

PRESS RELEASE

OJK ISSUES TWO REGULATIONS ON CONVENTIONAL RURAL BANKS AND SHARIA RURAL BANKS STRENGTHENING

Jakarta, February 3, 2024. Indonesia Financial Services Authority (OJK) continuously strives to develop and strengthen banking sector, particularly Conventional Rural Banks (BPR) and Sharia Rural Bank (BPRS), through the issuance of OJK Regulation (POJK) on the determination of status and follow up of BPR and BPRS supervision as well as POJK on BPR assets quality.

POJK Number 28 of 2023 (POJK 28/2023) on Determination of Status and Follow-up of BPR and BPRS Supervision was issued to support and realize BPR/BPRS development and strengthening, in line with financial services industry development that is growing to be more complex and variative.

Meanwhile, POJK Number 1 of 2024 (POJK 1/2024) on BPR Assets Quality was issued to build a healthy and highly competitive BPR while considering principles of prudence and business activities risk management, particularly assets management.

The two POJKs followed-up the mandate from Law Number 4 of 2023 on Development and Strengthening of Financial Sector (P2SK Law).

POJK 28/2023 is a refinement of POJK Nomor 19/POJK.03/2017 on Determination of Status and Follow-up of BPR and BPRS' supervision in accordance with the refinement of POJK Number 32/POJK.03/2019.

This POJK contains regulation adjustments, including the status and duration of BPR and Sharia BPR supervision, supervising duties of Financial Services Authority, and funds placement by Indonesia Deposit Insurance Corporation. POJK 28/2023 is effective as of December 31, 2023.

POJK Number 1 of 2024

POJK 1/2024 is also a refinement of POJK Number 33/POJK.03/2018 on Productive Assets Quality and Establishment of Allowance for Losses of Productive Assets of BPR, and was motivated by several matters:

1. Harmonization of regulation on Foreclosed Collateral and business activities allowed in accordance with Law Number 4 of 2023 on Development and Strengthening of Financial Sector;
2. Issuance of finance accounting standards of private entities, as a substitution for finance accounting standards without private entities, effective as of January 1, 2025;
3. Evaluation results of the post COVID-19 pandemic credit distribution issue and resolutions; and
4. Harmonization of the latest regulation and refinement of principle-based regulations.

The regulation substances of POJK 1/2024 consisted of productive assets scope expansion, addition to the nonproductive assets regulation, productive assets quality, allowance for assets quality assessment and allowance for impairment losses (CKPN), credit restructuring, abandoned property, foreclosed collateral, write-offs, credit policies and credit procedures.

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