

PRESS RELEASE

OJK ISSUES REGULATION ON PAWNSHOP BUSINESSES

Jakarta, October 4, 2016 — The Financial Services Authority (OJK) has promulgated OJK Regulation (POJK) No. 31/POJK.05/2016 on Pawnshop Businesses dated July 29, 2016. The objective of the regulation is to raise financial inclusion of middle-lower class and micro, small, and medium enterprises (MSME) by facilitating their access to loans, provide legal grounds for the OJK for supervisory purposes, give legal certainty to pawnshop players, promote the presence of healthy pawnshop business, and protect consumers who use pawnshop services.

In general, this POJK regulates about forms of legal entities, capital, requirements and procedures for business licensing, permitted business activities, implementation of some business activities based on Sharia Principle. It also regulates about the state pawnshop, reporting, merger, consolidation, acquisition or division, supervision and inspection of pawnshops, and imposition of sanctions against any pawnshops that violate stipulations of the POJK. In regard to business licensing procedures, stipulations that apply to pawnshops existed before the POJK was enacted are different from those that apply to future pawnshops, as described below:

- a. For pawnshop players that have conducted their business activities prior to the enactment of this OJK regulation, they have an option to register their shops. They should apply for registration to the OJK no later than 2 (two) years since this regulation has been enacted. The registration mechanism facilitates pawnshop players to do so as they are exempted from requirements concerning forms of legal entities, capital and scope of business and administrative requirements that they should satisfy are relatively easier and simpler. Once pawnshop players have been registered

at the OJK, they shall apply for business licenses to operate as private pawnshops no later than 3 (three) years since this OJK regulation has been enacted.

- b. For pawnshop players that wish to conduct business activities following the enactment of this OJK regulation, they should apply for business licenses as pawnshops to the OJK.

The OJK Regulation is expected to raise the public trust in pawnshop products and services, given that in general, before OJK Regulation No. 31/POJK.05/2016 on Pawnshop Business was enacted, there has been no legislation that regulates about such business.

For more information:

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