

BANK INDONESIA REGULATION  
NUMBER 10/18/PBI/2008  
CONCERNING  
RESTRUCTURING OF FINANCING  
FOR ISLAMIC BANKS AND ISLAMIC BUSINESS UNITS

BY THE GRACE OF GOD ALMIGHTY

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas to prevent loss risks, Islamic Banks and Islamic Business Units must maintain their financing quality;
  - b. whereas as one of the measures to sustain the business of the customers of financing, Islamic Banks and Islamic Business Units may carry out restructuring of financing against the customers that have good business prospects and / or the ability to pay;
  - c. whereas the restructuring in financing must observe the sharia principles and the prudential principles;
  - d. whereas based on considerations as referred to in letter a, letter b, and letter c, it is necessary to revise the provisions on Restructuring of Financing in Islamic Banks and Islamic Business Units in Bank Indonesia Regulation.

- Observing :
1. 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);
  2. Act Number 23 of 2009 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 amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED:

To enact : BANK INDONESIA REGULATION CONCERNING  
RESTRUCTURING OF FINANCING IN ISLAMIC BANKS  
AND ISLAMIC BUSINESS UNITS

## CHAPTER I GENERAL PROVISIONS

### Article 1

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

1. Bank means Islamic Banks and Islamic Business Units.
2. Islamic Bank means a Bank which runs its business based on the sharia principles and consists of Islamic Commercial Bank and Islamic Rural Bank as referred to in Act Number 21 of 2008 concerning Islamic Banking.
3. Islamic Commercial Bank, hereinafter referred to as BUS, means a Islamic Bank which in running its business

provides service in payments as referred to in Act Number 21 of 2008 concerning Islamic Banking.

4. Islamic Rural Bank, hereinafter referred to in as BPRS, means an Islamic Bank which in running its business does not provide service in payments as referred to in Act Number 21 of 2008 concerning Islamic Banking.
5. Islamic Business Unit, hereinafter referred to in as UUS, is a work unit of the head office of a Conventional Commercial Bank which functions as a main office of an office or a unit which runs a business based on the sharia principles, or a unit of a branch office of a Bank which is domiciled in another country which runs its business not based on the sharia principles (conventionally) which functions as the main office of the Islamic sub-branch and/or Islamic unit
6. Financing is the provision of funds and receivables which are considered equal with that in the form of:
  - a. profit-sharing transactions in the form of *mudharabah* and *musyarakah*;
  - b. leasing transactions in the form of *ijarah* and leasing in the form of *ijarah muntahiyah bit tamlik*;
  - c. sale-purchase transactions in the form of *murabahah*, *salam* and *istishna'* receivables;
  - d. lending-borrowing transactions in the form of *qardh* receivable; and
  - e. service-lease transactions in the form of *ijarah* for multiservice transactions

based on the agreement or arrangement between an Islamic Bank and/or UUS and another parties which requires the party which is financed and/or granted fund facility to repay the fund after a certain period of time plus

fee (*ujrah*), without fee or profit-sharing as referred to in Act Number 21 of 2008 concerning Islamic Banking.

7. Restructuring of Financing is an effort made by the Bank in order to help its customers to fulfill their obligations, among other things by:
  - a. Rescheduling, which means a change in the schedule for repayment of obligations or the term of financing;
  - b. Reconditioning, which means changes in some of or the entire conditions of the Financing, among other things, changes in the payment schedule, installment, term and/or the granting of deduction so long as it does not add the remaining obligations of the customers which has to be paid to the Bank;
  - c. Restructuring, which means the changes in the conditions of the Financing which are not limited to rescheduling or reconditioning, which among other things include:
    - 1) addition of fund in the Bank's Financing facility;
    - 2) conversion of Financing contract;
    - 3) conversion of Financing to Islamic medium-term commercial papers;
    - 4) conversion of Financing to temporary capital participation in the customers' companies.
8. Islamic Medium-Term Commercial Paper is a proof of investment based on the sharia principles which is commonly traded in a money market and/or a capital market with a tenor from 3 (three) to 5 (five) years by using *mudharabah* or *musyarakah* contract.
9. Temporary Capital Participation is the capital participation of a BUS or a UUSUUS, among other things, in the form of purchase of shares and/or conversion of Financing to shares in the customers' companies to

overcome failure in the distribution of funds and/or receivables for a certain period of time as stipulated in Bank Indonesia provisions.

#### Article 2

- (1) The Bank may carry out the Restructuring of Financing by applying the prudential banking principle.
- (2) The Bank shall maintain and take some measures in order that after the restructuring the quality of Financing is categorized as Current.

### CHAPTER II

#### RESTRUCTURING

#### Article 3

The Bank is prohibited to carry out the Restructuring of Financing for the purpose to prevent:

- a. a downgrade in the classification of Financing quality;
- b. the setting of a bigger amount of allowance for asset losses (PPA); or
- c. the discontinuation of recognition of accrued margin income or *ujrah*.

#### Article 4

Restructuring of Financing may only be implemented upon receipt of written request from customers.

#### Article 5

- (1) Restructuring of Financing may only be implemented to customers that meet the following criteria:
  - a. the customer's ability to pay decreases; and

- b. the customer has a good business prospect and is able to fulfill the obligations after restructuring.
- (2) Restructuring of Financing may only be implemented to the Financing which is classified as Substandard, Doubtful and Loss.  
Restructuring of Financing shall be supported by sufficient analyses and evidence as well as proper documentation.

#### Article 6

- (1) Restructuring of Financing may only be done maximum 3 (three) times during the term of the initial Financing contract.
- (2) The second and third Restructuring of Financing may only be done at least 6 (six) months after the previous Restructuring of Financing.

#### Article 7

Restructuring of Financing for customers who have several of Financing facilities from the Bank may be done to each Financing facility.

### CHAPTER III

#### ACCOUNTING TREATMENT

#### Article 8

In implementing Restructuring of Financing, the Bank shall apply the accounting treatment in accordance with the Statement of Financial Accounting Standards and the Accounting Guidelines for Indonesian Islamic Banking in general.

## CHAPTER IV

## SHARIA PRINCIPLES

## Article 9

Restructuring of Financing shall be implemented with attention to the fatwa of Indonesian Ulema Council.

## CHAPTER V

## POLICY AND PROCEDURE

## Article 10

- (1) The Bank shall have written policy and Standard Operating Procedure about Restructuring of Financing.
- (2) The policy on Restructuring of Financing as referred to in paragraph (1) shall be approved by the Board of Commissioners.
- (3) The Standard Operating Procedure on Restructuring of Financing as referred to in paragraph (1) shall be updated and approved by the Board of Directors and the Sharia Supervisory Board.
- (4) The implementation of policy concerning Restructuring of Financing shall be actively supervised by the Board of Commissioners.
- (5) The policy and the Standard Operating Procedure on Restructuring of Financing as referred to in paragraph (1) shall be further stipulated in Bank Indonesia Circular Letters.

## CHAPTER VI

## DETERMINATION OF FINANCING QUALITY

## Article 11

- (1) After restructuring, the quality of Financing shall be determined as follows:
  - a. the highest quality is Substandard for Financing for Financing which prior to the restructuring is classified as Doubtful or Loss;
  - b. the quality does not change for Financing which prior to the implementation of restructuring is classified as Substandard.
- (2) The quality of Financing as referred to in paragraph (1) may:
  - a. become Current, if there is no overdue amount for 3 (three) periods of installment payment of the principal and/or margin/ profit sharing/fee/*ujrah* consecutively in accordance with the Restructuring of Financing agreement; or
  - b. become equal to the quality of Financing prior to the implementation of Restructuring of Financing or become worse, if the customer fails to meet the criteria or fulfill the terms of the Restructuring of Financing agreement and/or the implementation of Restructuring of Financing is not supported by adequate analysis and documentation;
- (3) In the event that the period of repayment of the principal and/or margin/ profit sharing/fee/*ujrah* is less than 1 (one) month, the increase in quality to Current as referred to in paragraph (2) letter a may be carried out as soon as possible not more than 3 months since the implementation of Restructuring of Financing;



- (4) The provisions as referred to in paragraph (1), paragraph (2), and paragraph (3) shall also be applicable to the second and third Restructurings of Financing.

#### Article 12

Any Financing which is restructured more than 3 (three) times shall be classified as Loss until full repayment of the Financing is made.

#### Article 13

Any Financing which is restructured in a grace period is granted shall be determined to have the quality as follows:

- a. During the grace period, the quality shall be the same as the quality of Financing prior to the implementation of restructuring; and
- b. After the grace period, the quality of Financing shall be subject to the determination of quality as referred to in Article 11.

#### Article 14

- (1) For a BUS and a UUS, the quality of Financing which has been restructured shall be assessed based on the customer's business prospect, performance and/or repayment ability, in accordance with the classification of customers, after 1 (one) year since the determination of quality as referred to in Article 11 paragraph (1);
- (2) For a BPRS, the quality of Financing which has been restructured shall be assessed based on the customer's accuracy and/or ability to pay the obligations.

## CHAPTER VII

## PROCEDURE FOR RESTRUCTURING OF FINANCING

## Article 15

- (1) Financing in the form of *murabahah* receivable or *istishna'* receivable may be restructured by means of:
  - a. rescheduling;
  - b. reconditioning; and
  - c. restructuring.
- (2) Financing in the form of *qardh* receivable may be restructured by means of:
  - a. rescheduling; and
  - b. reconditioning.
- (3) Financing in the form of *mudharabah* or *musyarakah* may be restructured by means of:
  - a. rescheduling;
  - b. reconditioning; and
  - c. restructuring.
- (4) Financing in the form of *ijarah* or *ijarah muntahiyyah bittamlik* may be restructured by means of:
  - a. rescheduling;
  - b. reconditioning; and
  - c. restructuring.
- (5) Financing of multiservice in the form of *ijarah* may be restructured by means of:
  - a. rescheduling; and
  - b. reconditioning;
- (6) Financing in the form of *salam* receivable may be restructured by means of:
  - a. rescheduling;
  - b. reconditioning; and
  - c. restructuring.

- (7) The procedure for Restructuring of Financing shall be further stipulated in Bank Indonesia Circular Letter.

#### Article 16

Restructuring of Financing by way of restructuring as referred to in Article 15 through the conversion of Financing to Islamic Medium Term Commercial Papers and Temporary Capital Participation shall not be apply to BPRS.

#### Article 17

- (1) The Bank shall dispose of the Temporary Capital Participation if:
- a. it has reached its maturity for a maximum period of 5 (five) years; or
  - b. the customer's company in which the Temporary Capital Participation is placed has gained cumulative profits.
- (2) The Bank shall write off the Temporary Capital Participation if it has exceeded a period of 5 (five) years.

### CHAPTER VIII

#### RESTRUCTURING OF FINANCING REPORTS

#### Article 18

The Bank shall report the Restructuring of Financing to Bank Indonesia.

#### Article 19

The reporting of Restructuring of Financing as referred to in Article 18 for a BUS and a UUS shall refer to the provisions of

Bank Indonesia concerning the Periodic Reports of Commercial Banks.

#### Article 20

- (1) Regarding the Restructuring of Financing Reports as referred to in Article 18, a BPRS shall submit them every month not later than the 14<sup>th</sup> day of the following month after the end of the month of the report.
- (2) A BPRS shall be deemed to be late in its submission of reports if that BPRS submits the report beyond the time limit as specified in paragraph (1) until the 21<sup>st</sup> day of the following month after the end of the month of the report.
- (3) A BPRS shall be deemed not submit the reports if that BPRS has not submitted the reports until the time limit as specified in paragraph (2).
- (4) If the final date for submission of the reports as referred to in paragraph (2) and paragraph (4) is on Saturday, Sunday or any other holiday, the reports shall be submitted on the following business day.
- (5) The reporting of Restructuring of Financing as referred to in paragraph (1) shall be further stipulated in a Bank Indonesia Circular Letter.

### CHAPTER IX

#### SANCTIONS

##### Article 21

The Bank which commits a breach of any provisions as set forth in Article 4, Article 5 paragraph (3), Article 8, Article 9, Article 10 paragraphs (1) to (4), Article 14, Article 15, Article 17, Article 18 shall be subject to administrative sanctions as

referred to in Article 58 paragraph (1) of Act Number 21 of 2008 concerning Islamic Banking.

#### Article 22

- (1) A BPRS which is late in submitting the reports as referred to in Article 20 paragraph (2) shall be subject to a sanction in the form of penalty of Rp100,000.00 (one hundred thousand rupiahs) per day of delay in the submission and a maximum of Rp700,000.00 (seven hundred thousand rupiahs).
- (2) A BPRS which is not submitting the reports as referred to in Article 20 paragraph (3) shall be subject to a sanction in the form of penalty of at a maximum of Rp1,000,000.00 (one million rupiahs).

#### Article 23

The imposition of administrative sanctions for violation of provisions of Article 12, shall not reduce to the imposition of sanctions as set forth in the provisions of Bank Indonesia concerning Monthly Report of Islamic Commercial Bank and Monthly Report of Islamic Rural Bank.

#### Article 24

The imposition of sanctions as referred to in Article 22 paragraph (2) shall not reduce the Bank's obligation to submit the Restructuring of Financing Reports as referred to in Article 18.

### CHAPTER X

#### TRANSITIONAL PROVISION

#### Article 25

Restructuring of Financing which has been implemented by the Bank prior to the coming into force of this provision shall

not be counted as Restructuring of Financing as referred to in Article 6 of this Bank Indonesia Regulation.

## CHAPTER XI

### CLOSING PROVISIONS

#### Article 26

By the issuance of this Bank Indonesia Regulation:

- a. Decree of the Management of Bank Indonesia Number 31/150/KEP/DIR dated 12 November 1998 concerning Debt Restructuring;
- b. Bank Indonesia Regulation Number 2/15/PBI/2000 dated 12 June 2000 concerning the Amendment to Decree of the Management of Bank Indonesia Number 31/150/KEP/DIR dated 12 November 1998 concerning Debt Restructuring;
- c. Article 47 of Bank Indonesia Regulation Number 8/21/PBI/2006 dated 5 October 2006 concerning The Quality Rating of Assets of Commercial Banks Conducting Business Based on Sharia Principles;
- d. Article 46 and Article 46A of Bank Indonesia Regulation Number 9/9/PBI/2007 dated 18 June 2007 concerning the Amendment to Bank Indonesia Regulation Number 8/21/PBI/2006 dated 5 October 2006 concerning the Assessment of Quality of Assets of Commercial Banks which Carry Out Business Activities Based on Principle of Sharia;
- e. Article 23 of Bank Indonesia Regulation Number 8/24/PBI/2006 dated 5 October 2006 concerning the Quality Rating of Assets of Rural Banks Conducting Business Based on Sharia Principles.

shall be revoked and declared to be no longer effective.

Article 27

The implementation provisions concerning Restructuring of Financing as governed in this Bank Indonesia Regulation will be further stipulated in a Bank Indonesia Circular Letter.

Article 28

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.

Enacted in : Jakarta

Dated : 25 September 2008

GOVERNOR OF BANK INDONESIA

(signed)

BOEDIONO

Promulgated in : Jakarta

Dated : 25 September 2008

THE MINISTER OF LAW AND HUMAN RIGHTS

REPUBLIC OF INDONESIA

(Signed)

ANDI MATTALATTA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 138 OF  
2008

## ELUCIDATION

TO

BANK INDONESIA REGULATION

NUMBER 10/18/PBI/2008

ON

RESTRUCTURING OF FINANCING FOR ISLAMIC BANKS

AND ISLAMIC BUSINESS UNITS

## I. GENERAL

In order to maintain the sustainability of its business, a Bank has to manage credit risks of its Financing activities so that it can minimize the potential losses that may occur. The declining of customer's business activities and/or repayment ability may affect its smooth fulfillment of obligations which in turn will increase the Bank's credit risks.

In order to lower the credit risks in Financing activity, a Bank may take some anticipatory measures to maintain the business of the customers that use a Financing facility. Those measures include implementing Restructuring of Financing for customers that have business prospects and/or repayment ability.

The need and the use of funds by customers basically vary and therefore the Bank provides Financing facilities to its customers according to different contracts which are in accordance with the sharia principles. Each of the contracts for Financing has its own characteristics which the Bank must consider in managing its Financing facilities.

Restructuring of Financing is implemented in the Bank not only shall comply with the sharia principles but also shall comply with the prudential banking principles. The provisions concerning Restructuring of Financing which are currently valid do not necessarily meet the



needs of the Bank. Therefore, it is necessary to issue a special regulation which governs the implementation of Restructuring of Financing in Banks.

## II. ARTICLE BY ARTICLE

### Article 1

Point 1 to point 9

Self-explanatory.

### Article 2

Self-explanatory.

### Article 3

Self-explanatory.

### Article 4

Self-explanatory.

### Article 5

Paragraph (1)

Restructuring of Financing for customers of nonproductive financing is among other things based on the availability of clear sources of repayment of installments from customers after the restructuring is implemented.

Paragraph (2)

Self-explanatory.

Paragraph (3)

“Sufficient evidence” means, among other things, the customer’s financial statements which show improvement of the performance of the company, an employment agreement obtained by the customer or other clear sources of payment.

### Article 6

Paragraph (1)

The limitation of frequency of restructuring is aimed to prevent the Bank from implementing restructuring for the purpose of avoiding decrease in the quality of Financing.

“Term of initial Financing contract” means a term which is agreed by the Bank and the customer in the Financing contract prior to the implementation of restructuring.

For example:

On 1 September 2008 the Bank and the customer entered into a Financing contract for a term of 3 (three) years. On 1 September 2009, the Bank carried out the first Restructuring of Financing by extending the term into 5 (five) years. The second and the third Restructurings of Financing may only be carried out not later than 1 September 2011.

Paragraph (2)

For example:

Based on the example stated in paragraph (1), the second Restructuring of Financing may be implemented the most quickly on 1 March 2010 and if there will be the third Restructuring of Financing, the Restructuring will be implemented the most quickly on 1 September 2010.

Article 7

Self-explanatory.

Article 8

Self-explanatory.

Article 9

“Fatwa of Indonesian Ulema Council” means a fatwa issued by the National Sharia Board of Indonesian Ulema Council.

Article 10

Paragraph (1)

The policy and the Standard Operating Procedure for Restructuring of Financing is part of the Bank’s risk management policy as stipulated in the Bank Indonesia provisions.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

The main subject matters stipulated in the Bank Indonesia Circular Letter including a work unit or a special officer of Restructuring of Financing, the limit to the authority to determine Restructuring of Financing, and the management information system of Restructuring of Financing.

Article 11

Self-explanatory.

Article 12

Self explanatory.

Article 13

“Grace period” means the grace period granted by the Bank to the customer that does not make payment of the principal and the margin under *Murabahah* or *Istishna*’ contract or installment of *Ijarah* under *Ijarah* and *Ijarah Muntahiyah Bittamlik* contract.

Article 14

Paragraph (1)

“Classification of customers” means the classification of customers based on:

- a. The amount of provision of funds to be granted by the Bank to the customer,
- b. Small and Medium-Sized Enterprises by taking into account the Risk Control System, Condition of Level of Soundness and Capital Adequacy Ratio of the Bank.

Paragraph (2)

Quality of Financing of a BPRS is assessed based on the customer's punctual payment and/or ability to pay the obligations.

Article 15

Self-explanatory.

Article 16

Self-explanatory.

Article 17

The release of Temporary Capital Participation basically must be carried out even though it has not reached 5 (five) years.

Article 18

Self-explanatory.

Article 19

Self-explanatory.

Article 20

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Matters which are set out in the Bank Indonesia Circular Letters include the format of report and the reporting procedure.

Article 21

Self-explanatory.

Article 22

Self-explanatory.

Article 23

Self-explanatory.

Article 24

Self-explanatory.

Article 25

Self-explanatory.

Article 26

Self-explanatory.

Article 27

Self-explanatory.

Article 28

Self-explanatory.