative sanctions as referred to in section (1) are in the form of administrative fine and/or interest.
- (3) The imposed administrative sanctions as referred to in section (2) must fulfill the following criteria:
 - a. towards violation as referred to in Article 9 point c, it is determined to be a maximum of 150% (one hundred and fifty percent) from the amount of premium payable for each period including interest;
 - b. towards violation as referred to in Article 9 point d, it is fined Rp1,000,000.00 (one million Rupiahs) for each day of delay in submitting the report.
- (4) The administrative fine as referred to in section (3) is imposed for a maximum of 12 (twelve) months.
- (5) Further provisions regarding procedures for imposing administrative sanction are regulated in Regulations of DIC.

Article 93

IDIC submits information to LPP regarding banks that do not comply with the provisions as referred to in Article 9 and Article 92.

Article 94

- (1) The directors, commissioners, and/or shareholders of banks who do not comply with the provisions as referred to in Article 9 point a, point b, point e, and point f and/or cause the banks not to comply with the provisions as

referred to in Article 9 point a, point, b, point e, and point f as well as Article 92, are sentenced with imprisonment for a minimum of 2 (two) years and a maximum of 10 (ten) years, and fined for a minimum of Rp2,000,000,000.00 (two billion Rupiahs) and a maximum of Rp3,000,000,000.00 (three billion Rupiahs).

- (2) The directors, commissioners, and/or shareholders of banks who cause the banks not to comply with the provisions as referred to in Article 9 point c in 12 (twelve) months from the deadline as referred to in Article 12 section (2), are sentenced with imprisonment for a minimum of 2 (two) years and a maximum of 10 (ten) years, and fined for a minimum of Rp2,000,000,000.00 (two billion Rupiahs) and a maximum of Rp3,000,000,000.00 (three billion Rupiahs).

Article 95

- (1) The shareholders, directors, board of commissioners, employees, and/or other parties related to the banks of which operating licenses are revoked or the banks under liquidation who violate the provisions as referred to in Article 16 section (5) and/or Article 47 section (2) or section (3) are sentenced with imprisonment for a minimum of 1 (one) year and a maximum of 3 (three) years, and fined for a minimum of Rp2,000,000,000.00 (two billion Rupiahs) and a maximum of Rp3,000,000,000.00 (three billion Rupiahs).
- (2) Members of the Board of Commissioners, Chief Executive Officer and IDIC employees, or other parties appointed or approved by IDIC to conduct specified duties, who violate the provision as referred to in Article 91 section (1), are sentenced with imprisonment for a minimum of 1 (one) year and a maximum of 3 (three) years, and fined for a minimum of Rp2,000,000,000.00 (two billion Rupiahs) and a maximum of Rp3,000,000,000.00 (three billion Rupiahs).
- (3) Every person or entity providing data, information, and/or reports, in relevance with the deposit insurance as referred to in Article 9 and Article 7 which are incorrect, false,

and/or misleading, are sentenced with imprisonment for a minimum of 1 (one) year and a maximum of 3 (three) years, and fined for a minimum of Rp2,000,000,000.00 (two billion Rupiahs) and a maximum of Rp3,000,000,000.00 (three billion Rupiahs).

- (4) Every person or entity that decline to provide data, information, and/or documents as referred to in Article 7 section (2) to IDIC are sentenced with imprisonment of a minimum of 1 (one) year and a maximum of 3 (three) years, and fined for a minimum of Rp2,000,000,000.00 (two billion Rupiahs) and a maximum of Rp3,000,000,000.00 (three billion Rupiahs).

CHAPTER XIV

MISCELLANEOUS PROVISIONS

Article 96

- (1) IDIC conducts its functions as referred to in Article 4 on the banks that are based on the principles of sharia.
- (2) Further provisions on the implementation of IDIC's functions as referred to in section (1) are regulated by Government Regulation.

CHAPTER XV

TRANSITIONAL PROVISIONS

Article 97

- (1) At the time this Law comes into force, all banks that already possess operating licenses are declared as members of the Deposit Insurance.
- (2) The banks as referred to in section (1) are obligated to comply with the provisions as referred to in Article 9 point a, point b, and point c not later than 2 (two) months since IDIC is effectively operated.

Article 98

The liquidation processes that were commenced before this Law comes into force remain being conducted in accordance with the provisions regarding bank liquidation as regulated by Government Regulation Number 25 of 1999 on Revocation of Operating Licenses, Dissolution, and Liquidation of Banks.

Article 99

- (1) As long as the banking supervision is still conducted by Bank Indonesia, the position of member of the Board of Commissioners who originates from LPP as referred to in Article 65 section (1) point b is held concurrently by the member of the Board of Commissioners from Bank Indonesia as referred to in Article 65 section (1) point c.
- (2) As long as the position of member of the Board of Commissioners from LPP is held concurrently by the member of the Board of Commissioners from Bank Indonesia, members of the Board of Commissioners who originate from internal or external IDIC consist of 4 (four) persons.

CHAPTER XVI

CLOSING PROVISIONS

Article 100

- (1) The provision as referred to in Article 11 section (1) comes into force as of 18 (eighteen) months after this Law comes into force.
- (2) Within the period of 18 (eighteen) months as referred to in section (1), the following phasing of insured Deposit amount applies:
 - a. for the period of 6 (six) months since this Law comes into force, the entire amount of the Deposit is insured;
 - b. the next 6 (six) months as of the period referred to in point a ends, the insured Deposit amount is a maximum of Rp5,000,000,000.00 (five billion Rupiahs);
 - c. the next 6 (six) months as of the period referred to in

point b ends, the insured Deposit amount is a maximum of Rp1,000,000,000.00 (one billion Rupiahs).

- (3) In the event of the circumstances as referred to in Article 11 section (2), the phasing of insured Deposit amount as referred to in section (2) may be revised by Government Regulation.

Article 101

Initially, members of the Board of Commissioners and the Chief Executive Officer are appointed for the following terms of office:

- a. member of the Board of Commissioners who is the chairman is appointed for 5 (five) years;
- b. the Chief Executive Officer is appointed for 4 (four) years;
- c. member of the Board of Commissioners as referred to in Article 65 section (1) point d who is not the chairman is appointed for the term of 3 (three) years.

Article 102

The provisions regarding bank liquidation in Government Regulation Number 25 of 1999 on Revocation of Operating Licenses, Dissolution, and Liquidation of Banks are not applicable to bank liquidation that occurs after this Law comes into force.

Article 103

This Law comes into force in 12 (twelve) months after its promulgation.

In order that every person knows 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 September 2004

PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed

MEGAWATI SOEKARNOPUTRI

Promulgated in Jakarta
on 22 September 2004

STATE SECRETARY OF THE REPUBLIC OF INDONESIA,

signed


BAMBANG KESOWO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2004 NUMBER 96

Jakarta, 09 October 2018

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 24 OF 2004
ON
DEPOSIT INSURANCE CORPORATION

GENERAL

Banking industry is one of the very important components in national economy in order to maintain the progress stability and unity of the national economy. The referred stability of banking industry highly affects the overall economic stability, in respect to what has occurred during the monetary and banking crisis in Indonesia in 1998.

Public trust towards the national banking industry is one of the keys in maintaining the stability of banking industry in order for the crisis not to repeat itself. This trust can be obtained through the existence of legal certainty in the regulation and supervision on bank as well as bank deposit insurance to soundly increase the sustainability of bank's business. The sound sustainability of banks' business can ensure the security of their depositors' deposit as well as increase the role of bank as provider of development funds and banking services.

If a bank loses the public trust so its business cannot sustain, the bank becomes a Failing Bank which results in the revocation of its operating licenses. Due to that matter, owners and management of the bank as well as various authorities involved in banking regulation and/or supervision, have to cooperate to gain public trust towards the banking industry.

Insurance on the entire bank's liabilities (blanket guarantee) based on the Presidential Decree in the past, was successful in gaining public trust towards banking industry during the monetary and banking crisis. However, this very extensive insurance also burdens the state budget and creates moral hazard on the sides of bank management and their depositors. Bank management is not encouraged to conduct banking operations prudently, while the depositors do not observe or consider the bank's soundness condition in conducting transactions with the bank. Moreover, the application of this blanket guarantee based on Presidential Decree cannot adequately provide legal force so it creates problems in the implementation of deposit insurance. Therefore stronger legal basis is required in the form of Law.

In this Law bank deposit insurance is determined that is expected to maintain public trust towards the banking industry and can minimize the risks that burden the state budget or risks that cause moral hazard. The bank deposit insurance is conducted by Indonesia Deposit Insurance Corporation (IDIC). IDIC itself has two functions which are to insure depositors' deposits and to conduct the resolution of Failing Banks.

The bank deposit insurance conducted by IDIC is limited in nature however can cover as many depositors as possible. Every bank that conducts its operations in Indonesia is obliged to become a member and to pay the deposit insurance premium. In the event that the bank cannot sustain its operations and its operating licenses must be revoked, IDIC will pay the deposit of every depositor up to a certain amount. Parts of the deposit that are uninsured will be resolved through the bank's liquidation process. This liquidation is the follow-up in resolving a bank that is experiencing financial difficulties.

IDIC conducts the resolution of a bank that is experiencing financial difficulties in the frame of an integrated, efficient and effective working mechanism to create the resilience of Indonesia financial sector or called Indonesia Financial Safety Net (IFSN). IDIC together with the Minister of Finance, Bank Indonesia, and Banking Supervisory Institution (LPP) become members of the Coordinating Committee.

The resolution of Failing Bank by IDIC is preceded by other various measures by Bank Indonesia and LPP in accordance with the legislation. Bank Indonesia, through its payment system mechanism, will detect banks that are

experiencing financial difficulties and can conduct its function as the lender of last resort. LPP can also detect those difficulties and strive to resolve by conducting its supervisory function, among others through measure so that bank owner increases capital or sells the bank, or so that the bank conducts merger or consolidation with other banks.

If the bank's condition that is experiencing financial difficulties worsens, among others marked by the declining solvability level of the bank, other resolution measures must be immediately conducted. In this situation, the resolution of Failing Bank are handed over to IDIC that will work after firstly considering the prediction on effects of revoking the bank's operating licenses towards national economy. In the event that the revocation of bank's operating licenses is predicted to have impacts towards the national economy, the resolution conducted by IDIC is based on the Coordinating Committee's Decision.

Considering its very important function, IDIC has to be independent, transparent, and accountable in conducting its duties and authorities. Due to that matter, the legal status, governance, management of assets and liabilities, reporting and accountability of IDIC as well as its relation with other organizations, are clearly regulated in this Law.

ARTICLE BY ARTICLE

Article 1

Sufficiently clear

Article 2

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

The term "independence for IDIC" means that in the implementation of its duties and authorities, IDIC cannot be interfered by any parties including the government except on matters that are clearly stated in this Law.

Considering that deposit insurance policies can affect the banking and fiscal sectors, therefore in IDIC there are representatives from each institution in authority. The existence of those authorities' representatives is intended to collectively formulate policies of deposit insurance that can support the policies in those sectors. However, the implementation of those policies is fully the responsibility and authority of IDIC which cannot be interfered by any parties. As example in conducting the resolution of bank whose operating licenses have been revoked, especially in the sale/transfer of the bank's assets, IDIC cannot be affected by the interest of external parties including the Government.

Section (4)

Sufficiently clear

Article 3

Section (1)

Sufficiently clear

Section (2)

Representative offices are formed outside the State's Capital to conduct certain duties. Representative offices are intended to ease the communication with banks that have their offices outside the State's Capital for example in the calculation and payment of premium. Moreover, representative offices can also be formed in the event of Failing Bank resolution. After the Failing Bank resolution is completed, the representative offices will be closed.

The opening of representative offices must consider the benefits and costs of the formation.

Section (3)

Terms that will be regulated in Board of Commissioners' Decisions are among others time frame to handle problems, the need to serve a large number of small depositors, and particular needs in a certain region.

Article 4

Point a

Deposit Insurance also covers the insurance of forms which are equivalent to deposit for banks that are applying the principles of sharia.

Point b

IDIC functions to create and maintain the stability of financial system together with the Minister of Finance, Bank Indonesia, and LPP, in accordance with their respective roles and duties.

Article 5

Section (1)

Sufficiently clear

Section (2)

Point a

IDIC together with the Minister of Finance, Bank Indonesia, and LPP formulates the resolution policies on Failing Bank.

Point b

IDIC formulates and determines necessary policies on the implementation of resolution of non-systemic Failing Bank after being declared by LPP as cannot be any longer restructured based on its authorities.

The term Failing Bank resolution or in banking terms called 'bank resolution' is:

1. to rescue a Failing Bank; or
2. not to rescue a Failing Bank.

Point c

IDIC implements policies and formulates the implementation of resolution of systemic Failing Bank after being decided by the Coordinating Committee.

Article 6

Section (1)

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

Sufficiently clear

Point d

Data and reports can be obtained directly from the bank or from LPP that content and mechanism are regulated in the memorandum of understanding between IDIC and LPP.

Point e

Sufficiently clear

Point f

Sufficiently clear

Point g

The term “other parties” in this provision means among others public accountants, legal consultants, investment advisors, research institutions, appraisal companies, and/or auctioning officials.

The term ”particular tasks” means among others conducting verifications, making legal opinions, conducting researches on deposit insurance risk, or conducting liquidations.

Point h

Sufficiently clear

Point i

Sufficiently clear

Section (2)

Point a

By taking over all rights and authorities of the shareholders, including the rights and authorities of GMS, IDIC can settle the assets and liabilities of banks whose operating licenses have been revoked by LPP. The authority to settle the assets and liabilities is intended to maximize the recovery of deposit insurance fund.

Moreover, with the same authority IDIC can manage and administer banks that are decided to be rescued.

Point b

With this provision, IDIC can possess, manage and conduct ownership actions as the same as owner.

Point c

In the event of the review, annulment, termination, and/or amendment to contract by IDIC cause losses to a party, the party can only claim for refund that does not exceed the benefit values that have been obtained from the contract after first proving factually and clearly the losses that incurred.

Point d

Sufficiently clear.

Article 7

Section (1)

The term “other parties” in this provision means parties other than bank, in respect to the legislation.

Section (2)

Sufficiently clear

Article 8

Section (1)

Obligation to participate in Deposit Insurance also applies to the branch office of a bank which domiciles overseas that conducts banking activities within the Republic of Indonesia’s territory. Whereas the branch office of a bank which domiciles in Indonesia that conducts banking activities outside the Republic of Indonesia’ territory is not included in the Deposit Insurance.

Section (2)

Exemption on Rural Credit Union (*Badan Kredit Desa*) becoming deposit insurance member applies considering the operations of *Badan Kredit Desa* are unlike Bank as referred to in legislation.

Article 9

Point a

Point 1

Sufficiently clear

Point 2

Sufficiently clear

Point 3

Sufficiently clear

Point 4

Shareholders are the controlling shareholders as referred to in the legislation on banking.

Point b

Membership contribution is only paid once at the time bank becomes member of the deposit insurance.

Point c

Sufficiently clear

Point d

Format of the periodic report is determined in Regulations of DIC.

Point e

Sufficiently clear

Point f

The display of membership certificate or its copy is intended for the public to be able to differentiate providers of financial services whose products are insured by IDIC and those that are uninsured.

Article 10

Incoming transfer and outgoing transfer as well as debt collection (*inkaso*) are not included in the deposit insurance coverage as these are not considered deposit.

However, outgoing transfer that originates from deposit and has not been transferred out of the bank is still considered deposit. Likewise, incoming transfer that has been received by the bank for a depositor's interest is considered deposit although the bank has not posted it to the depositor's account.

The term "other forms" in this article means the forms of deposit in *sharia* bank or if there are new forms of deposit that are considered equivalent to the deposit based on LPP's provisions.

Article 11

Section (1)

The insured amount is expected to be able to protect all deposits owned by small depositors who are the majority of depositors in Indonesia.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Section (5)

Further provisions that are regulated in Regulations of DIC among others are amount of deposit and its interest calculation, as well as the rights and the capacities of depositors.

Article 12

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Section (5)

Regulations of DIC cover payment of premium that is paid in advance and its adjustments are made on the next premium payment.

The advance premium payment is based on average amount of monthly deposit in the past 6 (six) months.

Article 13

Sufficiently clear

Article 14

Sufficiently clear

Article 15

Section (1)

Banks can be categorized into several groups with each group possessing the scale of failure risk that is relatively the same. The differentiation of premium rates is based on the scale of failure risk for each of the group.

Section (2)

As example, if the premium rate for a bank group with the lowest scale of failure risk is 0.1% (one per mille), then the premium rate for a bank group with the highest scale of failure risk cannot be determined to exceed 0.6% (six per mille).

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Article 16

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Data and information received by IDIC to determine eligible deposits can originate from various sources. For that there needs to be a process to compare, match, determine, and ensure the data and information that will be used to determine the eligible deposits. The process requires time prior to the payment of deposit insurance claims can be conducted.

The term "eligible deposit" means the Deposit that is in accordance with the legislation.

Section (4)

Sufficiently clear

Section (5)

The term "other parties" in this provision means former commissioners, former directors, and former employees of the referred bank.

Section (6)

Sufficiently clear

Section (7)

If Depositor files a claim after 5 (five) years since the bank's operating licenses are revoked, the Depositor's right to obtain claim payment from IDIC becomes null. The Depositor's deposit is furthermore treated as the same as uninsured Deposit and settled in liquidation mechanism.

Section (8)

Sufficiently clear

Article 17

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Regulations of DIC regulate among others median exchange rate that is used is the median exchange rate of Bank Indonesia on the date the bank's operating licenses are revoked.

Article 18

Set-off/compensation may only be conducted towards the liabilities of debtors that have been due and or in default.

For instance, A owns deposits in the amount of Rp200,000,000.00 (two hundred million Rupiahs) and liabilities in the amount of Rp25,000,000.00 (twenty five million Rupiahs). The deposit of A that is insured is Rp100,000,000.00 (one hundred million Rupiahs), but what can be paid to A is Rp100,000,000.00 (one hundred million Rupiahs) – Rp25,000,000.00 (twenty five million Rupiahs)= Rp75,000,000.00 (seventy five million Rupiahs).

Article 19

Section (1)

Point a

Sufficiently clear

Point b

Depositors that are parties unfairly benefited such as depositors that obtain interest result far above the market rate.

Point c

Depositors that are parties causing unsound condition of the bank such as debtors who are in default.

Section (2)

Matters that will be regulated among others are criteria regarding parties that are unfairly benefited and parties that cause unsound condition of the Bank.

Article 20

Section (1)

If depositor dies, claim files or legal actions may be conducted by the depositor's heir.

Section (2)

Payment of fair interest is intended to compensate losses as result of the lost of investment opportunities and IDIC does not compensate other losses.

Fair interest is the interest rate that generally applies to deposits.

Article 21

Section (1)

Sufficiently clear

Section (2)

Coordinating Committee is the committee that will be formed based on the Law as referred to in Article 11 section (5) Law Number 3 of 2004 on Amendment to Law Number 23 of 1999 on Bank Indonesia.

Section (3)

Sufficiently clear

Article 22

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

In the event of IDIC is predicted to experience liquidity or capital difficulties and the deposit insurance reserves are not adequate to finance the resolution of Failing Bank, the Coordinating Committee decides the form of funding assistance for IDIC including capital injection.

Article 23

Section (1)

Sufficiently clear

Section (2)

The amount of bridging fund of employee severance is as the same as the minimum amount of severance as regulated in the legislation.

Article 24

Section (1)

The provision in this section is requirements that must be fulfilled by Failing Bank and its management as well as the shareholders so that IDIC can conduct the rescue.

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

The term “GMS” means annual GMS and other GMS, including Extraordinary General Meeting of Shareholders (EGM).

Point d

Sufficiently clear

Section (2)

Matters that are regulated in the Regulations of DIC cover among others:

- a. limits of bank soundness and performance levels;
- b. comparison between the cost estimation of bank rescue and the cost estimation of not rescuing;
- c. criteria regarding bank’s business prospect;
- d. details of document for instance type and amount of the utilization of Bank Indonesia’s facilities, collateral submitted to Bank Indonesia and others.

Article 25

Sufficiently clear

Article 26

Sufficiently clear

Article 27

Sufficiently clear

Article 28

Section (1)

Equity is the value of assets after deducted by liabilities.

Section (2)

Sufficiently clear

Article 29

Sufficiently clear

Article 30

Sufficiently clear

Article 31

Section (1)

IDIC does not continue the rescue if in the process of rescuing IDIC detects that the cost of rescuing is significantly higher than the estimated cost of rescuing at the time the decision to rescue was made.

Section (2)

Sufficiently clear

Article 32

Sufficiently clear

Article 33

Section (1)

Point a

The term “resolution cost estimation” in this section means the amount of cost estimation to increase the bank’s paid-up capital until the bank fulfills the prevailing provisions regarding levels of bank soundness.

Point b

Sufficiently clear

Point c

Sufficiently clear

Section (2)

Sufficiently clear

Article 34

Point a

Sufficiently clear

Point b

Implementation of this provision is stated in notarial deed.

Article 35

Sufficiently clear

Article 36

Sufficiently clear

Article 37

Sufficiently clear

Article 38

Sufficiently clear

Article 39

Sufficiently clear

Article 40

Sufficiently clear

Article 41

Sufficiently clear

Article 42

Sufficiently clear

Article 43

Point a

IDIC takes over and conducts all rights and authorities of shareholders, including rights and authorities of GMS in the liquidation process. However, responsibilities of the shareholders in the fulfillment of bank's liabilities after the liquidation are not transferred to IDIC.

Point b

Sufficiently clear

Point c

Sufficiently clear

Point d

Sufficiently clear

Article 44

Section (1)

Sufficiently clear

Section (2)

Members of board of directors, board of commissioners or shareholders may be appointed as members of the liquidation team if they have the necessary information to complete the liquidation process, are cooperative and do not have conflicting interests.

Article 45

Sufficiently clear

Article 46

Sufficiently clear

Article 47

Sufficiently clear

Article 48

Sufficiently clear

Article 49

Sufficiently clear

Article 50

Sufficiently clear

Article 51

Sufficiently clear

Article 52

Sufficiently clear

Article 53

Point a

Sufficiently clear

Point b

The term “transfer of the bank’s assets and liabilities” means transfer or sale of the bank’s assets and liabilities in bulk.

Article 54

Sufficiently clear

Article 55

Sufficiently clear

Article 56

Sufficiently clear

Article 57

This type of claim may occur if in the future there are creditors whose names and addresses are not listed at the time of announcement, however they can prove their right through court process.

Article 58

Sufficiently clear

Article 59

Section (1)

Branch office of a bank which domiciles overseas is the branch office of a bank which is established based on foreign law and has its head office overseas.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Article 60

Sufficiently clear

Article 61

Section (1)

The term “a bank of which operating licenses are revoked that is requested by its own shareholders“ also covers branch office of a bank which domiciles overseas that is closed because its head office’s operating licenses are revoked by the banking supervisor in its country and due to the request of its own shareholders in its head office.

Section (2)

Sufficiently clear

Article 62

Sufficiently clear

Article 63

Sufficiently clear

Article 64

Sufficiently clear

Article 65

Section (1)

Point a

An *ex-officio* member.

Point b

An *ex-officio* member.

Point c

An *ex-officio* member.

Point d

Members who originate from external IDIC are at least 2 (two) persons.

Section (2)

Sufficiently clear

Section (3)

In the event of recommending the member candidates, Minister of Finance considers suggestions from various parties.

Section (4)

Sufficiently clear

Article 66

Sufficiently clear

Article 67

Sufficiently clear

Article 68

The term “next of kin relationship to the second degree” means:

1. family relationship due to marriage is a person’s relationship with:
 - a. husband or wife;
 - b. parents of husband or wife (first degree vertical);
 - c. husband or wife of child (first degree vertical);
 - d. grandparents of husband or wife (second degree vertical);
 - e. husband or wife of grandchildren (second degree vertical);
 - f. relatives of husband or wife and husband or wife of the relatives (second degree horizontal);
 - g. husband or wife of full or step siblings (second degree horizontal).
2. family relationship due to descendant is the relationship of a person with:
 - a. parents and child (first degree vertical);
 - b. grandparents and grandchildren (second degree vertical);
 - c. full or step siblings (second degree horizontal).

Article 69

Section (1)

Point a

The term “permanently unavailable” means death, losing Indonesian citizenship, or experiencing physical disability and/or

mental disability that do not enable them to duly perform the duties.

Point b

Sufficiently clear

Point c

Sufficiently clear

Point d

Legitimate reasons among others are based on doctor's note or other notes from authorized institutions.

Point e

Sufficiently clear

Point f

Sufficiently clear

Point g

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Section (5)

Sufficiently clear

Section (6)

Sufficiently clear

Article 70

Sufficiently clear

Article 71

Section (1)

Meeting of the Board of Commissioners includes periodic meetings and sudden meetings.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Section (5)

Sufficiently clear

Article 72

Sufficiently clear

Article 73

The term “conflict of interest” means conflicts that arise when a person’s interest enables another persons to commit actions that are against certain parties, whose interests should be fulfilled by that other person. Conflict of interest covers conflict of interest that has occurred or that potentially will occur.

Types of conflict of interest are as follows:

- a. conflict of personal interest means conflict of interest that arises when certain parties who are obligated to act in the interests of another parties are against the interests of those other parties;
- b. conflict of impersonal interest means conflict of interest that arises when a party is obligated to act in the interests of two different parties whose interests are conflicting each other; and
- c. conflict of individual interest (based on organizational interest) means conflict of interest when certain parties of certain organizations commit actions to fulfill the interests of other organizations which both have conflict of interest.

This requirement is intended to minimize the potentials of conflict of interest and to create good governance within IDIC.

Conflict of personal interest does not include interests that are obtained as bank depositor and capital market investor.

Article 74

Section (1)

Sufficiently clear

Section (2)

Duty of the audit committee is to conduct evaluation on the implementation of duties that is conducted by the Chief Executive Officer and the Directors in the event of supervision conducted by the Board of Commissioners.

Duty of the information committee is to provide data, information, reports, analysis towards data and issues as suggestions to the Board of Commissioners.

Section (3)

Sufficiently clear

Article 75

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Matters that are regulated in the Board of Commissioners' Decision among others cover:

- a. types of duties and authorities delegated;
- b. implementation of delegation, including sanctions on violations against the implementation of delegation.

Article 76

Section (1)

The Board of Commissioners' Decision also regulates pension and retirement benefits programs.

Section (2)

Employee with the highest position is Director.

Article 77

Sufficiently clear

Article 78

Section (1)

Remuneration system that is applied considers the system that applies to banking industry or supervisor.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Article 79

Section (1)

Sufficiently clear

Section (2)

The term “cost of settlement” means the fee of legal aid to members of the Board of Commissioners or former members of the Board of Commissioners, Chief Executive Officer or former Chief Executive Officer, and or the IDIC employees or former IDIC employees in the compensation claim cases, including court fees that are decided by the court on that case.

Article 80

The terms “conflict of interest and personal interest” are as referred to in the elucidation of article 73.

Article 81

Section (1)

IDIC’s capital originates from the state asset that is separated and is not divided in the form of shares.

The amount of authorized capital when IDIC is established is determined in government regulation after consulting with the House of Representatives.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Article 82

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Temporary capital injection in other companies if required is only to temporarily hold and manage troubled assets of rescued bank.

The temporary capital injection is for a maximum of 2 (two) years.

Section (4)

Forms of non-investment asset among others are current accounts, office buildings, and its equipments.

Article 83

Section (1)

Surplus is the positive difference between income and expenditure that is recognized based on accrual method in accordance with the financial accounting standards that apply in Indonesia.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Article 84

Section (1)

Deficit is the negative difference between income and expenditure that is recognized based on accrual method in accordance with the financial accounting standards that apply in Indonesia.

IDIC's income mainly originates from premium payment and investment result. IDIC's expenditure is mainly used for deposit insurance claim payment.

Section (2)

Sufficiently clear

Article 85

Sufficiently clear

Article 86

Sufficiently clear

Article 87

Sufficiently clear

Article 88

Sufficiently clear

Article 89

Sufficiently clear

Article 90

Section (1)

Cooperation with domestic organizations or institutions conducted by IDIC among others are with authorized government institutions or other parties that are needed in order to obtain details from involved parties or appropriately suspected of being involved or to possess knowledge on activities that cause losses to bank.

Section (2)

Sufficiently clear

Article 91

Sufficiently clear

Article 92

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Section (5)

Regulations of DIC among others regulate regarding:

- a. amount of administrative fine imposed due to lack of premium payment;
- b. amount of administrative fine imposed due to late premium payment;
- c. amount of administrative fine due to delay in submitting or incomplete reports; and
- d. procedures of fine payment.

Article 93

Sufficiently clear

Article 94

Sufficiently clear

Article 95

Sufficiently clear

Article 96

Sufficiently clear

Article 97

Section (1)

The term “members of the deposit insurance” does not include Rural Credit Union (*Badan Kredit Desa*).

Section (2)

Sufficiently clear

Article 98

Sufficiently clear

Article 99

Sufficiently clear

Article 100

Sufficiently clear

Article 101

Sufficiently clear

Article 102

Sufficiently clear

Article 103

Sufficiently clear