Banking Regulation 2020

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LEXOLOGY®
Getting The Deal Through

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Richard K Kim
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Lexology Getting The Deal Through is delighted to publish the thirteenth edition of *Banking Regulation*, which is available in print and online at www.lexology.com/gtdt.

Lexology Getting The Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique Lexology Getting The Deal Through format, the same key questions are answered by leading practitioners in each of the jurisdictions featured. Our coverage this year includes new chapters on Australia, China, Greece, India and Singapore.

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Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editor, Richard K Kim of Wachtell, Lipton, Rosen & Katz, for his continued assistance with this volume.

LEXOLOGY
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REGULATORY FRAMEWORK

Key policies

1 What are the principal governmental and regulatory policies that govern the banking sector?

Originally, the central Bank of Indonesia (BI) had the function and authority to regulate and supervise the Indonesian banking industry. However, by virtue of Law No. 21 of 2011 on the Financial Services Authority (OJK) (as amended), such authority was transferred to the OJK – except monetary functions – to maintain rupiah stability and implement monetary policy, the latter two of which are still attached to the BI.

Specifically, the OJK has authority over the following:
- regulating and supervising banking institutions;
- regulating and supervising bank solvency ratings;
- regulating and supervising bank prudency aspects; and
- bank examination.

Further, in accordance with the OJK's masterplan for 2015 to 2019, it is expected that regulatory policies to be issued will focus on achieving the following:
- fostering improvements in national economic growth;
- maintaining financial system stability; and
- enabling a financially interdependent society.

Primary and secondary legislation

2 Summarise the primary statutes and regulations that govern the banking industry.

The basic regulation for the banking industry is set out under Law No. 7 of 1992 on Banking, as last amended by Law No. 10 of 1998 (Banking Law). The amendment to Law No. 7 of 1992 was made to accommodate the emergence of sharia banking practices, in which Law No. 10 of 1998 allows for commercial and rural banks to be operated based on sharia principles. The sharia banking system is generally regulated under Law No. 21 of 2008, which, among others, regulates the licensing mechanism and the scope of business activities. In addition, banks are also subject to detailed regulations as stipulated by the BI and OJK from time to time.

Regulatory authorities

3 Which regulatory authorities are primarily responsible for overseeing banks?

Since 2013, the OJK, by virtue of Law No. 21 of 2011, took over the regulatory and supervisory governmental functions in the financial services sector, including banking, from the BI, and becoming the primary regulatory authority responsible for overseeing banks. Since then, the BI's authority is limited to macroprudential surveillance. However, banks are still subject to the BI's supervision in certain matters, among others, reporting obligations in relation to foreign loan obtainment.

Given the complexity of business and the high risks involved within the banking industry, certain other governmental institutions are also involved in overseeing banks, among others, the Financial Transaction Reporting and Analysis Centre (PPATK) and the Indonesian Deposit Insurance Institution (LPS). For instance, when the OJK requires banks to submit reports on any suspicious financial transactions when conducting its supervisory function, it coordinates with the PPATK. In addition, the OJK also coordinates with the LPS regarding the provision of underwriting customer deposits and managing the failing bank.

Government deposit insurance

4 Describe the extent to which deposits are insured by the government. Describe the extent to which the government has taken an ownership interest in the banking sector and intends to maintain, increase or decrease that interest.

In light of the 1998 monetary crisis, Indonesians lost substantial trust with the banking system, resulting in many people cashing out their deposits from Indonesian banks and forcing the government to close a number of failing banks. To avoid such re-occurrence, the Indonesian government introduced a guarantee over deposits mechanism through Presidential Decree No. 26 of 1998 (as amended) where the government (through the Ministry of Finance and the BI) agreed to insure deposits.

The LPS has taken over this role by virtue of Law No. 24 of 2004 (as amended in 2008). The LPS will guarantee customer deposits (in the form of giro, deposit accounts, deposit certificates, savings or their equivalent) to the maximum amount of 2 billion rupiah per customer (subject to changes due to, among other things, major inflation).

Transactions between affiliates

5 Which legal and regulatory limitations apply to transactions between a bank and its affiliates? What constitutes an 'affiliate' for this purpose? Briefly describe the range of permissible and prohibited activities for financial institutions and whether there have been any changes to how those activities are classified.

Regulatory limitations applying to transactions between a bank and its affiliates are generally regulated under BI Regulation No. 7/3/PBI/2005 on the Legal Lending Limit (as amended by BI Regulation No. 8/13/PBI/2006), where the maximum limit for total loan portfolio granted to a bank's related party is limited to up to 10 per cent of the bank's capital, subject to prior approval from the bank's board of commissioners (BOC).

The above limitations apply to a bank's 'related party', which has a broader meaning beyond 'affiliated party'. Based on Regulation No. 32/POJK.03/2018 on the Legal Lending Limit and Provision of Large

Funds for Commercial Banks, a related party is defined as, among other things:
- any individual, company or legal entity exercising control over the bank;
- any legal entity controlled by the bank;
- any company controlled by individual or company exercising control in a company or legal entity exercising control over the bank;
- members of the BOC, board of directors and bank executive officers; and
- any company or legal entity possessing financial interdependence with the bank.

The regulations provide limited exemptions for certain facilities granted to the related party not to be included in the 10 per cent threshold, which includes, among others, fund placement with prime banks and the provision of loans to bank officials for welfare purposes.

Additional limitations also apply to banks whose shares are publicly listed or traded on the Indonesian Stock Exchange, where certain requirements of public disclosure and approval from minority shareholders may be required to comply with Indonesian capital market laws and regulations.

Regulatory challenges

6 | What are the principal regulatory challenges facing the banking industry?

As highlighted in the OJK's 2019 banking booklet, volume 6 (ISSN: 1858-4233), being a member of the G20, Financial Stability Board and the Basel Committee on Banking Supervision, Indonesia is committed to fully adopt and integrate recommendations issued by these organisations to its banking regulatory framework, including the Basel III standards that apply for certain commercial banks.

As of late 2019, the Governor of Bank Indonesia announced that the Indonesian banking industry is currently well capitalised with a capital adequacy ratio having reached 23.1 per cent, where the non-performing loan ratio is maintained at 2.6 per cent (gross) or 1.2 per cent (net), and is therefore ready to continue the adoption and integration of Basel III standards, including liquidity and a leverage framework.

In addition to the above, the OJK, recently issued technical guidelines on sustainable financing for commercial banks (Sustainable Financing Guidelines). OJK requires all banks to gradually adopt and integrate certain principles into bank strategic planning and business plans, including:
- responsible investment;
- sustainable strategy and business practice;
- social and living environment risk management;
- governance;
- informative communication;
- inclusion;
- development of priority sectors; and
- coordination and collaboration.

Further, in implementing the sustainable financing requirement, banks are expected to implement the following priorities:
- to develop sustainable financing products or services, by way of, among others, increasing the financing, investment or capital participation portfolio;
- to develop the internal capacity of banks; and
- to make certain adjustments within banking organisations, risk management and corporate governance to comply with the Sustainable Financing Guidelines.

In addition, as stated in Indonesian Banking Booklet 2019, the OJK anticipates that the Indonesian banking sector may encounter the following risks and challenges when contributing to the nation's economic development:
- pressure on the national account deficit owing to low domestic production;
- trade-war tension between the United States and China affecting the normalisation of monetary policy;
- geopolitical developments in several regions and the economic weakening of several emerging market countries;
- equalisation of financial access to remote-located community groups;
- supervision of the growing start-up fintech business that needs to be balanced with consumer protection; and
- technology development triggering the digitalisation process.

Consumer protection

7 | Are banks subject to consumer protection rules?

Yes. For financial services consumers (including bank customers), protection is provided under OJK Regulation No. 1/POJK07/2013 on Costumer Protection in the Financial Services Sector (OJK Regulation No. 1/2013).

OJK Regulation No. 1/2013 requires banks to have an internal policy on the settlement of consumer complaints, which should be carried out by a specific business unit and/or function, established by the banks. Banks must resolve complaints received from customers within 20 business days of receipt of the complaint (extendable for another 20 business days under certain circumstances, among others, if the complaint requires special investigation).

In 2018, the OJK issued Regulation No. 18/POJK07/2018 on a Consumer Complaint Service Within the Financial Services Sector, providing guidance in the consumer complaints for financial services business, and requiring banks to prepare their own written procedures to be attached to their financial transaction agreements and/or documents.

Future changes

8 | In what ways do you anticipate the legal and regulatory policy changing over the next few years?

It is expected that the OJK will continuously issue further regulations aimed at:
- expanding alternatives for the mid-term and long-term financing of strategic sectors and equipping the financial market infrastructure;
- encouraging the increased contribution of financing for priority sectors and encouraging the realisation of tourism in special economic areas;
- expanding the provision of financial access to medium-to-small micro businesses and small communities in remote areas;
- improving the competitiveness and resilience of national financial service institutions; and
- promoting innovation in the financial services industry by recognising and embracing the 4.0 industrial revolution.

SUPERVISION

Extent of oversight

9 | How are banks supervised by their regulatory authorities? How often do these examinations occur and how extensive are they?

The OJK's supervisory duties of the banks are implemented through on-site and off-site methods.

On-site supervision comprises general and specific examination, conducting an annual examination or at any time the OJK deems necessary to determine banks' financial condition, monitoring the compliance and identifying whether they have been involved in any unsound practices that may endanger the banks' business sustainability.

Off-site supervision is conducted by way of requiring banks to submit periodical reports (daily, monthly and annually) and other relevant information relating to their banking business activities to be further assessed by the OJK.

Based on the results of the above supervisions, the OJK will determine the status of bank supervision, which is classified into three categories, namely:

- normal supervision;
- intensive supervision; and
- special supervision.

The OJK is authorised to instruct banks under the category of intensive supervision or special supervision to take necessary measures to improve their status under normal supervision, among others:

- requiring banks to submit a report on specific matters to the OJK (ie, the latest financial statement, details on productive assets and latest soundness level, etc);
- suspending certain business activities of the banks;
- prohibiting banks to sell and/or decrease their assets, and adjust their shareholding structure; and
- requiring banks, as relevant, to submit recovery plan, action, plan or capital restoration plan.

In carrying out its supervision duties, there are two combined approaches used by OJK:

- compliance-based supervision; and
- risk-based supervision.

Compliance-based supervision focuses on monitoring bank compliance with the applicable regulations related to a bank's business operation and management, ensuring proper implementation of prudential principles by the banks. Risk-based supervision is conducted by using risk-based strategies and methodologies (by taking into account credit risks, market risks, liquidity risks and operational risks) to enable the supervisors to detect any significant risks at an early stage and to take appropriate and timely supervisory measures.

Enforcement

10 | How do the regulatory authorities enforce banking laws and regulations?

The OJK and BI, where relevant, may impose sanctions to non-compliant banks, including administrative sanctions ranging from fines, mandatory orders to take or cease certain actions, temporary business suspension and licence revocation.

11 | What are the most common enforcement issues and how have they been addressed by the regulators and the banks?

The biggest challenge in terms of enforcement are the limited resources by regulators in dealing with the complex and widespread nature of the financial and banking industry in Indonesia – taking into account exposure to various potential financial crimes using constantly evolving sophisticated method. In response, regulators have been continuously enhancing their supervisory efforts, including by way of, among others, integrating the licensing and supervision mechanism for the entire financial services sector, implementing a single-presence policy (to narrow the focus of supervision) and a data onshoring requirement. We have seen that banks have been continuously expanding their internal audit and human resources compliance, as well as enhancing their financial risk anticipation system.

RESOLUTION

Government takeovers

12 | In what circumstances may banks be taken over by the government or regulatory authorities? How frequent is this in practice? How are the interests of the various stakeholders treated?

Upon coordination with the OJK, the LPS may take over a bank that has been assessed by the OJK as a failing bank with a solvability problem. The take-over methods will be determined by LPS by taking into account various aspects, among others, the complexity and anticipated impact of the issues (eg, whether the bank in question is considered as a systemic bank), the economic condition and the availability of the investor. Pursuant to LPS Regulations No. 1 and 2 of 2017 on the Resolution of Systemic Banks and Non-Systemic Banks Dealing with Solvability Issues, the available resolution mechanisms are:

- transferring part of or all assets and/or liabilities to a receiving bank;
- transferring part of and/or all assets or liabilities, to an intermediary bank;
- temporary capital contribution; and/or, only applicable for the non-systemic banks; and
- liquidation.

In 2008, a takeover was conducted by the LPS by way of a capital contribution to Bank Century, which was determined as a failing bank with systemic impact according to Law No. 24/2004. For non-systemic banks, according to the LPS official website, 78 banks have been liquidated and 22 banks are in the liquidation process from 2006 up to November 2019.

In carrying out the resolution methods, the LPS has the authority to take over all authority from the shareholders and bank management, to review, cancel, terminate and/or amend any contract with a third party adversely affecting the bank, sell and/or assign the bank's assets without debtor consent and/or the bank's obligation without creditor consent. Customer deposits with the bank will be guaranteed by the LPS up to 2 billion rupiah per customer.

Bank failure

13 | What is the role of the bank's management and directors in the case of a bank failure? Must banks have a resolution plan or similar document?

After being taken over by the LPS, the bank's management and directors' duties and authority will be carried out by the LPS. The recovery plan may be required by the LPS in its preparation stage before taking over the systemic bank.

14 | Are managers or directors personally liable in the case of a bank failure?

If a bank's failure is caused by fault or negligence by the board of directors, each of the directors may be held jointly and severally liable, unless proven otherwise. There are no specific laws or regulations making bank managers liable for a bank's failure.

Planning exercises

15 | Describe any resolution planning or similar exercises that banks are required to conduct.

A recovery plan must be prepared by the systemic bank under OJK Regulation No. 14/POJK.03/2017 on a Recovery Plan for Systemic Banks. The recovery plan must contain, at least, an executive summary, general overview of the systemic bank, recovery options and the disclosure of a recovery plan to both internal and external parties. The recovery plan must be submitted no later than six months after a bank was determined as a systemic bank by the OJK.

CAPITAL REQUIREMENTS

Capital adequacy

16 | Describe the legal and regulatory capital adequacy requirements for banks. Must banks make contingent capital arrangements?

OJK Regulation No. 11/POJK.03/2016 on Minimum Capital Adequacy Requirement of Commercial Banks (as amended by OJK Regulation No. 34/POJK.03/2016, collectively OJKR 11) obliges banks to fulfil and maintain certain capital requirements, among others:

- maintaining a minimum capital requirement in accordance with the relevant risk profile of the bank, as follows:
  - risk profile ranking 1: 8 per cent of the risk-weighted assets (RWA);
  - risk profile ranking 2: 9 per cent less than 10 per cent of the RWA;
  - risk profile ranking 3: 10 per cent less than 11 per cent of the RWA; or
  - risk profile ranking 4 or 5: 11 per cent to 14 per cent of the RWA;
- maintaining a core capital of at least 6 per cent of the RWA and a main core capital at least 4.5 per cent of the RWA, on both an individual and consolidated basis; and
- providing additional buffer capital according to the relevant risk profile:
  - a capital conservation buffer (to anticipate losses during crisis period): 2.5 per cent of the RWA (applicable to banks classified as BUKU 3 and BUKU 4);
  - a countercyclical buffer (to anticipate losses owing to extraordinary banking credit growth that potentially disrupt the financial system's stability): zero per cent up to 2.5 per cent of the RWA (as determined by the OJK); and
  - a capital surcharge for systemic banks (to minimise negative impact to the financial system stability and economy in the occurrence of the systemic bank's failure): 1 per cent to 2.5 per cent of the RWA (as determined by the OJK).

17 | How are the capital adequacy guidelines enforced?

In the event that banks do not comply with the requirements mentioned in the previous section, the OJK may impose administrative sanctions in the form of, among others:

- a written warning;
- prohibition on profit transfer to overseas headquarters;
- prohibition on business activities expansion;
- suspension of the bank's certain business activities;
- prohibition on opening office networks;
- downgrading of bank's soundness level; and/or
- inclusion of bank's managers and/or shareholders, in a list of persons prohibited as bank's shareholders and managers.

Undercapitalisation

18 | What happens in the event that a bank becomes undercapitalised?

In accordance with Law No. 21 of 2011 on Financial Services Authority (OJK), if the OJK indicates that a bank is experiencing liquidity difficulty, the OJK will immediately inform the BI to take the necessary steps in accordance with BI authority. In such a case, the Banking Law authorises the BI to carry out certain actions, among others:

- requiring the bank's shareholders to inject additional capital;
- replacing the bank's board of directors and/or BOC;
- merging or consolidating the bank with other banks;
- selling the bank to a buyer who intends to acquire all liabilities;
- handing over the management of part or all of the bank's activities to other parties; and
- selling part or all of the bank's assets and/or liabilities to other banks or parties.

Insolvency

19 | What are the legal and regulatory processes in the event that a bank becomes insolvent?

In accordance with Law No. 37 Year 2004 on Bankruptcy and Suspension of Obligations for Payment of Debts (Law No. 37/2004), if a bank becomes insolvent, the OJK has the authority to file a bankruptcy petition for such a bank with the relevant commercial court.

See also question 12 for the resolution steps that may be taken by the LPS.

Recent and future changes

20 | Have capital adequacy guidelines changed, or are they expected to change in the near future?

The requirements for capital adequacy still rely upon OJKR 11 and has not been significantly changed.

In 2018, the BI issued Regulation No. 20/4/PBI/2018 (as amended in 2019), pursuant to BI Regulation No. 21/12/PBI/2019 where it introduced the Macroprudential Intermediation Ratio (MIR) by which the BI requires every bank to maintain its MIR between 84 per cent to 94 per cent (or more depending the bank's capital adequacy ratio) to ensure a bank's asset liquidity to maintain monetary stability.

OWNERSHIP RESTRICTIONS AND IMPLICATIONS

Controlling interest

21 | Describe the legal and regulatory limitations regarding the types of entities and individuals that may own a controlling interest in a bank. What constitutes 'control' for this purpose?

A controlling shareholder is defined as a shareholder (it can be a legal entity, individual or a business group) that owns:

- 25 per cent or more of bank's paid-up shares capital with voting rights; or
- less than 25 per cent of bank's paid-up shares capital, but it can be proven that such shareholder possesses factual control (eg, to determine bank's management and/or policies), either directly or indirectly.

Under OJK Regulation No. 27/POJK.03/2016 on Fit and Proper Test for a Primary Party of Financial Institution, a candidate of controlling shareholder of a bank is required to obtain approval from the OJK after passing a certain fit and proper test held by the OJK.

See question 22 for the maximum limit of a party's shareholding in a bank based on the type of shareholder.

Foreign ownership

22 | Are there any restrictions on foreign ownership of banks?

A commercial bank can be established by Indonesians or jointly between Indonesians and foreigners (either individuals or legal entities), with a maximum foreign participation of 99 per cent of the bank's total issued and paid-up capital.

Nonetheless, individually, a party's maximum ownership in a commercial bank under OJK Regulation No. 56/POJK.03/2016 (OJKR 56) is limited to the following (subject to certain limited exemptions):

- 40 per cent of a bank's capital – for banks or other non-banking financial institutions;
- 30 per cent of a bank's capital – for a non-financial legal entity; and
- 20 per cent of a bank's capital (or 25 per cent of a sharia bank's capital) – for individual shareholders.

The above does not apply to banks with existing shareholders exceeding the threshold prior to the issuance of OJKR 56 as long as the relevant bank has a soundness level of 1 or 2. However, the exception will be voided, and the relevant bank must adjust its shareholding composition to the prescribed threshold if any of the following events occur:

- the bank's soundness level has deteriorated to level 3, 4 or 5 for three consecutive assessment periods; or
- the relevant shareholder exceeding the threshold voluntarily sells its shares to any other party.

Implications and responsibilities

23 | What are the legal and regulatory implications for entities that control banks?

The controlling shareholder is subject to certain specific obligations, including to maintain and implement its commitment for the healthy development of the bank.

Further, the OJK (through Regulation No. 39/POJK.03/2017 concerning Single Ownership in Indonesian Banking) introduced the single presence policy by way of restricting a party from becoming a controlling shareholder in more than one bank. In the event a party purchases shares in a commercial bank resulting it becoming the controlling shareholder in more than one commercial bank, it is required to:

- no later than one year after share purchase completion:
  - merge or consolidate the controlled commercial banks; or
  - establish a holding company in the form of a limited liability company; or
- no later than six months after share purchase completion, establish a holding function (a function established within the controlling shareholder to consolidate its controlled commercial banks).

Exemptions apply where a party is a controlling shareholder of:

- two banks with different banking business principles (one, a conventional bank and one, a sharia bank); and
- two banks, one being a joint-venture bank.

Some publicly available news articles report that the OJK is currently preparing an amendment to OJKR 39 as a response to requests from investors for the relaxation of certain provisions in OJKR 39. However, to date, the issuance date of the amendment remains unclear.

24 | What are the legal and regulatory duties and responsibilities of an entity or individual that controls a bank?

See question 23.

25 | What are the implications for a controlling entity or individual in the event that a bank becomes insolvent?

See questions 12 and 19.

CHANGES IN CONTROL

Required approvals

26 | Describe the regulatory approvals needed to acquire control of a bank. How is 'control' defined for this purpose?

For the definition of control, see question 21.

Pursuant to Decree of Board of Directors of BI No. 32/51/ KEP/DIR 1999 on Requirements and Procedures for Merger, Consolidation and Acquisition of Commercial Banks, the following approvals are required for the acquisition of bank:

- approval from the board of commissioners of the acquiring party and the bank that will be acquired (target bank) on the proposed acquisition plan;
- approval from general meeting of shareholders of the target bank;
- approval from the OJK for fit and proper test of the acquiring party;
- if the target bank is a listed company, compliance with the applicable mandatory tender with rules and disclosure of information; and
- approval from the OJK for the acquisition.

Another relevant regulatory aspect requiring careful observance and assessment when conducting acquisition of a bank is the requirement set out under Law No. 5 of 1999 on the Prohibition of Monopoly and Unfair Business Competition Practices and its implementing regulations (Competition Law). The Competition Law generally prohibits mergers, consolidation and acquisitions of shares that may result in a monopoly or unfair business practices. The Competition Law and its implementing regulations set out a certain threshold and requirements for any merger, consolidation or acquisition (of both shares and assets) transaction that will trigger mandatory notification to the Indonesian Business Competition Supervisory Commission after completion of the transaction.

Foreign acquirers

27 | Are the regulatory authorities receptive to foreign acquirers? How is the regulatory process different for a foreign acquirer?

Generally, there is no difference in criteria for domestic and foreign shareholders (see question 22). However, the OJK sets certain additional requirements for foreign controlling shareholders, as follows:

- it must commit to supporting the economic development in Indonesia through the bank it owns;
- if it is a financial institution, it must obtain the recommendation from the supervising authority of its country of origin; and
- it must fulfil a certain minimum investment rating depending on the type of investment vehicle entity (ie, bank, non-bank financial institution or non-financial institution legal entity).
-

28 | Under what circumstances can a foreign bank establish an office and engage in business? For example, can it establish a branch or must it form or acquire a locally chartered bank?

The Banking Law and its implementing regulations allow foreign banks to either establish a subsidiary (or acquire an existing locally licenced bank), or open a branch office, with prior written approval from the OJK. For that purpose, the OJK will determine, among others, the suitability of the relevant foreign bank and business competition among banks in Indonesia. Regardless of the possibility under the regulations, some news indicates that the OJK now seems reluctant to approve the opening of foreign bank branches.

Factors considered by authorities

29 | What factors are considered by the relevant regulatory authorities in an acquisition of control of a bank?

See questions 21, 22, 23 and 27.

Filing requirements

30 | Describe the required filings for an acquisition of control of a bank.

In addition to the regulatory approvals referred to in question 26, certain additional filing requirements relating to a bank acquisition are as follows:

- the summary announcement of the acquisition plan:
  - in two daily newspapers with a wide circulation at least 30 days before the general meeting of shareholders of the target bank; and
  - in writing to the target bank's employees at least 14 days before the general meeting of shareholders of the target bank; and
- the report's submission to the OJK by the target bank's board of directors at the latest 10 days after the signing of the deed of acquisition, by attaching a copy of the deed of acquisition.

Time frame for approval

31 | What is the typical time frame for regulatory approval for both a domestic and a foreign acquirer?

Pursuant to Decree of Board of Directors of BI No. 32/51/ KEP/DIR 1999 on Requirements and Procedures for Merger, Consolidation and Acquisition of Commercial Banks, the OJK should issue its approval or rejection within 30 days after the application documentation has been received by the OJK.

UPDATE AND TRENDS

Key developments of the past year

32 | Are there any emerging trends or hot topics in banking regulation in your jurisdiction?

There has been much improvement on the simplification and harmonisation of the bank licensing process and operational reporting systems by the BI, with the system now seemingly more straightforward following the issuance of new regulations:

- BI Regulation No. 21/9/PBI/2019, simplifying and integrating various reporting requirements to the effect that banks will no longer be required to submit different types of reports to different governmental authorities such as the BI, LPS and OJK. Instead, such reports can be submitted online through the BI's integrated reporting system as of August 2020.
- OJK Regulation No. 26/POJK.01/2019 on Electronic Licensing for the Financial Services Sector, further implementing an electronic-based system for the licensing process between the OJK and financial services provider (including commercial banks).

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