

BANK INDONESIA REGULATION
NUMBER 2/11/PBI/2000
CONCERNING
DESIGNATION OF BANK STATUS AND PLACEMENT OF BANKS IN
RECEIVERSHIP OF THE INDONESIAN BANK RESTRUCTURING
AGENCY

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas Indonesia continues to face difficulties in the banking system that endanger the national economy;
 - b. whereas to resolve the difficulties in the national banking system, a program has been implemented for national bank restructuring and restoring of public confidence, including but not limited to the establishment of the Indonesian Bank Restructuring Agency and the Government guaranty program;
 - c. whereas for the implementation of the national bank restructuring program, it is necessary to take measures in respect of banks deemed to be experiencing difficulties in their business operations, including but not limited to the placement of banks in receivership of the Indonesian Bank Restructuring Agency;
 - d. now therefore ...

c. now therefore it is necessary to enact provisions concerning Designation of Bank Status and Placement of Banks in Receivership of the Indonesian Bank Restructuring Agency in a Bank Indonesia Regulation;

- In view of:
1. Act Number 7 of 1992 concerning Banking (State Gazette Number 31 of 1992, Supplement to the State Gazette Number 3472) as amended by Act Number 10 of 1998 (State Gazette Number 182 of 1998, Supplement to the State Gazette Number 3790);
 2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette Number 66 of 1999, Supplement to the State Gazette Number 3843);
 3. Government Regulation Number 17 of 1999 concerning the Indonesian Bank Restructuring Agency (State Gazette Number 30 of 1999, Supplement to the State Gazette Number 3814) as last amended by Government Regulation Number 99 of 1999 (State Gazette Number 227 of 1999);
 4. Government Regulation Number 25 of 1999 concerning Revocation of Operating License, Dissolution, and Liquidation of Banks (State Gazette Number 52 of 1999, Supplement to the State Gazette Number 3831);
 5. Presidential Decree Number 26 of 1998 concerning Guarantee of Payment Liabilities of Commercial Banks (State Gazette Number 29 of 1998);

HAS DECREED: ...

4. Bank Under Restructuring, hereinafter referred to as BUR, is a Bank placed by Bank Indonesia in receivership of IBRA for restructuring;
5. Bank Suspended from Operations, hereinafter referred to as BSO, is a bank whose operations have been suspended by Bank Indonesia and thereafter placed in receivership of IBRA for settlement of the liabilities of the Bank through the Government Guaranty Program, settlement of the rights of employees, and efforts for recovery of state monies.

CHAPTER II

BANKS UNDER SPECIAL SURVEILLANCE

Article 2

- (1) In the event that Bank Indonesia deems a Bank to be experiencing difficulties that endanger its continued operation, the Bank shall be placed under special surveillance by Bank Indonesia.
- (2) A Bank deemed to be experiencing difficulties that endanger its continued operation as referred to in paragraph (1) is a Bank that falls within one or more of the following criteria:
 - a. Capital Adequacy Ratio is less than 4% (four percent);
 - b. problems loans are equal to or greater than 35% (thirty five percent) of total credit;
 - c. lending in excess and/or violation of the Legal Lending Limit cannot be rectified within the deadline set forth in the action plan;
 - d. ratio ...

HAS DECREED:

To enact: THE BANK INDONESIA REGULATION CONCERNING DESIGNATION OF BANK STATUS AND PLACEMENT OF BANKS IN RECEIVERSHIP OF THE INDONESIAN BANK RESTRUCTURING AGENCY.

CHAPTER I
GENERAL PROVISIONS

Article 1

The terminology used in this Bank Indonesia Regulation has the following meanings:

1. Bank is a Commercial Bank as defined in Act Number 7 of 1992 concerning Banking, as amended by Act Number 10 of 1998, and which is participating in the Government Guaranty Program;
2. Indonesian Bank Restructuring Agency, hereinafter referred to as IBRA, is a special agency established pursuant to Government Regulation Number 17 of 1999 concerning the Indonesian Bank Restructuring Agency, last amended by Government Regulation Number 99 of 1999;
3. Government Guaranty Program is the program for guaranteeing the payment obligations of Banks referred to in Presidential Decree Number 26 of 1998 concerning Guarantee of Payment Liabilities of Commercial Banks;

4. Bank Under ...

- a. not more than 6 (six) months for a Bank listed on the Capital Market;
- b. not more than 3 (three) months for a Bank not listed on the Capital Market;

from the date of issuance of the written order by Bank Indonesia.

- (2) The period referred to in paragraph (1) may be granted only 1 (one) extension for a maximum period of 1 (one) month.

CHAPTER III

DESIGNATION OF BANK STATUS AS BUR AND PLACEMENT IN RECEIVERSHIP OF IBRA

Article 4

Bank Indonesia shall designate the status of a Bank as BUR and place the Bank in receivership of IBRA in the event that the period referred to in Article 3 is exceeded, the Capital Adequacy Ratio is less than 4% (four percent), and the Bank meets the following requirements:

- a. improvement in the Capital Adequacy Ratio to 8% (eight percent) by the end of 2001 is deemed achievable;
- b. is deemed capable of remedying any lending in excess and/or violation of the Legal Lending Limit, in the event that at the date of placement of the Bank in receivership of IBRA, the Bank had lending in excess and/or violation of the Legal Lending Limit;
- c. is deemed capable of reducing problem loans to 5% (five percent) of total credit by the end of 2001, in the event that at the date of placement in

receivership ...

- d. ratio of Statutory Reserves in rupiahs is less than 5% (five percent) and following a deteriorating trend over a short period.
- (3) For the purpose of special surveillance as referred to in paragraph (1), Bank Indonesia may:
- a. order the Bank to halt specific business activities for a period stipulated by Bank Indonesia; and/or
 - b. order the Bank and/or the shareholders of the Bank to take actions including but not limited to:
 - 1) increase of capital;
 - 2) replacement of the board of commissioners and/or the board of directors of the Bank;
 - 3) write off credit or financing based on Syariah Principles classified as loss and deducting such loss from the capital of the Bank;
 - 4) merger or consolidation with another bank;
 - 5) sale of the Bank to a buyer willing to take over all liabilities;
 - 6) placement of the management of Bank activities, whether in whole or in part, in the hands of another party; and/or
 - 7) sale of part of the assets and/or liabilities of the Bank to another Bank or party.

Article 3

- (1) A Bank and/or shareholder shall be required to take actions as referred to in Article 2 paragraph (3) letter b within a period of:

a. not more ...

CHAPTER IV

DESIGNATION OF BANK STATUS AS BSO AND PLACEMENT IN RECEIVERSHIP OF IBRA

Article 6

Bank Indonesia shall designate a Bank the status of BSO and place such Bank in receivership of IBRA if it meets the following conditions:

- a. the timeframe referred to in Article 3 has not been exceeded, and the condition of the Bank is undergoing rapid deterioration, namely:
 1. the Capital Adequacy Ratio is less than 2% (two percent) and improvement to 8% (eight percent) by the end of 2001 is deemed unachievable; or
 2. ratio of Statutory Reserves in rupiahs is less than 0% (zero percent) and the condition cannot be rectified.
- b. the period referred to in Article 3 has been exceeded, the Statutory Reserves ratio is less than 4% (four percent) and there is no improvement in the condition of the Bank and the Bank fails to meet the requirements for designation as Bank with BUR status.

Article 7

Bank Indonesia shall amend the status of a Bank designated BUR as referred to in Article 4 to Bank to BSO status if it falls within the following:

- a. The IBRA...

receivership of IBRA the Bank had problem loans exceeding 5% (five percent); and

- d. exerts considerable influence on the national or local regional economy.

Article 5

(1) Implementation of restructuring of a Bank with BUR status as referred to in Article 4 shall be declared complete when the Bank meets the following requirements:

- a. has a Capital Adequacy Ratio equal to or greater than 4% (four percent);
- b. has a ratio of Statutory Reserves in rupiahs equal to or greater than 5% (five percent);
- c. has problems loans demonstrating an improving trend with reduction to 5% (five percent) deemed achievable by the end of 2001;
- d. is not in violation of the provisions concerning the Legal Lending Limit, Net Open Position, and Allowance for Earning Assets Losses; and
- e. other criteria stipulated by the Chairman of IBRA.

(2) Bank Indonesia shall revoke BUR status if Bank Indonesia has received a letter from IBRA declaring that the restructuring program of the Bank concerned has been completed in accordance with the requirements referred to in paragraph (1).

Article 10

In the case that that actions as referred to in Article 9 do not succeed in rectifying the condition of the bank, Bank Indonesia shall proceed with measures for revocation of operating license and order the board of directors of the bank to convene an immediate General Meeting of Shareholders to dissolve the legal entity of the bank and establish a liquidation team in accordance with prevailing regulations in the event that:

- a. the timeframe referred to in Article 3 has not been exceeded and the condition of the bank is undergoing rapid deterioration in accordance with the criteria referred to in Article 6 letter a; or
- b. the timeframe referred to in Article 3 has been exceeded, but the Capital Adequacy Ratio cannot be increased to 4% (four percent) or more.

CHAPTER VI MISCELLANEOUS PROVISIONS

Article 11

- (1) In addition to the provisions of Article 4 and Article 6, Bank Indonesia may place a Bank in receivership of IBRA in the event that:
 - a. the Bank has problem earning assets that will be settled by means of transfer to IBRA; and
 - b. there is an agreement among Bank Indonesia, IBRA, and the shareholders of the Bank for the transfer of problem earning assets as referred to in letter a.

(2) Placement ...

- a. the IBRA restructuring program cannot be completed within the agreed timeframe; or
- b. in the opinion of IBRA, the restructuring program is unachievable, even though the agreed timeframe has not been exceeded.

Article 8

In the event that IBRA has completed taking the necessary measures for settlement of a Bank with BSO status, further settlement shall take place pursuant to the provisions in force concerning the revocation of operating license, dissolution of legal entity, and liquidation of banks.

CHAPTER V

CRITERIA AND PROCEDURES FOR RESTRUCTURING OF BANKS NOT PARTICIPATING IN THE GOVERNMENT GUARANTY PROGRAM

Article 9

- (1) A Bank not participating in the Government Guaranty Program and falling within criteria as referred to in Article 2 paragraph (2) shall be placed by Bank Indonesia under special surveillance of Bank Indonesia.
- (2) Bank Indonesia shall order the bank and/or the shareholders of a bank as referred to in paragraph (1) to undertake measures as referred to in Article 2 paragraph (3) according to provisions and timeframes as referred to in Article 3.

Article 10 ...

Article 14

Bank Indonesia shall place announcements in 2 (two) daily national newspapers with wide circulation in respect of a Bank that is:

- a. placed in receivership of IBRA with BUR status or BSO status;
- b. is declared to have completed the restructuring conducted by IBRA.

Article 15

Amendments to criteria and requirements for:

- a. Banks deemed to be experiencing difficulties that endanger the continuity of business operations as referred to in Article 2 paragraph (2) and Article 9;
- b. Banks designated BUR status and placed in receivership of IBRA as referred to in Article 4;
- c. Banks that have completed restructuring conducted by IBRA as referred to in Article 5;
- d. Banks designated BSO status and placed in receivership of IBRA as referred to in Article 6 and Article 7; and/or
- e. Banks that have failed to rectify their condition as referred to in Article 10, shall be stipulated in a Circular Letter of Bank Indonesia.

- (2) Placement of a Bank in receivership as referred to in paragraph (1) and the reverting of a Bank from IBRA to Bank Indonesia shall be declared complete within a period of not more than 3 (three) working days.

Article 12

- (1) Bank Indonesia shall continue to conduct regulation and supervision of Banks placed in receivership of IBRA with BUR status.
- (2) Bank Indonesia may request data and information as may be necessary in respect of a Bank placed in receivership of IBRA with BSO status, whether directly from the Bank concerned or from IBRA.

Article 13

For the purpose of placing a Bank with BUR status or BSO status in receivership of IBRA, Bank Indonesia shall furnish information and documents concerning:

- a. composition of the board of directors and board of commissioners for the last 3 (three) years;
- b. capital structure and composition of shareholders for the last 3 (three) years;
- c. information on the data of depositors;
- d. latest information on the findings of supervision and examination conducted by Bank Indonesia in respect of the Bank; and
- e. other information required by IBRA to the extent that it is available at Bank Indonesia.

Article 14 ...

Article 18

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

Enacted in Jakarta

Date: March 31, 2000

THE GOVERNOR OF BANK INDONESIA

SYAHRIL SABIRIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 41 OF 2000

DPNP.

CHAPTER VII
SANCTIONS

Article 16

Bank Indonesia may impose administrative sanctions as referred to in Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, including but not limited to the dismissal of bank management and/or suspension from clearing for any bank that:

- a. fails to settle obligations in accordance with an order from Bank Indonesia as referred to in Article 2 paragraph (3); and/or
- b. is designated by Bank Indonesia as having BSO status.

CHAPTER VIII
CONCLUDING PROVISIONS

Article 17

With the coming into force of this Bank Indonesia regulation, Decree of the Board of Managing Directors of Bank Indonesia Number 31/225/KEP/DIR dated March 11, 1999 concerning Placement of Banks in Receivership of the Indonesian Bank Restructuring Agency for Restructuring is revoked and declared no longer valid.

Article 18 ...

mechanisms necessary for implementing the restructuring of the national banking system. The coordinating measures between Bank Indonesia and the Indonesian Bank Restructuring Agency for national bank restructuring are set forth, among others, in the Memorandum of Understanding between the Governor of Bank Indonesia and the Chairman of IBRA.

In accordance with the bank recapitalization program, at the end of 2001 banks shall be required to achieve compliance with a minimum capital adequacy requirement equal to or greater than 8% (eight percent) and problem loans equal to or less than 5% (five percent).

II. ARTICLE BY ARTICLE

Article 1

Number 1 through number 5

Self-explanatory

Article 2

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

The provisions concerning the Capital Adequacy Ratio are based on the Bank Indonesia provisions concerning the Minimum Capital Adequacy Requirement for Commercial Banks.

Letter b ...

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 2/11/PBI/2000
CONCERNING
DESIGNATION OF BANK STATUS AND PLACEMENT OF BANKS IN
RECEIVERSHIP OF THE INDONESIA BANK RESTRUCTURING
AGENCY

I. GENERAL REVIEW

The Indonesian bank restructuring program has been conducted through such measures as the establishment of the Indonesian Bank Restructuring Agency (IBRA), the Government guaranty program, and the bank recapitalization program. Following the implementation of these measures, some Banks remain that continue to be assessed as experiencing difficulties that may endanger the continuity of their business operations and/or the Indonesian banking system.

In this regard, it is necessary to undertake various measures in respect of these Banks to enable the effective creation of a sound banking system. For this creation of a sound banking system, it is necessary to pursue measures for restructuring of Banks that still hold prospects for recovery of soundness, or to take measures for the settlement of Banks for which recovery of soundness is no longer possible. Therefore it is necessary to establish clear and transparent requirements and criteria for thresholds of difficulty faced by Banks in conducting their business operations and the coordinating measures and

mechanisms ...

Orders of Bank Indonesia in this paragraph shall be executed pursuant to the provisions set forth in Article 37 and Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

Imposition of administrative sanctions in accordance with the provisions of Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 shall be invoked in case of violations of prudential principles by the Bank and/or violations of commitments in accordance with the obligations of the Bank towards Bank Indonesia.

Article 3

Paragraph (1)

The period referred to in this paragraph shall not include any period required to achieve compliance with legal requirements in accordance with prevailing laws and regulations.

Necessary legal processes include but are not limited to amendment of articles of association, transfer of ownership rights, and licensing processes.

Paragraph (2)

Extension may only be granted if there is sufficient reason to believe that the restructuring of the Bank may be conducted within a period of extension of not more than 1 (one) month after the expiration of the timeframe referred to in paragraph (1).

Article 4

Assessment of financial condition as referred to in letter a, letter b, and letter c in this paragraph shall be conducted by Bank Indonesia on the basis

of the business ...

Letter b

Problem loans are defined as credit rated as sub-standard, doubtful and loss pursuant to the Bank Indonesia provisions concerning Earning Assets Quality.

Letter c

The provisions concerning the Legal Lending Limit are based on the Bank Indonesia provisions concerning the Legal Lending Limit for Commercial Banks.

Designation of a Bank under special surveillance shall not constitute a waiver for any sanctions for violation and/or exceeding the Legal Lending Limit as stipulated in prevailing regulations.

Letter d

The provisions concerning the ratio for Statutory Reserves in rupiahs are based on the Bank Indonesia provisions concerning Bank Statutory Reserves.

Paragraph (3)

Execution of orders of Bank Indonesia in this paragraph shall be based on in-depth study into the condition of the Bank, including but not limited to special examination.

In-depth study and orders executed by Bank Indonesia may include direct monitoring of the operational activities of the bank, without waiving any responsibility of the shareholders or management in respect of Bank operations and Bank liabilities, whether before or after the execution of the order or in-depth study.

Orders ...

Article 5

Paragraph (1)

The period for restructuring by IBRA of a Bank designated BUR status shall be based on the Memorandum of Understanding between the Governor of Bank Indonesia and the Chairman of IBRA.

Assessment of financial condition as referred to in this paragraph shall be based on developments in the financial condition, business plan, and commitments undertaken by the Bank.

Paragraph (2)

Self-explanatory

Article 6

Letter a

Self-explanatory

Letter b

No improvement in the condition of a Bank is defined as a Bank continuing to suffer difficulties endangering the continuity of its business operations in accordance with the criteria referred to in Article 2 paragraph (2).

The requirements for designation of a Bank as BUR are defined as the requirements referred to in Article 4.

Designation of a Bank as BSO shall not constitute a waiver for any sanctions for violation and/or lending in excess of the Legal Lending Limit as stipulated in prevailing regulations.

Article 7 ...

Article 7

The agreed timeframe in this paragraph shall be based on the Memorandum of Understanding between the Governor of Bank Indonesia and IBRA.

In the event that the agreed timeframe is exceeded, IBRA shall issue a recommendation to Bank Indonesia for:

1. extension of the timeframe for restructuring, accompanied by an explanation for the delay in completion of the restructuring program for the Bank; or
2. change of status of the Bank from BUR to BSO, accompanied by an explanation of the problems faced.

Article 8

Self-explanatory

Article 9

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 10

Any measures for the purpose of revocation of operating license, dissolution of legal entity, and liquidation of a bank shall be undertaken in accordance with the prevailing regulations for Revocation of Operating License, Dissolution of Legal Entity, and Liquidation of Banks.

Article 11 ...

Article 11

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 12

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 13

Self-explanatory

Article 14

Self-explanatory

Article 15

Self-explanatory

Article 16

Bank in this paragraph is defined as any bank, whether participating in or not participating in the Government Guaranty Program.

Article 17 ...

Article 17

Self-explanatory

Article 18

Self-explanatory

SUPPLEMENT TO STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 3947

DPNP

