

CIRCULAR LETTER

To

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

Subject: Amendment to Circular Letter Number 11/4/DPNP dated 27 January 2009 concerning Implementation of Indonesian Banking Accounting Guideline

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In relation to the implementation of Financial Accounting Standard (PSAK) Number 55 (2006 Revision) concerning Financial Instruments: Acknowledgement and Measurement, and various challenges as well as problems, which are facing Banks in making preparation to implement said PSAK, it is deemed necessary to stipulate the implementation of estimate of collective value impairment for any Bank that faces several limitations of condition. Implementation of the said estimate is stipulated by making adjustments to the Indonesian Banking Accounting Guideline (PAPI) 2008 while yet making reference to the prevailing accounting standards. In this regards, it is necessary to make amendment to Bank Indonesia Circular Letter Number 11/4/DPNP dated 27 January 2009 concerning Implementation of Indonesian Banking Accounting Guideline, by inserting 1 (one) number between number 4 and number 5, namely number 4A, which reads as follows:

4A. Adjustment to PAPI 2008

- a. To respond to various challenges and problems that are facing Banks in making preparation to implement PSAK Number 55 (2006 Revision) concerning Financial Instruments: Acknowledgement and Measurement, which is a complex accounting standard, and in line with internationally applicable accounting standards, it is deemed necessary to make adjustments to PAPI 2008, particularly Chapter III General Explanation number 2 concerning Transitional Provisions by adding number D.
- b. Adjustment to PAPI 2008, which contains estimate of credit collective impairment with limited historical specific loss experience as stated in the Attachment, shall be

- a reference for Banks in preparing and presenting financial report as well as a reference for Public Accountants in conducting audit on Bank financial report.
- c. **Audit by Public Accountant On Estimate on Collective Impairment**
- 1) In conducting audit, Public Accountant is responsible to
    - a) evaluate the reasonableness of self-assessment made by management in the framework of determining the existence of Bank's limited condition as referred to in the adjustment to PAPI 2008; and
    - b) evaluate the reasonableness of self-assessment made by management in determining the collective impairment of credit value.
  - 2) If, during the audit, the Public Accountant finds out that Bank is not in limited condition but yet adopts the estimate of credit collective impairment as referred to in the adjustment to PAPI 2008, Bank is considered not to have implemented the PSAK Number 55 (2006 Revision) and PAPI 2008, as well as to have violated this Circular Letter.
  - 3) Public Accountant that has found out a Bank, which has not implemented the PSAK Number 55 (2006 Revision) and PAPI 2008, as well as violated this Circular Letter as referred to in number 2), must give notice concerning this finding in audit result report and Management Letter, which must be submitted to Bank Indonesia as regulated in Bank Indonesia Regulation concerning transparency on bank financial condition.
- d. **Transparency on Implementation of Estimate of Collective Impairment**
- In the framework of providing more transparent information to the public and users of Bank financial report, any Bank that implements the estimate of collective credit value impairment as stipulated in the adjustment to PAPI 2008 should disclose this information in the Notes to Financial Statement in the Annual Report as stipulated in Bank Indonesia Circular Letter concerning commercial bank annual report.
- e. **Sanction**
- Violation in the implementation of this Circular Letter shall be imposed with sanctions that are stipulated in Bank Indonesia Regulation concerning transparency on bank financial condition.

PAPI 2008 that has been submitted based on Bank Indonesia Circular Letter Number 11/4/DPNP dated 27 January 2009 as well as adjustments to PAPI 2008 as stated in the Attachment are one and constitute inseparable parts of this Circular Letter.

This Bank Indonesia Circular Letter shall become effectiveness on 1 January 2010.

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

Kindly be informed.

BANK INDONESIA

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AND REGULATION