

## OJK: EXPANSION OF BANKING BUSINESS ACTIVITIES

February 2025

On 13 December 2024, the Financial Services Authority (*Otoritas Jasa Keuangan*) issued OJK Regulation No. 26 of 2024 on the Expansion of Banking Business Activities (“**POJK 26/2024**”) as a follow-up to the enactment of Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (the “**P2SK Law**”). POJK 26/2024 sets out provisions regarding the business activities of commercial banks including an adjustment to the investment options for commercial banks in accordance with the P2SK Law, the transfer/sale of loans by commercial banks, the issuance of guarantees by commercial banks to conform with international standards and practice and the use of electronic signatures and electronic agreements. We set out below selected highlights of POJK 26/2024.

### *Key Highlights*

**Expanded Investment Options for Commercial Banks** – Previously, commercial banks (including sharia commercial banks) were only allowed to invest in companies engaged in financial services (including companies utilizing information technology to provide financial products as their main business). Following the issuance of POJK 26/2024, commercial banks are now permitted to invest in not only financial services institutions, but also other companies supporting the banking industry, including:

- a. companies established, or whose business activities are primarily designed, to support the business activities of commercial banks and/or subsidiaries of commercial banks;
- b. companies whose business characteristics are intended to support the banking industry; and
- c. companies domiciled outside of Indonesia that meet the criteria of i) financial services institutions and (ii) companies engaged in business activities that are equivalent to financial services institutions.

Subsidiaries of commercial banks operating as financial services institutions are also permitted to invest in the financial services institutions or companies set out under POJK 26/2024. Subsidiaries of commercial banks which operate as venture capital companies may, however, also invest in other eligible entities.

**Loan Transfers/Sales by Commercial Banks** – POJK 26/2024 clarified that commercial banks may transfer, sell, and/or receive loans. Commercial banks shall:

- a. transfer/sell loans by transferring the ownership and risk to the purchaser;
- b. not be able to repurchase the transferred/sold loans (non-recourse basis);
- c. apply risk management and prudential principles;
- d. have policies and procedures for transferring, selling and receiving loans;
- e. carry out an asset quality valuation (when receiving loans);
- f. include a clause regarding approval for the transfer/sale of loans in agreements between the bank and its customers; and
- g. notify its customers on the transfer/sale of loans to the purchaser.

Commercial banks shall adjust their policies and procedures related to the transfer/sale of loans at the latest 6 (six) months after the effective date of POJK 26/2024, i.e.: by 13 June 2025. In addition, banks which have entered into credit or financing agreements with their customers before the enactment of POJK 26/2024 without a clause for approval of the transfer/sale of loans shall obtain prior approval from their customers for transferring/selling the loans.

**Use of Electronic Signatures and Agreements by Commercial Banks** – Commercial banks may use electronic signatures for their products and, in doing so, commercial banks shall have policies and procedures that at least contain: (i) identification and classification of documents and/or transactions that can use electronic signatures; (ii) procedures including the verification of electronic signatures; and (iii) process of risk management for the use of electronic signatures. POJK 26/2024 also encourages commercial banks to use electronic agreements for their products. For commercial banks which had policies and procedures to use electronic signatures prior to the issuance of POJK 26/2024, these commercial banks shall adjust their policies and procedures within 3 (three) months after the effective date of POJK 26/2024, i.e.: by 13 March 2025.

**Guarantees by Commercial Banks** - POJK 26/2024 sets out provisions on the issuance of guarantees by commercial banks including bank guarantees, standby letters of credit (SBLC), letters of credit (L/C), domestic documentary letters of credit (*Surat Kredit Berdokumen Dalam Negeri* or “SKBDN”) and other types of guarantees. POJK 26/2024 revokes the 1991 Decree of the Board of Directors of Bank Indonesia (“BI”) and the 1991 BI Circular Letter regarding the Granting of Bank Guarantees, and the 2003 BI Regulation regarding SKBDN (as amended).

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