

BANK INDONESIA REGULATION

NUMBER 11/33/PBI/2009

CONCERNING

THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE BY  
ISLAMIC COMMERCIAL BANKS AND ISLAMIC BUSINESS UNITS

BY THE GRACE OF THE ALMIGHTY GOD,

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. Whereas in order to build a sound and robust Islamic banking industry, it is necessary to implement Good Corporate Governance in Islamic Commercial Banks and Islamic business units effectively;
  - b. Whereas the implementation of Good Corporate Governance in Islamic banking industry shall comply with the Sharia principles;
  - c. Whereas the implementation of Good Corporate Governance is one of the efforts to protect the interests of the stakeholders and to improve compliance with the prevailing laws and regulations and values of ethics which are generally applicable to Islamic banking industry.
  - d. Whereas based on the considerations as referred to letter a, letter b and letter c, it is considered necessary to issue Bank Indonesia Regulation concerning the Implementation of Good Corporate Governance in Islamic Commercial Banks and Islamic Business Units;

- Observing:
1. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to State Gazette of the Republic of Indonesia Number 3843) as last amended by Act Number 6 of 2009 concerning the Establishment of Government Regulation in lieu of Act Number 2 of 2008 concerning the Second Amendment to Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 7 of 2009, Supplement to State Gazette of the Republic of Indonesia Number 4962);
  2. Act Number 40 of 2007 concerning Limited Liability Companies (State Gazette of the Republic of Indonesia Number 106 of 2007, Supplement to State Gazette of the Republic of Indonesia Number 4756);
  3. Act Number 21 of 2008 concerning Islamic Banking (State Gazette of the Republic of Indonesia Number 94 of 2008, Supplement to State Gazette of the Republic of Indonesia Number 4867);

HAS DECREED

To enact : BANK INDONESIA REGULATION CONCERNING THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE BY ISLAMIC COMMERCIAL BANKS AND ISLAMIC BUSINESS UNITS

## CHAPTER I

## GENERAL PROVISIONS

## Article 1

In this Bank Indonesia Regulation, these terms have the following meanings:

1. Bank is an Islamic Commercial Banks and an Islamic Business Units of a Conventional Commercial Bank including an Islamic Business Unit of a branch offices of bank located overseas;
2. Islamic Commercial Bank, hereinafter referred to as BUS, is an Islamic bank which provides services of payments as referred to in Act Number 21 of 2008 concerning Islamic Banking;
3. Conventional Commercial Bank is a conventional bank which provides services of payments as referred to in Act Number 21 of 2008 concerning Islamic Banking;
4. Islamic Business Unit, hereinafter referred to in as UUS, is a unit of the head office of a Conventional Commercial Bank which functions as a main office or a unit which is engaged in business based on the Sharia principles, or a unit of a branch office of a bank located overseas and engaged in its business conventionally (*not based on Sharia principles*) and which functions as a main office of the Islamic sub-branch and/or Islamic unit as referred to in Act Number 21 of 2008 concerning Islamic Banking;
5. Principle of Sharia is the principle of Islamic law in the field of Islamic banking as contained in a fatwa issued by the National Sharia Board of Indonesian Ulema Council (DSN-MUI);

6. Board of Commissioners is an organ of the company which is tasked to conduct general and/or specific supervision in accordance with the articles of association and to provide advice to the Board of Directors as stipulated in Act Number 40 of 2007 concerning Limited Liability Companies;
7. Board of Directors is an organ of the company which has the full authority and responsibility to carry out the management of the company for the benefits of the company in accordance with the purpose and objectives of the company and to represent the company, both in and outside the court in accordance with the provisions of the articles of association as stipulated in Act Number 40 of 2007 concerning Limited Liability Companies;
8. Director of UUS is a director of a Conventional Commercial Bank or a leader in a branch office of a bank located overseas who has the full authority and responsibility to manage a UUS;
9. Independent Commissioner means a member of the Board of Commissioners who does not have:
  - a. financial, management, ownership and/or family relationship with the controlling shareholders, members of the Board of Commissioners and/or the Board of Directors; or
  - b. financial relationship and/or shareholding relationship with the Bank,so as to support his ability to act independently;
10. Good Corporate Governance, hereinafter referred to as GCG, is banking governance which applies the principles of transparency, accountability, responsibility, professionalism and fairness.

11. Stakeholders is all parties who have direct or indirect interests at the Bank's business activity and going concern;
12. Sharia Supervisory Board is a board which is tasked to provide advice and recommendations to the Board of Directors and oversee the activities of the Bank in order to ensure compliance with the Sharia principles; and
13. Executive Officer is an officer who is directly responsible to the Board of Directors and/or has an influence on the policies and operations of the Bank such as a division head of a head of branch office.

#### Article 2

- (1) The Bank shall implement GCG in each business activity on all organizational levels or hierarchy.
- (2) The implementation of GCG as referred to in paragraph (1) in a BUS shall at least be realized in:
  - a. the performance of tasks and responsibilities of the Board of Commissioners and the Board of Directors;
  - b. the completeness and performance of tasks of committees and functions which carry out internal control in a BUS;
  - c. the performance of tasks and responsibilities of the Sharia Supervisory Board;
  - d. the implementation of the compliance, internal audit and external audit functions;
  - e. maximum limit of fund distribution;
  - f. transparency of the financial and non financial conditions of BUS.
- (3) The GCG implementation as referred to in paragraph (1) in a UUS shall at least be realized in:

- a. the performance of tasks and responsibilities of the Director of UUS;
- b. the performance of tasks and responsibilities of the Sharia Supervisory Board;
- c. fund distribution to the main customers of financing and fund deposit by core depositors;
- d. transparency of the financial and non financial conditions of UUS.

### Article 3

Bank Indonesia shall conduct an evaluation of GCG implementation by each Banks.

## CHAPTER II

### ISLAMIC COMMERCIAL BANKS

#### Part One

#### Board of Commissioners

#### Section 1

#### Requirements of the Board of Commissioners

### Article 4

The number, composition, criteria, concurrent positions, family relationship and other requirements of members of the Board of Commissioners shall be subject to the relevant Bank Indonesia provisions.

### Article 5

- (1) A former member of the Board of Commissioners of a BUS may not become an Independent Commissioner in the

relevant BUS before the completion of a cooling-off period which at least lasts for 6 (six) months.

- (2) The provision as referred to in paragraph (1) is not applicable to former members of the Board of Directors of BUS who perform the supervisory function.

#### Article 6

- (1) Any proposal for appointment and/or replacement of members of the Board of Commissioners addressed to the General Meeting of Shareholders is held with consider the recommendations of the Remuneration and Nomination Committee.
- (2) In the event that any member of the Remuneration and Nomination Committee has a conflict of interest with the recommended proposal, the proposal shall disclose the relevant conflict of interest and the considerations underlying the proposal.

#### Section 2

#### Tasks and Responsibilities of the Board of Commissioners

#### Article 7

The Board of Commissioners shall perform its tasks and responsibilities in compliance with the principles of GCG.

#### Article 8

- (1) The Board of Commissioners shall perform supervision of GCG implementation in each business activity of a BUS in all hierarchy and levels of the organization as referred to in Article 2 paragraph (1) and paragraph (2).

- (2) The Board of Commissioners shall perform supervision of the performance of the tasks and responsibilities of the Board of Directors and provide the Board of Directors with advice.
- (3) In performing supervision as referred to in paragraph (2), the Board of Commissioners shall conduct monitoring and evaluation of the implementation of the BUS strategic policy.
- (4) In performing supervision as referred to in paragraph (2), the Board of Commissioners shall not be involved in the decision making pertaining to the operations of a BUS, except for the making of decisions on the granting of financing to the Board of Directors to the extent that the relevant authority of the Board of Commissioners is set forth in the Articles of Association of a BUS or at the General Meeting of Shareholders.

#### Article 9

The Board of Commissioners shall procure that the Board of Directors carry out a follow-up on the findings of the audit and/or recommendations from the results of the supervision conducted by Bank Indonesia, internal auditor, Sharia Supervisory Board and/or external auditor.

#### Article 10

The Board of Commissioner shall notify Bank Indonesia by letter not later than 7 (seven) business days since it discovers:

- a. any violation of laws and regulations on finance and banking; and
- b. any condition which may put the going concern of a BUS in danger.



## Article 11

- (1) In order to promote effective performance of its tasks and responsibilities, the Board of Commissioners shall at least establish:
  - a. Risk Monitoring Committee;
  - b. Remuneration and Nomination Committee; and
  - c. Audit Committee.
- (2) Members of the committees as referred to in paragraph (1) shall be appointed by the Board of Directors by virtue of the resolution of the meeting of the Board of Commissioners.
- (3) The Board of Commissioners shall procure that the committees which have been established as referred to in paragraph (1) perform their respectively tasks effectively.
- (4) The Board of Commissioners shall have the guidelines and work procedures of each committee as referred to in paragraph (1).
- (5) The guidelines and work procedure of each of the committees as referred to in paragraph (4) shall be evaluated and updated periodically.

## Article 12

- (1) The Board of Commissioners shall maintain guidelines and work procedure which are binding upon each member of the Board of Commissioners.
- (2) The guidelines and work procedure as referred to in paragraph (1) shall at least specify:
  - a. the work hours; and
  - b. the conduct of meetings.

## Article 13

Members of the Board of Commissioners shall allocate sufficient time to perform their respective tasks and responsibilities optimally.

## Section 3

## Meetings of the Board of Commissioners

## Article 14

- (1) A meeting of the Board of Commissioners shall be held at least 1 (once) every 2 (two) months.
- (2) The meeting of the Board of Commissioners as referred to in paragraph (1) shall be attended by at least 2/3 (two-thirds) of the total members of the Board of Commissioners.
- (3) The meeting of the Board of Commissioners as referred to in paragraph (1) shall be presided over by the Chief of Commissioners.
- (4) In the event that the Chief of Commissioner is prevented from being present, the meeting of the Board of Commissioners shall be presided over by one of the members of the Board of Commissioners.

## Article 15

- (1) All of the resolutions of the Board of Commissioners which are contained in the minutes of the meeting shall be the collective resolutions of all members of the Board of Commissioners.

- (2) The results of the meeting of the Board of Commissioners shall be contained in the minutes of meeting and well documented.
- (3) In the event of dissenting opinions against the resolutions of the meeting of the Board of Commissioners, such dissenting opinions and the arguments for such dissenting opinions shall clearly be specified in the minutes of meeting.

#### Section 4

#### Aspects of Transparency of the Board of Commissioners

#### Article 16

Members of the Board of Commissioners shall disclose:

- a. share ownership of 5% (five percent) or more in the relevant BUS;
- b. financial relationship and family relationship with the controlling shareholders, other members of the Board of Commissioners and/or members of the Board of Directors;
- c. concurrent positions held in another company or institution.

in the GCG implementation report as stipulated in this Bank Indonesia Regulation.

#### Article 17

- (1) Members of the Board of Commissioners may not make use of a BUS for their personal, family's and/or other parties' interests which may reduce the assets or lower the profits of BUS.

- (2) Members of the Board of Commissioners may not acquire and/or receive personal benefits from a BUS other than the remuneration and other facilities as determined by the General Meeting of Shareholders.
- (3) Members of the Board of Commissioners shall disclose the remuneration and other facilities as referred to in paragraph (2) in the report on the GCG implementation as stipulated in this Bank Indonesia Regulation.

## Part Two

### Board of Directors

#### Section 1

#### Requirements of the Board of Directors

##### Article 18

The number, composition, criteria, concurrent positions, family relationship and other requirements of members of the Board of Directors shall be subject to the relevant Bank Indonesia provisions.

##### Article 19

Any proposal for appointment and/or replacement of members of the Board of Directors addressed to the General Meeting of Shareholders shall take into account the recommendations of the Remuneration and Nomination Committee.

## Section 2

## Tasks and Responsibilities of the Board of Directors

## Article 20

- (1) The Board of Directors shall be fully responsible for the management of BUS in compliance with the prudential banking principle and Sharia principles.
- (2) The Board of Directors shall manage a BUS in accordance with its authority and responsibilities as set forth in the Articles of Association of the BUS and the applicable laws and regulations.

## Article 21

The Board of Directors shall implement GGC in each BUS business activity at all hierarchy or levels of its organization as referred to in Article 2 paragraph (1) and paragraph (2).

## Article 22

The Board of Directors carry out a follow-up on the findings of the audit and/or recommendations from the results of the supervision conducted by Bank Indonesia, internal auditor, Sharia Supervisory Board and/or external auditor.

## Article 23

In the context of the GCG implementation as referred to in Article 21, the Board of Directors shall at least have the functions of:

- a. Internal Audit;
- b. Risk Management and Risk Management Committee; and
- c. Compliance.

## Article 24

The Board of Directors shall be accountable for the implementation of its tasks to the shareholders at the General Meeting of Shareholders.

## Article 25

The Board of Directors shall disclose to the employees the strategic policy of a BUS in the field of personnel.

## Article 26

Members of the Board of Directors may not transfer a general power to another party which results in the assignment of the tasks and functions of the Board of Directors.

## Article 27

The Board of Directors may use the service of consultants, advisors or any of their equivalents to the extent that the following requirements are satisfied;

- a. The project is specific and extremely necessary for the business activity of a BUS;
- b. It is under a clear agreement, which at least specifies the purpose, scope of service, responsibilities, period of performance of service and costs; and
- c. The consultant is an independent and professional party that has adequate qualifications to carry out the project effectively and efficiently.

## Article 28

The Board of Directors shall provide data and information which are accurate, relevant and up to date to the Board of Commissioners and the Sharia Supervisory Board.

## Article 29

- (1) Every member of the Board of Directors shall have clear tasks and responsibilities in accordance with their respective field of work.
- (2) The Board of Directors shall maintain guidelines and work procedure which are binding on every member of the Board of Directors.
- (3) The guidelines and work procedure as referred to in paragraph (2) shall at least specify:
  - a. the work hours; and
  - b. the conduct of meeting.

## Article 30

Every resolution of the Board of Directors shall be binding upon and becomes the responsibility of all members of the Board of Directors.

## Section 3

## Board of Directors Meeting

## Article 31

- (1) Every strategic policy and resolution shall be resolved by a Board of Directors Meeting.
- (2) The results of the meeting of the Board of Directors shall be contained in the minutes of meeting and well documented.

- (3) In the event of any dissent in the Board of Directors Meeting, such dissenting opinions shall clearly be stated in the minutes of meeting.

#### Section 4

#### Aspects of Transparency of the Board of Commissioners

#### Article 32

Members of the Board of Directors shall disclose:

- a. share ownership of 5% (five percent) or more in the relevant BUS or in another bank and company, situated in the country and overseas;
- b. financial relationship and family relationship with the controlling shareholder, members of the Board of Commissioners and/or other members of the Board of Directors;

in the GCG implementation report as stipulated in this Bank Indonesia Regulation.

#### Article 33

- (1) Members of the Board of Directors may not make use of a BUS for their personal, family's and/or other parties' interests which may reduce the assets or lower the profits of BUS.
- (2) Members of the Board of Directors may not acquire and/or receive personal benefits from a BUS other than the remuneration and other facilities as determined by the General Meeting of Shareholders.
- (3) Members of the Board of Directors shall disclose the remuneration and other facilities as referred to in



paragraph (2) in the report on the GCG implementation as stipulated in this Bank Indonesia Regulation.

### Part Three

#### Committees

##### Section 1

#### Structure and Membership of the Committees

##### Article 34

- (1) Members of Risk Monitoring Committee as referred to in Article 11 paragraph (1) letter a shall at least consist of:
  - a. one Independent Commissioner;
  - b. one independent individual with expertise in Islamic banking; and
  - c. one independent individual with expertise in risk management.
- (2) Members of Risk Monitoring Committee as referred to in paragraph (1) shall have integrity and good financial reputation.
- (3) Risk Monitoring Committee as referred to in paragraph (1) shall be headed by an Independent Commissioner.
- (4) Members of the Board of Directors may not become a member of Risk Monitoring Committee.
- (5) The majority of members of the Board of Commissioners who are members of Risk Monitoring Committee shall be Independent Commissioners.

##### Article 35

- (1) Members of Remuneration and Nomination Committee as referred to in Article 11 paragraph (1) letter b shall at least consist of:

- a. 2 (two) Independent Commissioners; and
  - b. One Executive Officer in charge of the human resources division.
- (2) Remuneration and Nomination Committee as referred to in paragraph (1) shall be headed by an Independent Commissioner.
  - (3) Members of the Board of Directors may not become a member of Remuneration and Nomination Committee.
  - (4) The majority of members of the Board of Commissioners who are members of Remuneration and Nomination Committee shall be Independent Commissioners.

#### Article 36

- (1) Members of Audit Committee as referred to in Article 11 paragraph (1) letter c shall at least consist of:
  - a. one Independent Commissioner;
  - b. one independent individual with expertise in finance accounting; and
  - c. one independent individual with expertise in islamic banking.
- (2) Members of Audit Committee as referred to in paragraph (1) shall have integrity and good financial reputation.
- (3) Audit Committee as referred to in paragraph (1) shall be headed by an Independent Commissioner.
- (4) Members of the Board of Directors may not become a member of Audit Committee.
- (5) The majority of members of the Board of Commissioners who are members of Audit Committee shall be Independent Commissioners.

## Article 37

- (1) A former member of the Board of Directors of a BUS may not become an independent individual as referred to in Article 34 paragraph (1) letter b and letter c and Article 36 paragraph (1) letter b and letter c in the relevant BUS before the completion of a cooling-off period which at least lasts for 6 (six) months.
- (2) The provision as referred to in paragraph (1) is not applicable to former members of the Board of Directors of a BUS who perform the supervisory function.

## Section 2

## Concurrent Positions of the Head of Committee

## Article 38

The Head of Committee as referred to in Article 34 paragraph (3), Article 35 paragraph (2) and Article 36 paragraph (3) may only hold another position concurrently as the head of a maximum of 1 (one) other committee in the same BUS.

## Section 3

## Tasks and Responsibilities of the Committees

## Article 39

Risk Monitoring Committee as referred to in Article 11 paragraph (1) letter a shall have the tasks and responsibilities at least as follows:

- a. to conduct an evaluation of risk management policy;
- b. to conduct an evaluation of the conformity between risk management policy and the implementation of the policy;

- c. to conduct an evaluation of the performance of tasks of Risk Management Committee and Risk Management Work Unit,

in order to provide recommendations to the Board of Commissioners.

#### Article 40

Remuneration and Nomination Committee as referred to in Article 11 paragraph (1) letter b shall have tasks and responsibilities at least as follows:

- a. In connection with the remuneration policy:
  - 1) to conduct an evaluation of remuneration policy;
  - 2) to conduct an evaluation of the conformity between remuneration policy and the implementation of the policy; and
  - 3) to provide recommendations for the Board of Commissioners about remuneration policy for the Board of Commissioners, the Board of Directors, the Sharia Supervisory Board, Executive Officers and all the employees.
- b. In connection with the nomination policy:
  - 1) to provide recommendations for the Board of Commissioners about the system of and procedure for the appointment and/or replacement of members of the Board of Commissioners, the Board of Directors, and the Sharia Supervisory Board;
  - 2) to provide recommendations for the Board of Commissioners about the candidates of members of the Board of Commissioners, the Board of Directors, and the Sharia Supervisory Board;

- 3) to provide recommendations for the Board of Commissioners about the candidates of independent individuals who will become members of the Committees as referred to in Article 34 paragraph (1) letter b and letter c and Article 36 paragraph (1) letter b and letter c.

#### Article 41

Remuneration and Nomination Committee in performing its tasks and responsibilities in connection with the remuneration policy as referred to in Article 40 point a shall at least focus its attention on:

- a. the financial performance;
- b. the provision of allowance for assets losses;
- c. fairness with the peer group; and
- d. considerations of long-term goals and strategies of a BUS.

#### Article 42

- (1) Audit Committee as referred to in Article 11 paragraph (1) letter c shall have the tasks and responsibilities including:
  - a. to conduct an evaluation of the internal audit in order to assess the adequacy of internal control including adequacy in the process of financial reporting; and
  - b. to establish coordination with a Public Accountant Office to ensure effective external audit.
- (2) In order to perform the task as referred to in paragraph (1) letter a, Audit Committee shall at least conduct an evaluation of:
  - a. the performance of tasks by the internal audit function;

- b. the follow-up by the Board of Directors in connection with the audit findings and/or recommendations from the results of supervision conducted by Bank Indonesia, internal auditor, Islamic Supervisory Board and/or external auditor,

in order to provide recommendations for the Board of Commissioners.

- (3) Audit Committee shall provide recommendations about the appointment of Public Accountants and a Public Accountant Office to the Board of Commissioners.

#### Section 4

##### Meetings of the Committees

#### Article 43

The results of the meeting shall be contained in the minutes of meeting and well documented.

#### Part Four

##### Sharia Supervisory Board

#### Section 1

##### Requirements of the Sharia Supervisory Board

#### Article 44

The number, criteria, concurrent positions and other requirements of members of the Sharia Advisory Board shall be subject to the relevant Bank Indonesia provisions.

## Article 45

- (1) Any proposal for appointment and/or replacement of members of the Sharia Advisory Board addressed to the General Meeting of Shareholders shall take into account the recommendations of the Remuneration and Nomination Committee.
- (2) The maximum term of office of members of Sharia Supervisory Board shall be the same as that of the members of the Board of Commissioners and the Board of Directors.

## Section 2

## Tasks and Responsibilities of the Sharia Supervisory Board

## Article 46

The Sharia Supervisory Board shall perform its tasks and responsibilities in accordance with the principles of GCG.

## Article 47

- (1) The tasks and responsibilities of the Sharia Supervisory Board are to provide advice and recommendations to the Board of Directors, to supervise the Bank's activities and to ensure that they are in compliance with the Sharia principles.
- (2) The tasks and responsibilities of the Sharia Supervisory Board as referred to in paragraph (1) shall include:
  - a. To assess and ensure that the guidelines for operations and products issued by the Bank are compliance with the Sharia principles;

- b. To supervise the process of development of new products of the Bank so that they are in compliance with the fatwa from the National Sharia Board of Indonesian Ulema Council;
  - c. To request a fatwa from the National Sharia Board of Indonesian Ulema Council for new products of the Bank for which a fatwa is not yet in place.
  - d. To conduct a periodic review of the compliance of the mechanism of fund collection and fund distribution as well as the services provided by the Bank with the Sharia principles; and
  - e. To request data and information relevant to the aspects of Sharia from the Bank's work unit in the performance of its tasks.
- (3) The Sharia Supervisory Board shall deliver the Report on the Supervision by the Sharia Supervisory Board in each semester.
- (4) The report as referred to in paragraph (3) shall be delivered to Bank Indonesia not later than 2 (two) months after the relevant semester ends.
- (5) The performance of tasks and responsibilities as referred to in paragraph (2) and the procedure for reporting as referred to in paragraph (3) are further governed by Bank Indonesia Circular Letters.

#### Article 48

Members of the Sharia Supervisory Board shall allocate sufficient time to perform their respective tasks and responsibilities optimally



## Section 3

## Meetings of the Sharia Supervisory Board

## Article 49

- (1) A meeting of the Sharia Supervisory Board shall be held at least 1 (once) in 1 (one) month.
- (2) The resolutions of the meeting of the Sharia Supervisory Board shall be adopted by deliberations to each consensus.
- (3) All resolutions of the Sharia Supervisory Board contained in the minutes of meeting are the collective resolutions of the members of the Islamic Supervisory Board.
- (4) The results of the meeting of the Sharia Supervisory Board as referred to in paragraph (1) shall be contained in the minutes of meeting and well documented.

## Section 4

## Aspects of Transparency of the Sharia Supervisory Board

## Article 50

Members of the Sharia Supervisory Board shall disclose any concurrent positions held as a member of the Sharia Supervisory Board in another Islamic financial institution in the report on the GCG implementation as stipulated by this Bank Indonesia Regulation.

## Article 51

- (1) Members of the Sharia Supervisory Board may not make use of BUS for their personal, family's and/or other

parties' interests which may reduce the assets or the profits of BUS.

- (2) Members of the Sharia Supervisory Board may not acquire and/or receive personal benefits from a BUS other than the remuneration and other facilities as determined by the General Meeting of Shareholders.
- (3) Members of the Sharia Supervisory Board shall disclose the remuneration and other facilities as referred to in paragraph (2) in the report on the GCG implementation as stipulated by this Bank Indonesia Regulation.
- (4) Members of the Sharia Supervisory Board may not hold a concurrent position as a consultant in any BUS and/or UUS.

## Part Five

### Compliance, Internal Audit and External Audit Functions

#### Section 1

#### Compliance Function

#### Article 52

- (1) A BUS shall have 1 (one) director who is tasked to ensure compliance with Bank Indonesia provisions and other laws and regulations as stipulated in Bank Indonesia provisions applicable to the compliance director.
- (2) In order to assist in the performance of the tasks of the director as referred to in paragraph (1), a BUS shall perform its compliance function which is independent from its operations unit.
- (3) The performance of the compliance function as referred to in paragraph (2) shall be supported by personnel that at

least have knowledge and understanding of the operations of Islamic banking.

## Section 2

### Internal Audit Function

#### Article 53

- (1) A BUS shall perform an effective internal audit function as governed by Bank Indonesia provisions on the establishment of standards for the performance of internal audit function in commercial banks.
- (2) A BUS shall perform its internal audit function which is independent from its operations unit.
- (3) The performance of internal audit function as referred to in paragraph (2) shall be supported by an adequate number of personnel that are competent in their field, with at least 1 (one) person having the knowledge and understanding of the operations of Islamic banking.
- (4) The report on the results of the internal audit in connection with the compliance with the Sharia principles shall be delivered to the Sharia Supervisory Board.

## Section 3

### External Audit Function

#### Article 54

- (1) A BUS shall appoint Public Accountants and a Public Accountant Office that are registered with Bank Indonesia for the audit of its financial statements.
- (2) The appointment of Public Accountants and a Public Accountant Office as referred to in paragraph (1) shall

obtain prior approval from the General Meeting of Shareholders based on the candidates who are proposed by the Board of Commissioners.

- (3) The audit as referred to in paragraph (1) and the appointment of the Public Accountants and the Public Accountant Office as referred to in paragraph (2) shall comply with the applicable Bank Indonesia provisions on the relations between a BUS and Public Accountants and a Public Accountant Office.

## Part Six

### Legal Lending Limit

#### Article 55

The fund distribution shall be in compliance with Bank Indonesia provisions concerning the Legal Lending Limit for BUS and UUS.

## Part Seven

### Aspects of Transparency of BUS' conditions

#### Article 56

- (1) A BUS shall be transparent about its financial and non-financial conditions to the stakeholders.
- (2) In terms of being transparent about the financial and non-financial conditions as referred to in paragraph (1), a BUS shall prepare and present the report as stipulated in Bank Indonesia provisions on Transparency of the Financial Condition of Banks.

## Article 57

A BUS shall be transparent about the information about products and use of information about the customers of the BUS in accordance with Bank Indonesia provisions on Transparency of Information about Banking Products and Use of Customers' Personal Information.

## Article 58

- (1) A BUS shall report to Bank Indonesia in the event of any changes in:
  - a. guidelines for risk management including risk control system, internal control system, information technology system and GCG guidelines;
  - b. the systems and work procedures used in the operations of the BUS.
- (2) The BUS shall deliver the report on the changes as referred to in paragraph (1) to Bank Indonesia not later than 1 (one) month since the occurrence of the changes or in accordance with a certain period of time if specifically stipulated by other Bank Indonesia provisions on the delivery of the report.
- (3) The BUS shall report the business group structures which are relevant to the BUS starting from the legal entity which is the owner of the BUS to its ultimate stakeholders to Bank Indonesia 1 (once) a year for the position of the end of the year and each time there is a change in the business group structures which result in the change in the control of the BUS.
- (4) The report on business group structures for the position of last year as referred to in paragraph (3) constitutes part of the Annual Report of the BUS.

- (5) The BUS shall deliver the report on the changes in business group structures as referred to in paragraph (3) to Bank Indonesia not later than 1 (one) month after the occurrence of the changes.

## Part Eight

### The Implementation of Sharia principles in Fund Collection, Fund Distribution, Provision of Services

#### Article 59

A BUS shall comply with the Sharia principles in the operations of the BUS as stipulated in Bank Indonesia provisions on the Implementation of the Sharia principles in Fund Collection, Fund Distribution and Provision of Services of Islamic Banks.

## Part Nine

### Internal Reporting and Conflicts of Interest

#### Section 1

#### Internal Reporting

#### Article 60

In order to improve the quality of the decision making of the Board of Directors and the quality of supervision by the Board of Commissioners and the Sharia Supervisory Board, BUS shall procure the availability and adequacy of internal reporting which is supported by a sufficient management information system.

## Section 2

## Handling Conflicts of Interest

## Article 61

- (1) In the event of the occurrence of any conflicts of interest, the members of the Board of Commissioners, members of the Board of Directors and Executive Officers may not take any actions which may reduce the assets and lower the profits of the BUS.
- (2) The conflict of interest as referred to in paragraph (1) shall be disclosed in any decision.
- (3) To prevent a decision making which is likely to reduce the assets and lower the profits of the BUS, the BUS shall maintain and implement internal policy about:
  - a. The provisions on the handling of conflicts of interest which are binding to each member of the management and employees of the BUS, including provision on the method of decision making; and
  - b. Administration of record, documentation and disclosure of conflicts of interest as referred to in the minutes of meeting.

## Part Ten

## Report and Evaluation of the GCG Implementation

## Section 1

## Report on the GCG Implementation

## Article 62

- (1) A BUS shall prepare the report on the GCG implementation at the end of each financial year.

- (2) The report on the GCG implementation as referred to in paragraph (1), shall at least contain:
- a. a general conclusion of the self assessment of the GCG implementation by the BUS;
  - b. the share ownership of members of the Board of Commissioners, the financial relations and family relations of members of the Board of Commissioners and the controlling shareholders, other members of the Board of Commissioners and/or members of the Board of Directors of the BUS and concurrent positions held in other company or institutions as referred to in Article 16;
  - c. the share ownership of members of the Board of Directors and financial relations and family relations of members of the Board of Directors and the controlling shareholders, members of the Board of Commissioners and/or other members of the Board of Directors as referred to in Article 32;
  - d. concurrent positions held as a member of the Islamic Supervisory Board in another Islamic financial institution as referred to in Article 50;
  - e. list of consultants, advisors, or those deemed equivalents, engaged by the BUS as referred to in Article 27;
  - f. the policy on remuneration and other facilities (remuneration package) for the Board of Commissioners, the Board of Directors, and the Sharia Supervisory Board as referred to in Article 17 paragraph (3), Article 33 paragraph (3) and Article 51 paragraph (3);
  - g. the ratio of the maximum salary to the lowest salary;



- h. the frequency of meetings of the Board of Commissioners as referred to in Article 14 paragraph (1);
  - i. the frequency of meetings of the Sharia Supervisory Board as referred to in Article 49 paragraph (1);
  - j. the number of cases of internal frauds which occur and the efforts to resolve the cases by the BUS;
  - k. the number of legal cases both civil and criminal and efforts to resolve the cases by the BUS;
  - l. transactions with conflicts of interest;
  - m. buy back of shares and/or buy back of bonds of the BUS;
  - n. fund distribution for social causes, including the amount and the recipients of the fund; and
  - o. non halal revenues and the use of its.
- (3) The disclosure of the remuneration package for the Board of Commissioners, the Board of Directors and the Sharia Supervisory Board as referred to in paragraph (2) letter f shall at least include the number of members of the Board of Commissioners, the number of members of the Board of Directors, the number of the Sharia Supervisory Board and the total amount of salaries, benefits, compensation in the form of shares, other forms of remuneration and facilities as determined by the General Meeting of Shareholders.

#### Article 63

- (1) A BUS shall submit the report on the GCG implementation as referred to in Article 62 to the shareholders and to:
- a. Bank Indonesia;
  - b. Indonesian Consumer Organization (YLKI);

- c. Rating institutions in Indonesia;
- d. Association of National Commercial Banks;
- e. 1 (one) research institute in economics and finance;  
and
- f. 1 (one) magazine in economics and finance,

at least 3 (three) months after the end of the financial year.

- (2) For a BUS which has a homepage, it shall upload the information about the report on the implementation GCG as referred to in paragraph (1) on the homepage of the relevant BUS not later than 3 (three) months after the end of the financial year.
- (3) The BUS shall be considered late in the submission of its report on the GCG implementation if it submits the report in question to Bank Indonesia beyond the period of submission of the report as referred to in paragraph (1) but it is less than 1 (one) month since the deadline of the submission of that report.
- (4) The BUS shall be considered to have failed to submit the GCG report if the BUS does not submit the report in question until the last day of the period of late submission as referred to in paragraph (3).

#### Article 64

The preparation of the report on the GCG implementation as referred to in Article 62 shall be further stipulated in Bank Indonesia Circular Letters.

#### Article 65

The submission of the report on the GCG implementation to Bank Indonesia as referred to in Article 63 paragraph (1) letter a shall be addressed to:

- a. Directorate of Islamic Banking, Jl. MH Thamrin No.2, Jakarta 10350, for BUS which has its head office within the working territory of the Head Office of Bank Indonesia;
- b. Local Bank Indonesia Office, for BUS which has its head office outside the working territory of the Head Office of Bank Indonesia with its copy delivered to the Directorate of Islamic Banking.

## Section 2

### Self Assessment of the GCG Implementation

#### Article 66

- (1) A BUS shall conduct a self assessment of the GCG implementation which includes matters as set forth in Article 2 paragraph (2) at least 1 (once) in a year.
- (2) The procedure for self assessment as referred to in paragraph (1) is set forth in a Bank Indonesia Circular Letter.

#### Article 67

- (1) In the assessment of the GCG implementation as referred to in Article 3, Bank Indonesia may conduct an evaluation of the results of the self assessment of the GCG implementation as referred to in Article 66 paragraph (1).
- (2) Based on the evaluation results as referred to in paragraph (1), Bank Indonesia may require the relevant BUS to make improvement to its GCG implementation.

## CHAPTER III

## ISLAMIC BUSINESS UNITS

## Part One

## Directors of UUS

## Article 68

The directors of UUS shall be fully responsible for the management of UUS in compliance with the prudential banking principle and Sharia principles.

## Article 69

The directors of UUS shall carry out a follow-up on the recommendations obtained from the supervision conducted by the Sharia Supervisory Board.

## Article 70

The directors of UUS shall provide accurate, relevant and prompt data and information in connection to the compliance of the Sharia principles to the Sharia Supervisory Board.

## Part Two

## Sharia Supervisory Board

## Article 71

- (1) Provisions on the Sharia Supervisory Board which are applicable to the BUS as referred to in Chapter II Part Four concerning the Sharia Supervisory Board in this Bank Indonesia Regulation are also applicable to the Sharia Supervisory Board of any Conventional Commercial Bank which has a UUS and a branch office of a bank which is located overseas and has a UUS.

- (2) The appointment of the Sharia Supervisory Board in UUS of a branch office of a bank which is located overseas shall be determined by the highest leader of that branch in Indonesia.

### Part Three

#### Fund Distribution to Core Customers of Financing and Fund Deposit by Core Depositors

##### Article 72

A UUS shall apply the prudential banking principle in fund distribution to the core customers and fund deposit by core depositors.

### Part Four

#### Aspects of Transparency of UUS' Conditions

##### Article 73

- (1) A UUS shall be transparent about its financial and non-financial conditions to its stakeholders.
- (2) In the implementation of transparency of the financial and non-financial conditions as referred to in paragraph (1), the UUS shall prepare and present the report in accordance with the provisions of Bank Indonesia on the Transparency of Financial Conditions of the Bank.

### Part Five

#### Implementation of the Sharia principles in Fund Collection, Fund Distribution and Provision of Services

##### Article 74

The UUS shall comply with the Sharia principles in carrying out its operations as stipulated in Bank Indonesia provisions on the Implementation of the Sharia principles in Fund Collection, Fund Distribution and Provision of Services of Islamic Bank.

#### Part Six

#### Internal Reporting

#### Article 75

In order to improve the quality of supervision performed by the Islamic Supervisory Board, UUS shall ensure the availability and adequacy of data/information for the Islamic Supervisory Board.

#### Part Seven

#### Report and Assessment of the GCG Implementation

#### Section 1

#### Report on the GCG Implementation

#### Article 76

- (1) A UUS shall prepare a report on the GCG implementation at the end of each financial year.
- (2) The report on the GCG implementation as referred to in paragraph (1) constitutes an integral part of the report on GCG implementation of a Conventional Commercial Bank and/or a branch of a bank which is located overseas and owns the relevant UUS.
- (3) The report on the GCG implementation as referred to in paragraph (1), shall include:
  - a. a general conclusion of the self assessment of the GCG implementation by the UUS;

- b. concurrent positions held as a member of the Sharia Supervisory Board in another Islamic financial institution as referred to in Article 50;
  - c. list of consultants, advisors, or those deemed equivalents, engaged by the UUS;
  - d. the policy on remuneration and other facilities (remuneration package) for the Sharia Supervisory Board as referred to in Article 51 paragraph (3);
  - e. the frequency of meetings of the Sharia Supervisory Board as referred to in Article 49 paragraph (1);
  - f. the number of cases of internal frauds which occur and the efforts to resolve the cases by the UUS;
  - g. the number of legal cases both civil and criminal and efforts to resolve the cases by the UUS;
  - h. fund distribution for social causes, including the amount and the recipients of the fund; and
  - i. non halal revenues and the use of its.
- (4) The disclosure of the remuneration policy and other facilities (remuneration package) to the Sharia Supervisory Board as referred to in paragraph (3) letter d shall at least include the number of members of the Sharia Supervisory Board, the total salary, benefits, compensation in the form of shares, other forms of remuneration, and facilities as determined by the General Meeting of Shareholders.

#### Article 77

The preparation of the report on the GCG implementation as referred to in Article 76 shall be further stipulated in Bank Indonesia Circular Letter.

## Article 78

- (1) A UUS shall submit the report on the GCG implementation as referred to in Article 76 to Bank Indonesia not later than 3 (three) months after the end of the financial year.
- (2) A UUS shall be considered late in the submission of its report on the GCG implementation if it submits the report in question to Bank Indonesia beyond the period of submission of the report as referred to in paragraph (1) but it is less than 1 (one) month since the end of the submission period of that report.
- (3) A UUS shall be considered to have failed to submit the GCG report if the UUS does not submit the report in question until the last day of the period of late submission as referred to in paragraph (2).
- (4) The submission of the report on the GCG implementation by the UUS as referred to paragraph (1) shall be addressed to the Directorate of Islamic Banking, Jl. MH Thamrin No.2, Jakarta 10350, and/or the local Bank Indonesia Office;

## Section 2

## Self Assessment of the GCG Implementation

## Article 79

- (1) A UUS shall conduct a self assessment of the GCG implementation which includes matters as set forth in Article 2 paragraph (3) at least 1 (once) in a year.



- (2) The procedure for self assessment of the GCG implementation as referred to in paragraph (1) is set forth in a Bank Indonesian Circular Letter.

#### Article 80

- (1) In the assessment of the GCG implementation as referred to in Article 3, Bank Indonesia may conduct an evaluation of the results of the self assessment of the GCG implementation as referred to in Article 79 paragraph (1).
- (2) Based on the evaluation results as referred to in paragraph (1), Bank Indonesia may require the relevant UUS to make improvement to its GCG implementation.

### CHAPTER IV

#### SANCTIONS

##### Part One

##### Sanctions related to the GCG Implementation

#### Article 81

Any violations of the provisions as referred to in Article 2, Article 6 paragraph (2), Article 7, Article 8, Article 9, Article 10, Article 11 paragraph (1), paragraph (3), and paragraph (4), Article 12 paragraph (1), Article 13, Article 14 paragraph (1), paragraph (2), and paragraph (3), Article 15 paragraph (2) and paragraph (3), Article 16, Article 17, Article 20 paragraph (2), Article 21, Article 22, Article 23, Article 24, Article 26, Article 27, Article 28, Article 29 paragraph (1) and paragraph (2), Article 31, Article 32, Article 33, Article 34 paragraph (2) and paragraph (4), Article 35 paragraph (3), Article 36 paragraph (2) and paragraph (4), Article 50, Article 51, Article 52 paragraph (2) and paragraph (3), Article 53 paragraph (5),

Article 60, Article 61 paragraph (1) and paragraph (2), Article 62 paragraph (1), Article 63 paragraph (1) and paragraph (2), Article 66 paragraph (1), Article 69, Article 70, Article 72, Article 75, Article 76 paragraph (1), and Article 79 paragraph (1) shall be subject of administrative sanctions in accordance with Article 58 Act Number 21 of 2008 concerning Islamic Banking including:

- a) A written reprimand;
- b) A downgrade of level of soundness in the form of a downgrade of in terms of management during the assessment of level of soundness;
- c) Prohibition from participating in clearing activities;
- d) Suspension of certain business activity; and
- e) Dismissal of the Bank's management and later the appointment of those temporarily acting as the management until the General Meeting of Shareholders appoint permanent members upon approval from Bank Indonesia.

#### Article 82

- (1) In event that Bank Indonesia has issued 3 (three) written reprimands in connection with violations of the provisions as set forth in Article 46, Article 47, Article 48, Article 49 paragraph (1) and paragraph (4), Article 50 and Article 51, the relevant BUS or UUS shall replace the relevant member of the Sharia Supervisory Board.
- (2) In the event that the Sharia Supervisory Board does not perform its tasks properly as referred to in Article 47 until its Banking business permit is revoked, the relevant member of the Sharia Supervisory Board shall be subject to a sanction in the form of prohibition from becoming a member of the Sharia Supervisory Board in any Islamic

bank for a maximum of 10 (ten) years since the date of the revocation of the business license of the Bank by Bank Indonesia.

#### Article 83

A BUS which does not comply with the provisions of Article 52 paragraph (1), Article 53 paragraph (1) and paragraph (2), and Article 54 is subject to sanctions as prescribed by the Bank Indonesia Regulation on the assignment of the compliance director and the application of standards for the implementation internal audit function of commercial banks and Bank Indonesia Regulation on the Transparency about the Financial Conditions of a Bank.

#### Article 84

A BUS which does not comply with the provisions of Article 55 shall be subject to sanctions as set forth in Bank Indonesia provisions on the maximum limit on fund distribution.

#### Article 85

A BUS which does not comply with the provisions of Article 56 and Article 57 and any UUS which does not comply with the provisions of Article 73 shall be subject to sanctions as set forth in Bank Indonesia provisions on the Transparency about the Financial Conditions of a Bank and Bank Indonesia Regulation on the Transparency about Information of the Bank's Products and Use of Personal Data of the Customers.

#### Article 86

A BUS which does not comply with the provisions of Article 59 and any UUS which does not comply with the provisions of

Article 74 shall be subject to sanctions as set forth in Bank Indonesia provisions on the Implementation of the Sharia principles in Fund Collection, Fund Distribution and Provision of Services of an Islamic Bank.

## Part Two

### Sanctions related to Reporting

#### Section 1

#### Implementation Report

#### Article 87

- (1) A BUS which is late in the submission of the report as referred to in Article 63 paragraph (3) and a UUS which is late in the submission of the report as referred to in Article 78 paragraph (2) shall be subject to a sanction to pay a maximum amount of Rp1,000,000.00 (one million rupiah) per business day of delay in submission.
- (2) A BUS which does not submit the report as referred to in Article 63 paragraph (4) and a UUS which does not submit the report as referred to in Article 78 paragraph (3) shall be subject to a sanction to pay a maximum amount of Rp100,000,000.00 (one hundred million rupiah) and a sanction in the form of a written reprimand from Bank Indonesia.
- (3) A BUS which submits a report which is found to be inaccurate and/or incomplete as stipulated in Article 62 and a UUS which submits a report which is found to be inaccurate and/or incomplete as stipulated in Article 76 shall be subject to a sanction to pay a maximum amount of Rp250,000,000.00 (two hundred fifty million rupiah) and may be subject to an administrative sanction in

accordance with Article 58 of Act Number 21 of 2008 concerning Islamic Banking, in the form of :

- a. a decrease in the level of soundness in the form of a decrease in the rating of management factor during the assessment of level of soundness;
  - b. prohibition from participating in clearing activities;
  - c. suspension of certain business activity; and
  - d. dismissal of the Bank's management and later the appointment of those temporarily acting as the management until the General Meeting of Shareholders appoint permanent members upon approval from Bank Indonesia;
  - e. The mentioning of the members of the management, employees, and shareholders of the Bank on the list of those who fail the fit and proper test.
- (4) A sanction in the form of an obligation to pay as referred to paragraph (3) will be imposed after the Bank is given 2 (two) reprimand letters from Bank Indonesia within a period of 7 (seven) work days for each of the reprimand letters and the Bank does not make corrections to the report within 7 (seven) work days upon receipt of the last reprimand letter.

## Section 2

Report on the Results of Supervision Conducted by the Sharia Supervisory Board, Guidelines, Systems and Procedures as well as Business Group Structure.

## Article 88

- (1) A Bank which does not comply with the provisions on reporting of the results of supervision conducted by the Sharia Supervisory Board as referred to in Article 47

paragraph (4), the reporting on changes to the guidelines, systems and procedures as referred to in Article 58 paragraph (1) and paragraph (2), and the reporting on the changes to business group structure as referred to in Article 58 paragraph (3) and paragraph (5), may be subject to an administrative sanction in accordance with Article 58 of Law Number 21 of 2008 on Islamic Banking, in the form of :

- a. a written reprimand and the sanction to pay a maximum of Rp1,000,000.00 (one million rupiah) for each business day of delay in submission of each report;
  - b. a written reprimand and the sanction to pay a maximum of Rp40,000,000.00 (forty million rupiah) if the Bank does not submit the report;
- (2) The Bank is considered to have failed to submit the report as referred to in paragraph (1) letter b if the Bank has not submitted the report in question within 1 (one) month after the deadline for submission of the report, for the report on the changes in the guidelines, systems and procedures and the report on the changes in the structure of the business group.
- (3) The Bank considered to have failed to submit the report as referred to in paragraph (1) letter b if the Bank has not submitted the report in question after 2 (two) months from the deadline for submission of the report, for the report on the results of supervision conducted by Sharia Supervisory Board.
- (4) The imposition of sanctions as referred to in paragraph (1) does not eliminate the obligation of the Bank to submit the report in question.

## CHAPTER V

## TRANSITIONAL PROVISIONS

## Article 89

The provisions on the prohibition from serving concurrent positions for members of the Sharia Supervisory Board as a consultant in a BUS and/or a UUS as referred to in Article 51 paragraph (4) shall be complied with not later than 1 (one) year since this Bank Indonesia Regulation is enacted.

## Article 90

The report on the GCG implementation by a BUS for the position of final report of December 2009 shall remain subject to Bank Indonesia Regulation Number 8/4/PBI/2004 dated 30 January 2006 concerning the Implementation of Good Corporate Governance in Commercial Banks as amended by Bank Indonesia Regulation Number 8/14/PBI/2004 dated 5 October 2006 concerning the Amendment to Bank Indonesia Regulation Number 8/4/PBI/2004 dated 30 January 2006 concerning the Implementation of Good Corporate Governance in Commercial Banks.

## CHAPTER VI

## CLOSING PROVISIONS

## Article 91

Further provisions of this Bank Indonesia Regulation will be stipulated in a Bank Indonesia Circular Letter.

## Article 92

By the operation of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 8/4/PBI/2006 dated 30 January 2006 concerning the Implementation of Good

Corporate Governance in Commercial Banks and the its amendments shall no longer be applicable to BUS.

Article 93

This Bank Indonesia Regulation comes into force on 1 January 2010.

Enacted in Jakarta

Dated : December 7, 2009

(Acting) GOVERNOR OF BANK INDONESIA

DARMIN NASUTION

Promulgated in Jakarta

Dated: 7 December 2009

THE MINISTER OF LAW AND HUMAN RIGHTS

REPUBLIC OF INDONESIA

PATRIALIS AKBAR

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 175 OF  
2009

DPbS



ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER 11/33 / PBI/2009  
CONCERNING  
THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE BY  
ISLAMIC COMMERCIAL BANKS AND ISLAMIC BUSINESS UNITS

GENERAL REVIEW

With the development of Islamic banking industry as characterized by, among other things, the increasingly diverse product Sharia-compliant banking products and the growing number of Islamic banking service networks, it becomes increasingly important to implement Good Corporate Governance in Islamic banking industry. The implementation of Good Corporate Governance in Islamic banking industry should be based on five basic principles. First, transparency, which is transparency in the disclosure of material and relevant information and transparency in the decision-making process. Second, accountability, which is clarity in terms of functions and accountability of a bank's organs to ensure effective management. Third, responsibility, which is the compliance of the bank's management with applicable laws and regulations and the principles of sound bank management. Fourth, professionalism, which includes the competence, the ability to act objectively and independently from the influence/pressure from any other party and the strong commitment to develop Islamic banks. Fifth, fairness which means justice and equality in the fulfillment of stakeholders' rights under agreements and the applicable laws and regulations.

In order to implement the five basic principles, the bank shall use various regulations and requirements associated with the implementation of Good Corporate Governance as the guidelines. In

addition, in the implementation of Good Corporate Governance, Islamic banking industry shall also meet the Sharia principles (sharia compliance). The inconsistency of the bank's governance with the Sharia principles will potentially cause a variety of risks, especially reputation risk of the Islamic banking industry.

The implementation of Good Corporate Governance in Islamic banking is not only intended to ensure banking management which is in accordance with the five principles and the Sharia principles, but it is also aimed at the wider interests. The interests are, among other things, to protect the interests of stakeholders and increase compliance with the applicable laws and regulations and the ethical values that generally apply to Islamic banking industry.

#### ARTICLE BY ARTICLE

##### Article 1

Number 1 to Number 13

Self-explanatory.

##### Article 2

###### Paragraph (1)

The implementation of GCG in any business activities includes the process of formulation of the vision, mission, strategic plan, policy implementation and internal supervision measures.

The phrase "All tiers or levels of the organization" of a BUS means from the highest level which is the Board of Commissioners and the Board of Directors to the lowest management level.

The phrase "All tiers or levels of the organization" of a UUS means from the highest level which is the Directors of a UUS to the lowest management level.

## Paragraph (2)

## Letter a

The performance of the tasks and responsibilities of the Board of Commissioners and Board of Directors shall be in accordance with the articles of association of the BUS and the applicable laws and regulations, including Bank Indonesia provisions on the performance of those tasks and responsibilities.

## Letter b

The establishment of the committees is intended, among other things, to assist in the performance of the task of supervision performed by the Commissioners.

The performance of the control functions such as internal audit, compliance, and risk management is intended, among other things, to assist in the performance of the task of control conducted by the Board of Directors.

## Letter c

The performance of the duties and responsibilities of the Sharia Supervisory Board shall refer to the applicable laws and regulations, including Bank Indonesia provisions governing the performance of those tasks and responsibilities.

## Letter d

Self-explanatory.

## Letter e

In the event that provisions of Bank Indonesia on the maximum limit of fund distribution have not been made, the provisions of Bank Indonesia on the legal lending limit will remain apply to the BUS.

## Letter f

Transparency covers aspects of disclosure of BUS' information that is qualitative and quantitative to the stakeholders.

## Paragraph (3)

## Letter a

The performance of the duties and responsibilities of the Directors of UUS refers to shall refer to the applicable laws and regulations, including Bank Indonesia provisions governing the performance of those tasks and responsibilities.

## Letter b

The performance of the duties and responsibilities of the Sharia Supervisory Board refers to shall refer to the applicable laws and regulations, including Bank Indonesia provisions governing the performance of those tasks and responsibilities.

## Letter c

Self-explanatory.

## Letter d

Transparency covers aspects of disclosure of UUS' information that is qualitative and quantitative to the stakeholders.

## Article 3

Self-explanatory.

## Article 4

"The relevant Bank Indonesia provisions", include:

- a. Bank Indonesia provisions concerning Islamic Banks;
- b. Bank Indonesia provisions concerning fit and proper test, and

- c. Bank Indonesia provisions concerning foreign labor.

Article 5

Paragraph (1)

The "cooling-off period " means the period between the expiration of the relevant term of office of the person concerned as a member of the Board of Directors and the appointment of the person concerned as an Independent Commissioner.

Paragraph (2)

"Directors of BUS who perform supervisory functions" include the compliance director.

Article 6

Self-explanatory.

Article 7

Self-explanatory.

Article 8

Self-explanatory.

Article 9

Self-explanatory.

Article 10

What shall be submitted are the findings that have not been or are not delivered by BUS and/or by the compliance director to Bank Indonesia.

Article 11

Paragraph (1)

Letter a

Self-explanatory.

Letter b

The Board of Commissioners may establish Remuneration Committee and Nomination Committee separately.

Letter c

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 12

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

The conduct of the meeting include about the meeting agenda, the decision-making mechanism, the rights of members in the event of dissenting opinions in the decision making and the minutes of meetings.

Article 13

The indicators of provision of sufficient time include attendance of the person concerned according to the work hours as set in the

work procedure and the frequency of attendance of the person concern at meetings.

#### Article 14

##### Paragraph (1)

Self-explanatory.

##### Paragraph (2)

Except for being the head of the meeting, the presence of members of the Board of Commissioners at a meeting can be conducted through teleconferencing technology.

##### Paragraph (3)

Self-explanatory.

##### Paragraph (4)

The phrase "prevented from being present" means being in an emergency or unavoidable situation which makes that person concerned unable to attend, such as due to illness or being abroad.

#### Article 15

Self-explanatory.

#### Article 16

Self-explanatory.

#### Article 17

##### Paragraph (1)

Self-explanatory.

##### Paragraph (2)

What is not included within the definition of personal benefits includes a situation when any member of the Board of Commissioners is the customer of a BUS and he receives a

return and/or any share of the profits through a reasonable way.

Paragraph (3)

Self-explanatory.

Article 18

"Relevant Bank Indonesia provisions" are, among other things:

- a. Bank Indonesia provisions concerning Islamic Banks
- b. Bank Indonesia provisions concerning fit and proper test, and
- c. Bank Indonesia provisions concerning foreign labor.

Article 19

Self-explanatory.

Article 20

Self-explanatory.

Article 21

Self-explanatory.

Article 22

Self-explanatory.

Article 23

To promote the effective implementation of the relevant functions, the Board of Directors may establish a separate work unit.

Article 24

Self-explanatory.



## Article 25

The phrase "Strategic policy in the field of personnel" includes, among other things, the policy on the recruitment system, promotion system, remuneration system and the plans of BUS to carry out the downsizing. The disclosure shall be made in medium which is easily known or accessible by the employees.

## Article 26

The term "general power" is the granting of power which results in the assignment of tasks, functions, authority and responsibilities of the Board of Directors as a whole without any limits in terms of the scope and time.

## Article 27

## Letter a

Included in this category of special projects that are very necessary for business activities of BUS is information technology projects or the development of public relations that have specific criteria such as the target of time.

## Letter b

Self-explanatory.

## Letter c

The term "independent party" means a party outside the BUS that does not have:

- a. the financial, management, share ownership and/or family relationship with the controlling shareholder, members of the Board of Commissioners and/or the Board of Directors, or
- b. financial relationship and/or share ownership relationship in the BUS,

so that the party concerned can act independently.

## Article 28

The data and information are required in context of the performance of the tasks and responsibilities of the Board of Commissioners and the Sharia Supervisory Board.

## Article 29

## Paragraph (1)

Self-explanatory.

## Paragraph (2)

Self-explanatory.

## Paragraph (3)

## Letter a

Self-explanatory.

## Letter b

The conduct of the meeting includes the meeting agenda, quorum requirements, the decision-making mechanism, the rights of members in the event of dissenting opinions in the decision making and the minutes of meetings.

## Article 30

Self-explanatory.

## Article 31

## Paragraph (1)

The term "strategic policy and decision" means any decision of the Board of Directors which significantly affects the finance of the BUS and/or has a sustainable impact on the budget, human resources and/or the organizational structure.

## Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 32

Self-explanatory.

Article 33

Paragraph (1)

Self-explanatory.

Paragraph (2)

What is not included within the definition of personal benefits includes a situation when any member of the Board of Commissioners is the customer of a BUS and he receives a return and/or any share of the profits through a reasonable way.

Paragraph (3)

Self-explanatory.

Article 34

Paragraph (1)

The term "independent party" means a party outside the BUS that does not have:

- a. the financial, management, share ownership and/or family relationship with the controlling shareholders, members of the Board of Commissioners and/or the Board of Directors, or
  - b. financial relationship and/or share ownership relationship in the BUS,
- so that the party concerned can act independently.

## Paragraph (2)

The phrase "have the integrity and good financial reputation" means, among other things:

- a. have good character and morals;
- b. have a high commitment to the implementation of accountability and responsibility;
- c. have a commitment to comply with Islamic banking regulations and other applicable laws and regulations, and
- d. not listed as someone with bad debts.

## Paragraph (3)

Self-explanatory.

## Paragraph (4)

Self-explanatory.

## Paragraph (5)

Self-explanatory.

## Article 35

## Paragraph (1)

Letter a

Self-explanatory.

Letter b

Executive Officer in charge of human resources shall have the knowledge and are familiar with the provisions of the remuneration and/or nomination system as well as succession plan of the BUS.

In the event that the Board of Commissioners establishes the Remuneration Committee and Nomination Committee separately, the Executive Officer who is a member of the Remuneration Committee shall have knowledge about the remuneration system of the BUS and the Executive Officer who is a member of

Nomination Committee shall have knowledge about the system of nomination and succession plan of the BUS.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

#### Article 36

Paragraph (1)

The term "independent party" means a party outside the BUS that does not have:

- a. the financial, management, share ownership and/or family relationship with the controlling shareholders, members of the Board of Commissioners and/or the Board of Directors, or
- b. financial relationship and/or share ownership relationship in the BUS,

so that the party concerned can act independently.

Paragraph (2)

The phrase "have the integrity and good financial reputation" means, among other things:

- a. have good character and morals;
- b. have a high commitment to the implementation of accountability and responsibility;
- c. have a commitment to comply with Islamic banking regulations and other applicable laws and regulations, and
- d. not listed as someone with bad debts.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 37

Paragraph (1)

The term "independent party" means a party outside the BUS that does not have:

- a. the financial, management, share ownership and/or family relationship with the controlling shareholder, members of the Board of Commissioners and/or the Board of Directors, or
- b. financial relationship and/or share ownership relationship in the BUS,

so that the party concerned can act independently.

The "cooling-off period " means the period between the expiration of the relevant term of office of the person concerned as a member of the Board of Directors and the appointment of the person concerned as an Independent member of the committee.

Paragraph (2)

The phrase "Directors of BUS who perform supervisory functions" include the compliance director.

Article 38

Self-explanatory.

Article 39

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

"Risk Management Committee and the Risk Management Work Unit" have the meanings as defined in Bank Indonesia provisions on risk management.

Article 40

Letter a

Self-explanatory.

Letter b

The term "independent party" means a party outside the BUS that does not have:

- a. the financial, management, share ownership and/or family relationship with the controlling shareholders, members of the Board of Commissioners and/or the Board of Directors, or
  - b. financial relationship and/or share ownership relationship in the BUS,
- so that the party concerned can act independently.

Article 41

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

The term "peer group" means equal positions in BUS internally and on several banks of the same type based on the amount of the assets and the characteristics.

Letter d.

Self explanatory.

Article 42

Paragraph (1)

Letter a

Self-explanatory.

Letter b

The term "coordination" means, among other things, a discussion on matters that need to be considered by Public Accountants in the performance of their duties.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 43

Self-explanatory.

Article 44

The term "relevant Bank Indonesia provisions" include Bank Indonesia provisions on Islamic Commercial Banks and Islamic Business Units.

Article 45

Self-explanatory.

Article 46

Self-explanatory.



Article 47

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The term "semester" means a period of 6 (six) months which ends in June and December.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 48

The indicators of the provision of sufficient time are, among other things, the attendance of members of the Sharia Supervisory Board according to the work hours specified in the work procedure and the frequency of attendance at the meeting.

Article 49

Self-explanatory.

Article 50

Sufficiently clear.

Article 51

Paragraph (1)

Self-explanatory.

Paragraph (2)

What is not included within the definition of personal benefits includes a situation when any member of the Board

of Commissioners is the customer of a BUS and he receives a return and/or any share of the profits through a reasonable way.

Paragraph (3)

Self-explanatory.

Paragraph (4)

The term "consultants" include consultants, advisors or those who are equivalent to them, both individuals and companies, including the owner of a company that provide consultancy services for the BUS and/or UUS.

Article 52

Paragraph (1)

The implementation of compliance functions includes compliance with the Sharia principles.

Paragraph (2)

The compliance functions can be performed by establishing a separate work unit depending on the size of the bank.

Paragraph (3)

Self-explanatory.

Article 53

Paragraph (1)

The function of internal audit is to assist in the performance of the tasks of the president director, including:

- a. to supervise the implementation of tasks in all work units of the BUS including the compliance with the Sharia principles;
- b. to conduct the examination and evaluation of the adequacy and effectiveness of internal control system which is aimed to :
  - 1) safeguard assets;

- 2) ensure the accuracy and reliability of the accounting data;
- 3) optimize the use of resources economically and efficiently, and
- 4) encourage compliance with policies of the management that have been previously set.

Paragraph (2)

The compliance functions can be performed by establishing a separate work unit depending on the size of the bank.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 54

Paragraph (1)

Self-explanatory.

Paragraph (2)

Prior to submission to the General Meeting of Shareholders, the planned appointment of Public Accountants and Public Accountant Offices shall be previously consulted with the unit which is in charge of the supervision of Islamic banks at Bank Indonesia.

Paragraph (3)

Self-explanatory.

Article 55

In the event that Bank Indonesia provisions on the maximum limit of fund distribution have not been made, the provisions of Bank Indonesia on the legal lending limit will remain applicable to the BUS.

## Article 56

## Paragraph (1)

The term "non-financial conditions" include ownership, the Board of Commissioners, the Board of Directors, and business groups of the BUS, management strategy and policy, management report and the report on the results of Supervision by the Sharia Supervisory Board.

## Paragraph (2)

Self-explanatory.

## Article 57

Self-explanatory.

## Article 58

## Paragraph (1)

Self-explanatory.

## Paragraph (2)

Self-explanatory.

The phrase "other Bank Indonesia provisions" means Bank Indonesia provisions on risk management for commercial banks and/or Bank Indonesia provisions on information technology for commercial banks.

## Paragraph (3)

The report on the business group structure shall contain all individuals or legal entities that have 10% (ten percent) or more of shares of the BUS and parties which have the control and/or have 10% (ten percent) or more of shares of those legal entities, and state the parties that are the ultimate shareholders.

## Paragraph (4)

The submission of the Annual Report of the BUS shall be in compliance with Bank Indonesia provisions on the

transparency of the financial and non-financial the commercial banks.

Paragraph (5)

Self-explanatory.

Article 59

Self-explanatory.

Article 60

Self-explanatory.

Article 61

The term "conflict of interest" means differences between the economic interests of the BUS and the personal economic interests of the owners, the members of the Board of Commissioners, members of the Board of Directors and the Executive Officers of the BUS.

Included in the category of conflicts of interest which reduce the assets or lower the profits of the BUS is the giving of preferential treatment or the giving of return and/or the profit sharing which is not in accordance with the procedures and regulations that apply to certain parties.

The disclosure of conflicts of interest in the minutes of the meeting at least includes the name of the party that has a conflict of interest, the subject of the conflict of interest and the considerations in the decision-making.

Article 62

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-assessment includes the scope as referred to in Article 2 paragraph (2).

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e

Self-explanatory.

Letter f

The disclosure of the remuneration policy and other facilities (remuneration packages) becomes a benchmark for stakeholders in assessing whether the remuneration is consistent with the results of the performance of the BUS which is managed by the Board of Commissioners, the Directors, and Sharia Supervisory Board.

Other facilities means facilities which are not received in the form of money, but in the other forms such as housing, transportation and health insurance facilities.

Letter g

Self-explanatory.

Letter h

Self-explanatory.

Letter i

Self-explanatory.

Letter j

“Internal fraud” means irregularities related to the operations of the BUS and significantly affect the financial conditions of the BUS.

Letter k

Self-explanatory.

Letter l

Self-explanatory.

Letter m

Self-explanatory.

Letter n

Self-explanatory.

Letter o

Self-explanatory.

Paragraph (3)

Self-explanatory.

#### Article 63

Paragraph (1)

The delivery of the report on the GCG implementation is particularly for the controlling shareholders. Meanwhile, the delivery of the report to other shareholders is based on the consideration of the level of efficiency and importance as decided by each BUS.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

#### Article 64

Self-explanatory.

#### Article 65

Self-explanatory.

Article 66

Paragraph (1)

The term "self-assessment" means an assessment of the GCG implementation by the BUS concerned.

Paragraph (2)

Self-explanatory.

Article 67

Self-explanatory.

Article 68

Self-explanatory.

Article 69

Self-explanatory.

Article 70

Self-explanatory.

Article 71

Self-explanatory.

Article 72

The term "core customers of financing " means the 10 (ten) largest customers of financing. The term "core depositors" means the 10 (ten) largest customers- depositors.

Article 73

Paragraph (1)

The term "non-financial conditions" include the management strategy and policy, management report and the Report of Results of Supervision by the Sharia Supervisory Board.



Paragraph (2)

Self-explanatory.

Article 74

Self-explanatory.

Article 75

Self-explanatory.

Article 76

Paragraph (1)

Self-explanatory.

Paragraph (2)

The report on the GCG implementation of UUS is a separate chapter of the in the report of the GCG implementation of the Conventional Commercial Bank and/or s branch of a bank situated overseas which is the holding company.

Paragraph (3)

Letter a

Self-assessment includes matters as referred to in Article 2 paragraph (3).

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

The term "other facilities" includes housing facilities, transportation facilities and health insurance facilities.

Letter e

Self-explanatory.

Letter f

The term "irregularities (internal fraud)" means irregularities which are related to the operations of the UUS and which significantly affect the financial conditions of the UUS.

Letter g

Self-explanatory.

Letter h

Self-explanatory.

Letter i

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 77

Self-explanatory.

Article 78

Self-explanatory.

Article 79

Paragraph (1)

"Self-assessment" is an assessment of the GCG implementation by the relevant UUS.

Paragraph (2)

Self-explanatory.

Article 80

Self-explanatory.

Article 81

Self-explanatory.

Article 82

Paragraph (1)

3 (three) times written reprimand letters are issued to the same BUS or UUS.

Paragraph (2)

Self-explanatory.

Article 83

Self-explanatory.

Article 84

In the event that Bank Indonesia provisions on the maximum limit of fund distribution have not been made, the Bank Indonesia provisions on the Legal Lending Limit still applies in the BUS.

Article 85

Self-explanatory.

Article 86

Self-explanatory.

Article 87

Paragraph (1)

Self-explanatory.

Paragraph (2)

Any bank which has been penalized for not submitting the report is no longer penalized for late submission of the report.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 88

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Any bank which has been penalized for not submitting the report is no longer penalized for late submission of the report.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 89

Self-explanatory.

Article 90

Self-explanatory.

Article 91

Self-explanatory.

Article 92

Self-explanatory.

Article 93

Self-explanatory.