

BANK INDONESIA REGULATION
NUMBER: 11/15/PBI/2009
CONCERNING
CONVERSION OF BUSINESS ACTIVITIES
FROM COMMERCIAL BANK TO SHARIA BANK

WITH THE BLESSINGS OF GOD ALMIGHTY

GOVERNOR OF BANK INDONESIA

- Considering:
- a. whereas in the framework of supporting national economic growth, there is a need for banking institution that could serve all layers of the public;
 - b. whereas sharia banking as part of the national banking system needs to be developed into sound and resilient banking so that it can provide banking services to the public, among others through conversion of business activities from conventional banks to sharia banks;
 - c. whereas conversion of business activities from conventional banks to sharia banks should be supported with adequate capital and professional management so that sound and sustainable sharia banking can be realized;
 - d. whereas based on considerations as referred to in letter a, letter b and letter c, it is deemed necessary to make adjustments to the stipulations concerning conversion of business activities from conventional banks to sharia banks in a Bank Indonesia Regulation;

In view of:

1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472), as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as latest amended by Government Regulation In Lieu of Law Number 2 of 2008 (State Gazette of the Republic of Indonesia Number 142 of 2009, Supplement to the State Gazette of the Republic of Indonesia Number 4901) as stipulated by Act Number 6 of 2009 concerning Stipulation of Government Regulation In Lieu of Law Number 2 of 2008 concerning Second Amendment of Act Number 23 of 1999 concerning Bank Indonesia to become Law (State Gazette of the Republic of Indonesia Number 7 of 2009, Supplement to the State Gazette of the Republic of Indonesia Number 4962);
3. Act Number 40 of 2007 concerning Limited Company (State Gazette of the Republic of Indonesia Number 106 of 2008, Supplement to the State Gazette of the Republic of Indonesia Number 4756);
4. Act Number 21 of 2008 concerning Sharia Banking (State Gazette of the Republic of Indonesia Number 94

of ...

of 2008, Supplement to the State Gazette Number 4867);

HAS DECREED:

To enact: BANK INDONESIA REGULATION CONCERNING
CONVERSION OF BUSINESS ACTIVITIES FROM
CONVENTIONAL BANK TO SHARIA BANK.

CHAPTER I
GENERAL PROVISIONS

Article 1

The terminologies used in this Bank Indonesia Regulation have the following meanings:

1. Sharia Bank is a Bank that conducts its business activities based on sharia principles, which types comprises Sharia Commercial Bank and Sharia Rural Bank;
2. Sharia Commercial Bank is a Sharia Bank, which in its activities provides services within payment traffic as referred to in Act Number 21 of 2008 concerning Sharia Banking;
3. Sharia Rural Bank, hereinafter shall be referred to as BPRS, is a Sharia Bank, which in its activities does not provide services within payment traffic as referred to in Act Number 21 of 2008 concerning Sharia Banking;
4. Conventional Bank is a bank that conducts its business activities in a conventional manner, which types comprises Conventional Commercial Bank and Rural Credit Bank;
5. Conventional Commercial Bank is a Conventional Bank which in its activities provides services within payment traffic as referred to in Act Number 21 of 2008 concerning Sharia Banking;

6. Rural ...

6. Rural Bank, hereinafter shall be referred to as BPR, is a Conventional Bank which in its activities does not provide services within payment traffic as referred to in Act Number 21 of 2008 concerning Sharia Banking;
7. Sharia Principles are Islamic legal principles for banking activities based on fatwa (decrees) issued by the National Sharia Board – Indonesian Council of Ulama;
8. Controlling Shareholder, hereinafter shall be referred to as PSP, is a legal entity, individual and/or business group, which:
 - a. owns company or bank shares amounting to 25% (twenty five percent) or more of total shares that have been issued and have voting rights;
 - b. owns company or bank shares amounting to less than 25% (twenty five percent) of total shares that have been issued and have voting rights, but it can be proven that it controls the company or bank, both directly as well as indirectly;
9. Board of Commissioners is Board of Commissioners as referred to in Act Number 40 of 2007 concerning Limited Company;
10. Board of Directors is Board of Directors as referred to in Act Number 40 of 2007 concerning Limited Company;
11. Sharia Supervisory Board, hereinafter shall be referred to as DPS, is a council whose tasks are to provide advices and recommendations to the board of directors as well as to monitor Sharia Bank activities so that they are line with Sharia Principles;
12. Day means calendar day.

Article 2

- (1) Conventional Bank could convert its business activities to become Sharia Bank
- (2) Conversion of business activities from Conventional Bank to Sharia Bank could be done by:
 - a. Conventional Commercial Bank becoming Sharia Commercial Bank;
 - b. BPR becoming BPRS.

Article 3

Sharia Bank is prohibited from undertaking conversion of business activities to become Conventional Bank.

Article 4

- (1) Conversion of business activities from Conventional Bank to Sharia Bank could only be done with Bank Indonesia's approval.
- (2) Issuance of approval as referred to in paragraph (1) would be in the form of license for conversion of business activities.

CHAPTER II

REQUIREMENTS FOR CONVERSION OF BUSINESS ACTIVITIES

Section One

General Requirements

Article 5

The plan for conversion of business activities from Conventional Bank to be Sharia Bank should be stated in the Conventional Bank's business plan.

Article 6

Conventional Bank, which is going to undertake conversion of business activities to become Sharia Bank, should:

- a. adjust its articles of association;
- b. meet capital requirements;
- c. adjust requirements concerning Board of Directors and Board of Commissioners;
- d. establish a DPS; and
- e. present a beginning financial report as a Sharia Bank.

Article 7

Adjustment to articles of association as referred to in Article 6 letter a, should follow stipulations of Act concerning Sharia Banking and other prevailing legislations.

Section Two

Requirements For Becoming Sharia Commercial Bank

Article 8

Conventional Commercial Bank that plans to undertake conversion of business activities to become Sharia Commercial Bank should:

- a. have a ratio of Obligation for Provision of Minimum Capital (KPMM) of at minimum 8% (eight percent); and
- b. have core capital at minimum amounting Rp.100,000,000,000.00 (one billion rupiah).

Article 9

Board of Commissioners and Board of Directors of Sharia Commercial Bank should meet Bank Indonesia stipulations related to Sharia Commercial Bank.

Article 10

- (1) Conventional Commercial Bank that plans to undertake conversion of business activities to become Sharia Commercial Bank should establish a DPS.
- (2) Candidate members of DPS as referred to in paragraph (1) should meet DPS requirements as regulated in prevailing Bank Indonesia stipulations concerning Sharia Commercial Bank.

Section Three

Requirements For Becoming Sharia Rural Bank

Article 11

BPR that plans to undertake conversion of business activities to become BPRS should meet stipulations concerning capital as regulated in prevailing Bank Indonesia stipulations concerning BPRS.

Article 12

Board of Commissioners and Board of Directors of BPRS should meet Bank Indonesia stipulations concerning BPRS.

Article 13

- (1) BPR that plans to undertake conversion of business activities to become BPRS should establish a DPS.
- (2) Candidate members of DPS as referred to in paragraph (1) should meet DPS requirements as regulated in prevailing Bank Indonesia stipulations concerning BPRS.

CHAPTER III

PROCEDURE ON LICENSE FOR CONVERSION OF BUSINESS

ACTIVITIES

Article 14

(1) Request ...

- (1) Request for a license for conversion of business activities is submitted by Conventional Bank supplemented with among others:
 - a. mission and vision for conversion of business activities to become Sharia Bank;
 - b. draft change of articles of association;
 - c. names and identity data of candidate Controlling Shareholder, candidate members of Board of Commissioners, candidate members of Board of Directors and candidate members of DPS;
 - d. business plan of Sharia Bank;
 - e. feasibility study on market opportunity and economic potential; and
 - f. plan for settlement of customer rights and obligations.
- (2) Conventional Bank submitting a request for license for conversion of business activities should provide explanations concerning overall plan for conversion of business activities to become Sharia Bank.

Article 15

- (1) Approval on change of articles of association as referred to in Article 14 paragraph (1) letter b should be requested from authorized agency.
- (2) Request to authorized agency as referred to in paragraph (1) could be submitted at the same time as the request for a license for conversion of business activities.

Article 16

Conventional Bank that already obtains a license for conversion of business activities to become Sharia Bank is obliged to state clearly:

- a. the word “Sharia” in the writing of its name; and
- b. the iB logo on forms, certificates, products, Sharia Bank offices and office network.

Article 17

(1) Conventional ...

- (1) Conventional Bank that already obtains a license for conversion of business activities to become Sharia Bank is obliged to conduct business activities based on Sharia Principles at the latest 60 (sixty) days as of the date the license for conversion of business activities is given.
- (2) If after the period of time as referred to in paragraph (1) the Sharia Bank, which is formed from a conversion of business activities, has not conducted business activities based on Sharia Principles, the license for conversion of business activities would be reconsidered.
- (3) The plan for conducting business activities based on Sharia Principles as referred to in paragraph (1) is obliged to be notified to the public at the latest 10 (ten) days before the date of execution.
- (4) Execution of business activities based on Sharia Principles as referred to in paragraph (1) is obliged to be reported at the latest 10 (ten) days after the date of execution.
- (5) Conventional Bank that already obtains a license for conversion of business activities to become Sharia Bank is prohibited from conducting business activities in the conventional manner, except in the framework of settlement of rights and obligations of business activities undertaken in the conventional manner.

Article 18

Conventional Bank that already obtains a license for conversion of business activities to become Sharia Bank is obliged to make settlement of rights and obligations of business activities undertaken in the conventional manner at the latest 1 (one) year as of the date the license for conversion of business activities is given.

CHAPTER IV

SANCTIONS

Article 19

- (1) Conventional Bank that already obtains a license for conversion of business activities to become Sharia Bank but does not meet stipulations as referred to in Article 16, Article 17 paragraph (1) and paragraph (5) and Paragraph (18) could be imposed with administrative sanctions in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking.
- (2) Sharia Bank that does not meet stipulations as referred to in Article 17 paragraph (3) and paragraph (4) could be imposed with administrative sanction in accordance with Article 58 of Act Number 21 of 2008 concerning Sharia Banking in the form of:
 - a. written warning and payment obligation:
 1. amounting to Rp.1,000,000.00 (one million rupiah) per day of delay for each report or notification and at the most amounting to Rp.30,000,000.00 (thirty million rupiah) for Sharia Commercial Bank; or
 2. amounting to Rp.100,000.00 (one hundred thousand rupiah) per day of delay for each report or notification and at the most amounting to Rp.1,000,000.00 (one million rupiah) for BPRS;
 - b. written warning and payment obligation:
 1. at the most amounting to Rp.30,000,000.00 (thirty million rupiah) in the event of not submitting report or not providing notification for Sharia Commercial Bank; or
 2. at the most amounting to Rp.1,000,000.00 (one million rupiah) in the event of not submitting report or not providing notification for BPRS.

(3) Sharia ...

- (3) Sharia Bank is deemed not to have submitted a report as referred to in paragraph (2) letter b if it has not given notification and/or submitted the said report 30 (thirty) days after the deadline for provision of notification and/or submission of report.
- (4) Imposition of the sanctions of written warning and payment obligation, which is due to being deemed not to have submitted a report and/or not to have conducted notification as referred to in paragraph (2), does not waive Sharia Bank's obligation to provide notification and/or submit report.

CHAPTER VI TRANSITIONAL PROVISIONS

Article 20

Request for license for conversion of business activities to become Sharia Bank that has been submitted prior to the enactment of this Bank Indonesia Regulation but has not obtained approval from Bank Indonesia is obliged to be adjusted to provisions stipulated in this Bank Indonesia Regulation.

CHAPTER VII CONCLUDING PROVISIONS

Article 21

Further provisions concerning conversion of business activities from Conventional Bank to Sharia Bank shall be stipulated in Bank Indonesia Circular Letter.

Article 22

With the enactment of this Bank Indonesia Regulation:

a. Bank ...

- a. Bank Indonesia Regulation Number 8/3/PBI/2006 dated 30 January 2006 concerning Conversion of Business Activities from Conventional Commercial Bank to Commercial Bank Which Conducts Business Activities Based on Sharia Principles and Opening of Bank Offices Which Conduct Business Activities Based on Sharia Principles by Conventional Commercial Bank;
 - b. Bank Indonesia Regulation Number 9/7/PBI/2007 dated 4 May 2007 concerning Amendment To Bank Indonesia Regulation Number 8/3/PBI/2006 concerning Conversion of Business Activities from Conventional Commercial Bank to Commercial Bank Which Conducts Business Activities Based on Sharia Principles and Opening of Bank Offices Which Conduct Business Activities Based on Sharia Principles by Conventional Commercial Bank;
- are revoked and declared no longer in force.

Article 23

This Bank Indonesia Regulation shall come into force on the date of enactment.

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

Enact : in Jakarta

Dated : April 29th 2009

GOVERNOR OF BANK INDONESIA

GOVERNOR ...

BOEDIONO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 69 OF
2009
DPbS

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER: 11/15/PBI/2009
CONCERNING
CONVERSION OF BUSINESS ACTIVITIES
FROM CONVENTIONAL BANK TO SHARIA BANK

I. GENERAL REVIEW

The national banking system, which accommodates dual banking system, provides a way for development of sharia banking in Indonesia. Sharia banking that is developing further is expected to be able to give bigger contribution to national economic development.

The share of sharia banking in the national banking system needs to be stepped up by among others increasing number of office network through the establishment of new sharia banks or opening bigger opportunity for implementation of conversion of business activities from conventional banks to sharia banks. Effort to increase sharia bank office network is intended for accommodating public demand for larger presence of sharia banking as well as investors' interest for entering the sharia banking industry.

With the enactment of Act Number 21 of 2008 concerning Sharia Banking, there are several changes in stipulations related to sharia banking institution, management and business activities, including stipulations concerning conversion of business activities from conventional bank to sharia bank. Implementation of conversion of business activities from conventional bank to sharia bank should continue to observe sound bank and prudential principles in order to realize sharia banking that is resilient and consistent in applying the Sharia Principles.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

Self-explanatory.

Paragraph (2)

BPR or BPRS that wants to become Sharia Commercial Bank should first establish a Sharia Commercial Bank. After that, all rights and obligations (assets and liabilities) of BPR or BPRS should be transferred to the new Sharia Commercial Bank, and then the business license of BPR or BPRS would be revoked at the bank's request (self liquidation).

Article 3

Self-explanatory.

Article 4

Self-explanatory.

Article 5

For Conventional Commercial Bank, it is stated in business plan, while for BPR it is stated in work plan.

Article 6

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e

A beginning financial report as a Sharia Bank means the Sharia Bank financial report that shows current year profit and loss and previous year profit and loss with a balance of Rp.0,00 (zero rupiah) or nil.

Article 7

Stipulations of other prevailing legislations include among others the Act concerning Limited Company.

Article 8

Paragraph (1)

The size of ratio of KPMM is based on result of assessment by Bank Indonesia.

Paragraph (2)

Self-explanatory.

Article 9

Bank Indonesia stipulations, which are related to Sharia Commercial Bank, are among others to:

- fit and proper test applicable to Sharia Commercial Banks;
- implementation of Good Corporate Governance (GCG) applicable to Sharia Commercial Banks;
- Sharia Commercial Bank institution.

Article 10

Self-explanatory.

Article 11

Self-explanatory.

Article 12

Bank Indonesia stipulations, which are related to BPRS, are among others to:

- fit and proper test applicable to BPRS;
- implementation of Good Corporate Governance (GCG) applicable to BPRS;
- BPRS institution; and
- BPRS obligation for Provision of Minimum Capital (KPMM).

Article 13

Self-explanatory.

Article 14

Paragraph (1)

License for conversion of business activities is given taking into considerations among others:

- a. analysis on the plan for settlement of the rights and obligations of customers, who do not want to be converted to Sharia Bank customers;
- b. analyses on short-term, medium-term and long-term business plans for Sharia Commercial Bank, and analysis on annual work plan for BPRS;
- c. results of fit and proper test on candidate Controlling Shareholder, candidate members of Board of Commissioners and candidate members of Board of Directors; and
- d. results of interviews with candidate members of DPS.

Paragraph (2)

Subjects that should be explained through presentation at Bank Indonesia are among others:

- a. mission and vision for conversion of business activities;

- b. results of feasibility study on market opportunity for fund accumulation and distribution ~~channeling~~;
- c. short-term and medium-term business plans for Sharia Commercial Bank, and annual work plan for BPRS;
- d. information technology (IT) system;
- e. total number and locations of Sharia Bank offices; and
- f. organization and personnel structures.

Article 15

Self-explanatory.

Article 16

Letter a

Use of the word “Sharia” should be done as follows:

1. for Sharia Commercial Bank, the use of the word “Sharia” could be put before the word “Bank” or after bank name;
2. for BPRS, the use of the word “Sharia” could be done by using the phrase “Bank Pembiayaan Rakyat Syariah” or “BPR Syariah” or “BPRS” before bank name.

Letter b

Self-explanatory.

Article 17

Paragraph (1)

Self-explanatory.

Paragraph (2)

To be “reconsidered” means:

1. to be extended if the delay is caused by unavoidable events (force majeure) or other acceptable considerations. The time extension is given at the longest 60 (sixty) days.

2. cancellation if Sharia Bank, which is established through conversion of business activities, could not provide relevant reasons for the delay in conducting business activities based on Sharia Principles.

Paragraph (3)

Provision of notification could be made through:

- a. newspapers of national circulation, for Sharia Commercial Bank;
- b. local newspapers or notification board at the location of BPRS office, for BPRS.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 18

The deadline for settlement could be extended if the failure to settle the rights and obligations of conventional business activities is caused by unavoidable events (force majeure) or other acceptable considerations.

Article 19

Self-explanatory.

Article 20

Self-explanatory.

Article 21

Self-explanatory.

Article 22

Self-explanatory.

Article 23

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF
INDONESIA NUMBER 5005