

Dépôt
Annexe

CENTRAL
BANKING
LEGISLATION



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CENTRAL BANKING LEGISLATION

A collection of
Central Bank, Monetary and Banking Laws



Statutes and related materials
selected and annotated by

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INTERNATIONAL MONETARY FUND

WASHINGTON D.C.

INDONESIA

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Publication of Statutes

Beginning with the year 1950, texts of statutes and government regulations are published in Indonesian in the *Lembaran Negara* (Official Gazette). For bibliographical information on other official sources, see Daniel S. Lev, *A Bibliography of Indonesian Government Documents and Selected Indonesian Writings on Government in the Cornell University Library* (Ithaca, 1958, mimeographed). Laws and ordinances relating to money and banking are published in English in the Annual Reports of the Bank Indonesia.

The Bank Indonesia Act 1953¹

The President of the Republic of Indonesia,

Having considered:

- (a) that it is necessary to create guarantees, especially to ensure that the policy of "De Javasche Bank N.V.", nationalized by Decree No. 24/1951, shall fully conform to the monetary and economic policy of the Government;
- (b) that it is necessary to have "De Javasche Bank N.V." superseded by a new institution which shall be called "Bank Indonesia" and which shall be given the form of a body corporate;
- (c) that it is necessary to draw up the Statute for the Central Bank as mentioned sub (b);

In view of: Articles 89, 109, 110 and 118 of the Provisional Constitution of the Republic of Indonesia;

In conformity with the Parliament of the Republic of Indonesia;

Has resolved:

To order:

Firstly: that "The Java Bank Act 1922" and the Act of March 31, 1922 (Gazette of Indonesia 1922 No. 181) shall be withdrawn;

Secondly: to establish:

STATUTE OF THE BANK INDONESIA

CHAPTER I. GENERAL PROVISIONS

Article I

- (1) Under the name of "Bank Indonesia", a banking institution shall be founded to supersede "De Javasche Bank N.V.", and as such, shall act as the Central Bank of Indonesia.
- (2) The Bank Indonesia shall be a Government body corporate; it shall carry out its functions in pursuance of this Act.
- (3) For the purpose of this Act
 - (a) the expression "the Bank" means: the Bank Indonesia;
 - (b) the expression "the Government" means: the President of the Republic of Indonesia in conformity with the Cabinet Council;
 - (c) the expression "the Managing Board" means: the Governor and Managing Directors of the Bank.

¹ Law No. 11 of May 19, 1953 as amended by Law No. 84 of 1958.

Article 2

(1) Without prejudice to the provisions set out in this Act, European civil and commercial law shall be applicable to the Bank.

(2) The Bank shall be authorized to assert its rights on real estate subject to customary (adat) law.

(3) The financial year of the Bank shall commence on April 1st and shall end on March 31st, with the understanding that the first financial year shall commence on the day of the passing of this Act and end on March 31st, 1954.

Article 3

(1) The head office of the Bank shall be established at Djakarta.

(2) Within Indonesia, the Bank shall have branches, correspondents and, if necessary, main branches, the number of which shall be in accordance with the requirements of a proper execution of the functions of the Bank.

(3) Outside Indonesia, the Bank shall have one or more branch offices or main branches, as well as correspondents and representatives, to the extent as will be deemed necessary or desirable for the proper execution of the Bank's functions.

Article 4

The capital of the Bank shall be twenty-five million rupiahs.

Article 5

(1) The Bank shall have a reserve fund, which shall be set up and augmented according to the provisions of article 34 of this Act.

(2) The reserve fund is intended to cover losses, if any, suffered by the capital of the Bank.

Article 6

Following the provisions of article 34 of this Act, the Bank shall be authorized to create reserves for special purposes and/or to withdraw the special reserves thus built up.

CHAPTER II. SPHERE OF ACTIVITIES*Article 7*

(1) It shall be the Bank's duty to regulate the value of the Indonesian currency in a way as will be most expedient to the welfare of the State, and in so doing, to aim at the utmost stability of the currency.

(2) The Bank shall attend to the internal money circulation of Indonesia as far as bank notes are concerned; it shall facilitate the transfer system inside Indonesia and promote the facilities for payments to and from foreign countries.

(3) The Bank shall further promote a sound development of the banking and credit system in Indonesia in general, and of the national banking and credit system in particular.

(4) The Bank shall undertake supervision of the credit system in Indonesia.

(5) Pending legal provisions, the Government shall issue by decree regulations as to the supervision of the credit system by the Bank, more particularly in the interests of the solvency and liquidity of the credit institutions and of a healthy credit system, based upon the principles of good banking.

Article 8

(1) Excluding all and any, the Bank shall have the sole right of issue of bank notes.

(2) Its notes shall have the quality of legal tender to any amount.

Article 9

The notes of the Bank shall be payable on presentation at daily hours fixed by the Managing Board at the head office of the Bank and at its branches, with the exception of official bank holidays.

Article 10

(1) The denomination and the form of bank notes to be issued shall be fixed by the Bank and brought to the notice of the public by announcement in "Berita Negara".

(2) The Bank shall not issue bank notes of a lower denomination than Rp 5.00 (five rupiahs).

(3) The bank notes shall be exempt from stamp duty.

(4) Bank notes having returned to the Bank but which, because of multilation or for other reason, are no longer considered fit for re-issue, shall be marked by the Bank in such a manner as shall be published in "Berita Negara".

(5) Bank notes, thus marked, shall be worthless and the Bank shall not be obliged to pay them on presentation should, through theft or otherwise, the notes again be brought into circulation.

Article 11

(1) No compensation need be given by the Bank for the loss or total destruction of bank notes. The Bank shall not be obliged to grant any compensation for parts of bank notes except under such guarantees as the Managing Board may consider necessary to prevent loss to the Bank.

(2) On suspicion of fraud and crime, or at a request in writing to that effect of parties interested, the Bank shall be at liberty to demand a receipt from and the signing of the bank notes by the person presenting them for payment.

(3) The provisions of articles 229i, 229j and 229k of the Commercial Code for Indonesia shall not apply to the bank notes.

Article 12

(1) The Bank shall be authorized to retire and withdraw from circulation bank notes issued by it, and to summon holders of such notes to present them for payment.

(2) The Bank shall fix a validity date for the presentation as referred to in paragraph (1) of this article.

(3) The Bank shall announce the withdrawal and the summons at least once in "Berita Negara".

(4) After expiry of the period referred to in the second paragraph of this article, the bank notes mentioned in the summons shall be payable exclusively at the Bank's head office on the understanding, however, that an investigation, not to require more than three months, proves the bona fide nature of the application.

(5) Ten years from the termination of the aforesaid period, the total amount of the bank notes not having been presented for payment shall be added to the profits of the then current financial year of the Bank. Bank notes presented thereafter shall be paid to the debit of the Profit and Loss Account after investigation as referred to in paragraph (4) of this article.

(6) After the expiration of thirty years from the end of the period referred to in paragraph (2) of this article, the right to claim payment for bank notes not presented shall have lapsed.

Article 13

Apart from the issue of bank notes, the Bank shall be entitled to exercise the following functions:

(1) transfer of monies either by mail or telegraph, or through the issue of money orders by its branches; credit balances with correspondents shall be drawn against only telegraphically or at sight;

- (2) receipt and repayment of monies in current account, the execution of instructions regarding the transfer of monies, the collecting of values and the arrangement of a clearing with or between third parties;
- (3) discounting of:
 - (a) bills of exchange and promissory notes for which two or more persons are jointly and/or severally liable and with a currency not exceeding the customary period in trade;
 - (b) bills of exchange and other commercial documents with a currency not exceeding the period customary in trade and drawn either against letters of credit or with shipping documents as collateral;
 - (c) treasury bills payable by the Treasury of the Republic of Indonesia;
 - (d) bonds or coupons, redeemable within six months, only under the joint or several liability of the discounter;
 - (e) mandates of orders for payment on the country's pay offices issued in Indonesia for the proceeds of public sales;
- (4) purchase and sale of:
 - (a) bills of exchange accepted by banks carrying on their business in Indonesia, and with a currency not exceeding the period customary in trade;
 - (b) treasury bills payable by the Treasury of the Republic of Indonesia;
 - (c) bonds or coupons listed with an official stock-exchange in Indonesia, and chargeable to or regarding the payment of interests and redemptions guaranteed by the Republic of Indonesia;
- (5) purchase and sale of telegraphic transfers, cheques, bills of exchange and other commercial documents, payable outside Indonesia with—so far as applicable thereto—a currency not exceeding the period customary in trade, and
 - (a) for which two or more persons are jointly or severally liable, or
 - (b) drawn against letters of credit, or
 - (c) with shipping documents as collateral;
- (6) granting of loans, credits or advances in current account, or the supply of warrants against the pledge of stocks and bonds, goods, wares and merchandise, coin and bullion, and/or the pledge of shipping documents and warehouse warrants or warehouse receipts representing the same, as well as the values referred to in paragraphs (3) and (5) of this article;

- (7) temporary investment of monies deposited with branch offices, main branches and correspondents abroad, and not immediately required, either in foreign treasury bills or by discounting values as referred to in paragraph (3), letters (a) and (d), of this article, or by any other means customary on the stock-exchange;
- (8) if so requested by the Government:
 - (a) to act as representative or banker of the Government of Indonesia for its financial operations;
 - (b) to render technical assistance regarding agreements with foreign countries and/or foreign or international organisations;
- (9) management and administration of the foreign exchange reserves of the Republic of Indonesia;
- (10) trade in precious metals, foreign coins and bank notes, and the assaying, or having assayed, and refining, or having refined, of ores and metals;
- (11) taking into custody, on terms to be publicly announced by the Bank, of stocks and bonds, goods, warehouse warrants, deeds, valuables and other articles of value, the Bank, if desired, acting as administrator thereof;
- (12) letting of safes and other space in its buildings.

Article 14

- (1) Investments in mortgages on behalf of the Bank shall never exceed one-tenth of the capital or one-fifth of the reserve fund.
- (2) No mortgage debt shall exceed two-thirds of the appraised value of the mortgaged object, or be granted otherwise than subject to a maximum of six months' notice.

Article 15

- (1) The Bank shall not grant to any person whomsoever blank credits or unsecured advances. The term blank credit or unsecured advance shall not include the entrusting in its own interests of monies or goods to mandatories who are not in its permanent employ.
- (2) The Bank shall not engage in any trading, or in industrial or other enterprise.
- (3) Without prejudice to the provisions of the fourth paragraph, letter (c), of article 13, and the first paragraph of article 17 of this Act, the Bank shall not buy nor sell any goods, wares, merchandise, stocks and bonds, or real estate, except that, in case of execution of real estate, wares, goods, stocks and bonds or other security pledged to the Bank as a guar-

antee for obligations to be duly met, the Bank shall be authorized to purchase such real estate, wares, goods, stocks and bonds, merchandise or other security, wholly or partly, to be realised as soon as possible.

(4) Subject to the stipulations in the foregoing paragraph, the Bank shall not buy or possess any real estate apart from such that is necessary for the proper execution of its functions and for the accommodation of its staff.

(5) The Bank shall not advance any money on the security of ships.

Article 16

(1) The Bank shall undertake that the total amount of bank notes, balances on current account and other demand liabilities of the Bank shall be covered for twenty per cent by gold, gold coin or bullion, and by reserves consisting of foreign currency which are generally convertible, or by the right to draw on the International Monetary Fund and the World Bank, which has been or shall be endorsed to the Bank by virtue of law.

(2) The Bank shall undertake to maintain the cover as referred to in paragraph (1) of this article on at least the level of the total value of imports of three months, based on the average total of imports during the three preceding calendar years.

(3) Of the obligatory cover referred to in paragraph (1), at least twenty per cent shall be deposited in Indonesia.

(4) If the requirements in paragraphs (1), (2) and (3) are not complied with, the Government shall report to Parliament within one month after the provisions in paragraphs (1), (2) and (3) have not been complied with.

The Government shall further render an account to Parliament each three months after the first report as mentioned above has been given, as long as the requirements as stated in paragraphs (1), (2) and (3) have not yet been complied with.

Article 17

- (1) The Bank shall be entitled to invest its entire capital, reserve fund as well as its special reserves.
- (2) The interest derived from the investments referred to in the foregoing paragraph shall be included in the Bank's profits.

Article 18

(1) The Bank shall undertake, free of charge, the custody of the Treasury funds and the discharge of the functions of Government Cashier, at Djakarta, as well as at all places where the Bank has or will establish

main branches or branches. For the administration of these funds, the Bank shall be responsible to the Minister of Finance and shall render account to the "Algemene Rekenkamer" (General Audit Department).

(2) The Bank shall undertake, free of charge, to transfer monies, on behalf of the Republic of Indonesia between the head office and its main branches or branches, and between the main branches and branches mutually, insofar as the said offices are not established abroad.

(3) The Bank shall undertake to act, free of charge, as cashier for the Post Office Savings Bank and shall undertake the custody of the values belonging to, or accepted as pledges by that institution, and shall undertake, if the Minister of Finance considers this necessary, likewise free of charge, to act as cashier for other institutions founded by law, and shall undertake the custody of all monetary values of the Republic of Indonesia and of those institutions.

(4) The Bank shall be bound to render its assistance, free of charge, for the direct issue of bonds for account of the Republic of Indonesia, and also to pay to the holders, free of charge, the coupons and the bonds drawn to the debit of the account of the Collector of Revenue at the place where the payment shall be made.

Article 19

(1) Without prejudice to the provisions of article 16, and in contravention with the provisions in the first paragraph of article 15, the Bank shall, whenever the Minister of Finance deems it necessary to temporarily strengthen the Treasury Funds, be bound to advance to the Republic of Indonesia money in current account against sufficient pledge of treasury bonds, the issue and pledging of which shall be approved by law.

(2) The advances referred to in paragraph (1) of this article shall not be allowed to exceed thirty per cent in each budgetary year, or fifty per cent under extraordinary circumstances, of the revenues of the Treasury in the preceding budgetary year, which were approved by law.

(3) If the limit to the advances, referred to in paragraph (2) of this article, is exceeded, the Government shall report to Parliament within one month after the limit to the advances has been exceeded.

The Government shall further render an account to Parliament each three months after the first report as mentioned above has been given, as long as the limit to the advances as stated in paragraph (2) is still exceeded.

Article 20

The Bank shall be entitled to exercise in the public interest functions which are not expressly described in this Act. The decisions to that effect shall be published in "Berita Negara".

CHAPTER III. THE MONETARY BOARD, THE MANAGING BOARD AND THE ADVISORY COUNCIL

Article 21

The Bank shall be directed by a

- (a) Monetary Board,
- (b) Managing Board and
- (c) Advisory Council,

whose functions and formation shall be provided for in the following articles.

A. THE MONETARY BOARD

Article 22

(1) The functions of the Monetary Board shall be:

- (a) to determine the monetary policy of the Bank;
- (b) to give indications to the Managing Board as to the policy of the Bank in general, as far as public interest would make such necessary;
- (c) the Bank's activities, pursuant to the provisions of paragraphs (1), (3) and (4) of article 7; paragraph (9) of article 13; paragraph (3) of article 16 and article 20; as well as the determination of the Interest Tariff of the Bank, shall in any case be considered as matters of monetary policy or of general public interest.

(2) The Government shall be responsible for the monetary policy of the Bank.

Article 23

(1) The Monetary Board shall consist of three voting members, namely, the Minister of Finance, the Minister of Economic Affairs and the Governor of the Bank.

(2) Should circumstances require, the Government shall be at liberty to appoint to the Monetary Board one or two advisory members, who have excelled in the sphere of science. Such appointment shall be valid for five years at the utmost.

(3) Should the Government desire to appoint such an additional advisory member, it shall invite the Monetary Board to submit its recommendation of two persons for each vacancy. The Government shall take this recommendation into such consideration as it may think fit.

(4) The remuneration of the members of the Board referred to in paragraph (2) of this article shall be fixed by the Government.

(5) The advisory members of the Monetary Board shall, at the time that they should retire, be eligible for reappointment to the Board. The Government shall have the right to suspend a person from holding the office of advisory member of the Monetary Board or to dismiss him.

(6) Each member of the Monetary Board shall be allowed to appoint an adviser who will be authorized to attend those meetings of the Board on which matters of a purely technical nature shall be discussed.

Article 24

(1) The Minister of Finance shall take the chair at meetings of the Board, while the Governor of the Bank shall be Deputy Chairman.

(2) A voting member of the Monetary Board shall be entitled to appoint a deputy who, in his absence, will be authorized to attend the meetings and have his vote registered, upon presenting a written power of attorney to that effect.

(3) Decisions of the Monetary Board shall be taken by a majority of votes. In case of equality, the proposal will be considered as rejected.

(4) A member of the Monetary Board whose opinion is with the minority of votes shall, during a period of one week, have the right to request that the dispute be submitted for decision to the Cabinet Council. Pending this decision, said member shall be entitled to claim suspension of the decision of the Monetary Board, which request shall be complied with except in very urgent cases.

(5) Should the Governor of the Bank at any time be placed in the wrong in a way as referred to in paragraph (4) of this article, he shall have the right to publish his opinion in "Berita Negara", unless the Cabinet Council decides this to be incompatible with the interests of the country.

(6) The minutes of meetings of the Monetary Board shall be secret; at all times, the Government shall be authorized to examine them if it so desires.

(7) The Monetary Board shall meet once in every fortnight at the least, whereas all voting or advisory members may summon a meeting at any time they might think necessary.

(8) The order and the method of execution of the activities of the Monetary Board, as well as further provisions as to the internal contact between the Monetary Board and the Managing Board of the Bank, shall be determined in detail in two Schedules to be drawn up by the Monetary Board.

(9) The Monetary Board shall appoint its own secretary who shall be of Indonesian nationality; the other members of the staff of the Monetary Board shall also be appointed and removed by the Board.

Article 25

(1) The members of the Monetary Board shall not engage in trading nor have a direct or indirect interest in any commercial operation.

(2) The members of the Monetary Board and the members of the Managing Board, subject to dispensation of the Government, shall not be related to one another in or within the third degree of consanguinity or affinity. Should they become related in the forbidden degree of affinity after their appointment, they shall not be allowed to retain their offices except with the permission of the Government.

B. THE MANAGING BOARD

Article 26

The functions of the Managing Board shall be:

- (a) execution of the monetary policy, as shall be determined by the Monetary Board;
- (b) managing of credits granted by the Bank, especially the granting of new and the extending of current credits; the determination of the conditions thereof, as well as the terminating of credits in administration, and the refusing of credits;
- (c) execution of all other activities of the Bank with due observance of the provisions sub (b) and (c) of paragraph (1) of article 22 of this Act.

Article 27

(1) The Managing Board shall consist of the Governor and at least two Managing Directors. At the suggestion of the Monetary Board, the number of Managing Directors may be extended by the Government, but shall never exceed a number of five members in total.

(2) In his absence, the function of the Governor shall be performed by a Deputy Governor, for which office one of the Managing Directors shall be appointed by Government on recommendation of the Monetary Board, for a term of office not exceeding five years.

(3) The Governor and Managing Directors shall be appointed by the Government to take office for a term not exceeding five years. For each vacancy in the Managing Board, the Monetary Board shall submit to the Government a recommendation of two persons. The Government shall appoint one of the candidates mentioned in the recommendation.

(4) The remuneration of the Governor and the Managing Directors shall be fixed by the Government.

(5) All members of the Managing Board shall at the date that they should regularly retire, be immediately eligible for re-appointment.

(6) At the proposal of the Monetary Board, the Government shall be at liberty to suspend any member of the Managing Board in the performance of his function or to remove him from office. In case of such proposed suspension, a proposal shall simultaneously be submitted to fill the vacancy temporarily.

(7) The members of the Managing Board shall be of Indonesian nationality.

(8) The Managing Board shall be entitled to invite the Monetary Board to appoint one or more Advisers for a term of office not exceeding five years. The Monetary Board shall be authorized to suspend the Advisers in the performance of their function or to remove them from office.

Article 28

(1) In case of illness or absence of a Managing Director, his function shall temporarily be performed by a Deputy Managing Director.

(2) The Deputy Managing Directors, not to exceed two in number, shall be appointed by the Government for a term of office not exceeding five years, and on recommendation of the Monetary Board.

(3) The Deputy Managing Directors shall belong to the staff of the Bank.

Article 29

(1) The Managing Board shall represent the Bank at law and otherwise. It shall be authorized, subject to the provisions of article 22 of this Act, to perform all acts of management of the Bank, administration of the Bank's properties and the disposition of those properties.

(2) The order and the method of executing the activities of the Managing Board shall be laid down in detail in Regulations to be drawn up by the Managing Board.

(3) The managers of the branch offices, main branches and branches, the correspondents and all other members of the Staff of the Bank shall be appointed and dismissed by the Managing Board.

Article 30

(1) The members of the Managing Board and the Advisers referred to in paragraph (8) of article 27 of this Act, shall not hold any other salaried posts, offices or functions whatsoever.

(2) However, as such shall not be regarded:

- (a) those offices as shall be entrusted to them by the Government;
- (b) for the Managing Directors and Advisers: the office of director of

limited companies or companies "en commandite", with the exception of the office of delegate of directors;

the Managing Directors and Advisers shall, however, not be permitted to retain or accept an office as referred to sub (b) above except with the permission of the Monetary Board.

(3) Two Managing Directors shall not simultaneously be directors of the same company.

(4) The members of the Managing Board and the Advisers shall not engage in trade nor be interested in any other commercial operation.

Article 31

At the end of each financial year the Governor shall, in deliberation with the Monetary Board, deliver a detailed financial and economic report.

C. THE ADVISORY COUNCIL

Article 32

(1) The function of the Advisory Council shall be to advise the Monetary Board, either solicited or unsolicited, on all subjects with which the Monetary Board must deal in order to keep this Board fully informed as to the prevailing ideas and views in society. The Advisory Council shall be entitled to publish its advices, insofar as the Government shall not consider this incompatible with the interests of the State. If, at any time at the delivery of advice to the Monetary Board, one of the members of the Advisory Council shall be of an opinion different from the views of the majority of the Council, that opinion shall be separately mentioned, should the Chairman or that member make a request to that effect.

(2) The Advisory Council shall consist of nine members, inclusive of the Chairman. The Chairman and the other members shall be appointed by the Government, for a term of office not exceeding five years, from leading personalities in business and agricultural circles and from labour organisations. Likewise, the Government shall have the authority to suspend or to dismiss the members of the Advisory Council from office. At the time of their regular retirement, all members shall be immediately eligible for re-appointment. If the office of a member of the Advisory Council shall be vacated, prior to its expiry date, the person appointed to fill the vacancy shall hold office until the time when his predecessor would regularly have retired, and shall then retire.

(3) The Advisory Council shall meet twice a year at the least, and further as often as the Chairman or at least four members will deem necessary.

(4) The members of the Monetary Board shall be entitled to attend the meetings of the Advisory Council.

(5) The members and secretary of the Advisory Council shall observe strict secrecy with regard to all data which come to their knowledge on account of their office, insofar as the nature of the matter shall make this necessary or if expressly imposed by the Chairman. Violation of this obligation of secrecy shall, if necessary, cause the Government to suspend or dismiss from office the person(s) concerned.

(6) The Advisory Council shall lay down regulations regarding the order of meetings.

(7) The remuneration of the members of the Advisory Council shall be fixed by the Government.

(8) The Managing Board shall appoint a secretary to the Advisory Council.

CHAPTER IV. ABRIDGED BALANCE SHEET

Article 33

(1) Once per week the Bank shall publish an abridged balance sheet. This abridged balance sheet shall also be published in "Berita Negara".

(2) This abridged balance sheet will clearly distinguish between the activities of the Bank on account of its function as central bank and the activities which conform to the field of operations of other banks.

CHAPTER V. THE ANNUAL BALANCE SHEET AND THE DISTRIBUTION OF PROFITS

Article 34

(1) The Annual Balance Sheet and the Profit and Loss Account shall be drawn up by the Managing Board and sent to the Monetary Board.

(2) The Monetary Board shall provisionally approve these annual documents, with the assistance of the Government Accounting Office.

(3) The Monetary Board shall then submit the provisional Annual Balance Sheet and Profit and Loss Account to the Government. These documents shall be regarded as having been approved by the Government if, within one month from the date of its receipt by the Minister of Finance, no objections shall have been made in writing to the Monetary Board.

(4) The Annual Balance Sheet and Profit and Loss Account thus approved shall fully discharge the Managing Board of further responsibility therefore.

(5) The profits thus approved may in the first instance serve to strengthen the Special Reserve; of the remaining profits, 20% (twenty percent) shall be paid into the Reserve Fund of the Bank until this Fund has reached

the amount of the Bank's capital. The then remaining balance of the profits shall be due to the Treasury.

CHAPTER VI. PENSION AND PROVIDENT FUND FOR THE STAFF OF THE BANK

Article 35

(1) The Bank shall have a pension and provident fund for its staff.

(2) The Bank shall be obliged to raise this fund to and maintain it at the amount of the cash value of the obligations undertaken towards the staff with respect thereto.

(3) The payments into the fund and the rules further to be made with regard to the fund shall be laid down in Regulations.

CHAPTER VII. TEMPORARY AND CONCLUDING PROVISIONS

Article 36

(1) On the day that the present Act shall come into effect:

- (a) "De Javasche Bank N.V." shall enter into liquidation;
- (b) all rights, powers, debts and obligations of "De Javasche Bank N.V." shall be assumed by the Bank Indonesia;
- (c) the Bank Indonesia shall act as liquidator of "De Javasche Bank N.V.;"
- (d) the President and Managing Directors of "De Javasche Bank N.V." shall hold their offices, insofar as this shall be necessary with a view to the liquidation of "De Javasche Bank N.V.".

(2) The activities mentioned in article 13 of this Act, insofar as they do not refer to the sphere of activities of the Bank as central bank and bank of issue, shall be delegated to other banks which shall be appointed by law, in the shortest possible time, but on December 31, 1953, at the latest.

Article 37

"The Java Bank Act of 1922" and the Act of March 31, 1922 (Gazette of Indonesia 1922 No. 181) shall remain in force insofar as this will be necessary with a view to the liquidation of "De Javasche Bank N.V." and provided the provisions therein shall not be found incompatible with the provisions of this present Act.

Article 38

(1) In contravention with the provisions of this Statute as to recommendations and proposals for the offices of the Managing Board, the President and Managing Directors of "De Javasche Bank N.V.", presently holding

office and being of Indonesian nationality, shall become Governor and Managing Directors of the Bank and shall hold their office until the time when they would regularly have retired.

(2) The Managing Directors who are not of Indonesian nationality shall vacate their office on the day this Act shall come into effect.

(3) The Board of Directors holding office before the coming into effect of this Act shall retire on that day. No new directors shall be appointed.

Article 39

The Advisory Council, at the outset, shall be appointed by the Government within three months from the coming into effect of this Act.

Article 40

In contravention with the provisions of the articles 8 and 10 of this Act, the following bank notes shall retain their quality of legal tender until the day that they are withdrawn from circulation:

- (a) those notes issued by "De Javasche Bank N.V." by virtue of article 14 of The Java Bank Act 1922, which are still legal tender on the day this Act comes into effect;
- (b) those bank notes issued by "De Javasche Bank N.V." by virtue of article 1 of the Government Decree of July 4, 1949 (Gazette of Indonesia 1949 No. 186), which on the day that this Act will come into effect, are still legal tender.

Article 41

The use of the name "Bank Indonesia" shall be reserved exclusively for the Bank.

Article 42

(1) All advances on current account supplied by "De Javasche Bank N.V." to the Government before the coming into effect of this Act, shall be separated and converted into a long-term redeemable loan.

(2) For the purpose of redemption to the Bank of the loan as referred to in the foregoing paragraph, the State shall be at liberty to issue a loan, which can be listed at the stock-exchange, subject to regulations to be given by Government Decree.

Article 43

- (1) This Act may be cited as the "Bank Indonesia Act 1953".
- (2) It comes into effect on the first day of July 1953.

Government Ordinance Bearing upon the Supervision of the Credit System¹

The President of the Republic of Indonesia,

Considering:

That in the interests of a healthy credit system based upon the doctrines of good banking, as well as of the solvability and liquidity of the credit institutions operating in Indonesia, it is desirable to lay down regulations regarding the supervision of the credit system;

In view of: Article 7, paragraph 5, of the Bank Indonesia Act 1953 (Law No. 11/1953; Gazette of Indonesia 1953 No. 40);

Having heard the Cabinet Council in its 89th session on December 23rd, 1954;

Has resolved:

To establish:

GOVERNMENT ORDINANCE BEARING UPON THE SUPERVISION OF THE CREDIT SYSTEM

Article 1

For the purpose of this ordinance the expressions set forth below have the following meanings:

- (a) *credit institutions*: commercial banks and savings banks;
- (b) *commercial banks*: all enterprises and institutions, without regard to their legal form, which publicly offer or to a substantial extent make it their business to accept monies on deposit or in current account and which engage in the granting of credits on private account;
- (c) *savings banks*: all enterprises and institutions, without regard to their legal form, which devote themselves exclusively to the purpose of encouraging saving and with that object accept monies on deposit on such terms that the possibility of calling these monies is subject to limiting provisions;
- (d) *the Bank*: the Bank Indonesia.

Article 2

(1) From the date of promulgation of this ordinance a credit institution can be founded and name itself "commercial bank" or "savings bank" only with a written permission of the Minister of Finance, having heard the Managing Board of the Bank Indonesia.

¹ Ordinance No. 1 of January 15, 1955.

(2) Permission shall only be granted if the paid-up capital of a commercial bank or savings bank amounts to at least Rp 2,500,000 and Rp 500,000 respectively and provided that the conditions drafted by the Monetary Board are complied with.

Article 3

(1) Already operating credit institutions are required to apply for a permission as referred to in the first paragraph of article 2 within three months after the promulgation of this ordinance.

(2) In case those credit institutions fail to meet the conditions as referred to in the second paragraph of article 2, the Minister of Finance, in consultation with the Bank, can grant them a provisional permission to operate as a credit institution.

(3) A provisional permission as referred to in the preceding paragraph will cover a period of at most two years. Should, after expiration of the period determined in the provisional permission, the credit institution concerned still fail to fulfill the conditions referred to in the second paragraph of article 2, then the permission can be extended only with the approval of the Monetary Board.

Article 4

(1) In case a permission as referred to in the first paragraph of article 2, or a provisional permission as referred to in the second paragraph of article 3 be denied or, according to the provisions of the first paragraph of article 12, be repealed, the credit institution concerned is entitled to lodge an appeal with the Monetary Board within fourteen days after receipt of the information of refusal or repeal of the permission or provisional permission.

(2) The Monetary Board shall pronounce final judgment in this respect.

Article 5

On behalf of the Monetary Board, the Bank shall supervise the credit institutions set up or still to be set up in Indonesia in the interests of the solvability and the liquidity of these credit institutions, and of a healthy credit system based upon the doctrines of good banking.

Article 6

(1) The Bank is entitled to demand all those data and gather all those information from the credit institutions which it will deem necessary for the execution of the task as referred to in article 5 of this ordinance.

(2) Every credit institution is required to supply the data and information which is sought from it in pursuance of the first paragraph of this article within a period to be determined by the Bank.

(3) Every credit institution is required when so requested to put the Bank, or such person as requests information of it by order of the Bank, into a position as to convince itself of the accuracy of the information supplied in the light of the institution's books and records, and to afford all possible help in case of such investigation of books and records.

(4) The person who has under his control the books and records mentioned in the third paragraph of this article is required, when so requested, to make these immediately available to the Bank or to the Bank's nominee.

(5) Information obtained by virtue of this article with regard to individual credit institutions will not be published and will be confidential subject to the provisions of article 10.

Article 7

(1) Every credit institution is required to deliver to the Bank annually, within a period to be fixed by the Bank, a balance sheet with profit and loss account, in a form to be determined and annotated as will be requested by the Bank.

(2) The Bank may provide that the documents which are to be delivered to it by virtue of the first paragraph of this article, are to be previously examined by an auditor to be designated by the Bank. This auditor shall state the result of his examination in a report.

(3) A declaration of approval by the auditor on the documents referred to in the second paragraph of this article will be considered to convey complete approval unless such declaration would carry the words "subject to reserve". A declaration of complete approval will be taken both to convey that the documents submitted by the credit institutions have been drawn up in accordance with good business practice, as to cover the existence of the assets and liabilities in conformity with the valuation and descriptions given of the items.

Article 8

(1) Within the periods laid down for that purpose, every credit institution is required to deliver to the Bank periodical statements containing such data regarding its business as will be deemed useful by the Bank.

(2) The form in which the statements mentioned in the preceding paragraph are to be drawn up and the periods within which they must be delivered, will be determined by the Bank.

Article 9

(1) The Bank is authorised to convey to the credit institutions general instructions for the conduct of their business in connection with the execution of the Bank's task in pursuance of article 5 of this ordinance.

(2) With regard to the granting of credits by these credit institutions the instructions as referred to in the first paragraph of this article may contain the following:

- (a) provisions regarding the maximum extent of the credits granted or of specified portions of such assets, whether or not in relation to the deposited funds or to specified portions of such funds;
- (b) prohibition or limitation of the granting of specified types or forms of credits, or of credits exceeding a specified amount, or prohibition of the granting of specified types or forms of credits or of credits exceeding a specified amount, without the previous approval of the Bank;
- (c) provisions regarding the minimum and/or maximum debit interest chargeable to credit takers.

(3) In pursuance of the second paragraph, sub (a), of this article, the Bank is entitled to dictate that a part—to be fixed by the Bank—of the liquid resources of every credit institution be deposited with the Bank, be invested in treasury bills or be tied up otherwise.

(4) The Bank is authorised to set by general instruction a period within which all instructions given by the Bank are to be carried out and also, if so required, to prolong such period for all or one or more of the credit institutions.

Article 10

(1) If the Bank, in the light of the facts set forth in the documents and statements which are delivered in pursuance of article 7, first paragraph, and article 8, first paragraph, or in the light of the information which comes into its possession in pursuance of article 6, detects signs of a development which in its opinion is or might become dangerous to the solvability or the liquidity of a credit institution, it may draw the attention of the credit institution thereto. If necessary, the Bank shall accompany such notification with an advice, with full statement of reasons, to change within a certain period the course of conduct in such respects as shall be expressly stated.

(2) When giving an advice as referred to in the first paragraph of this article, the Bank may lay down a period within which such advice is to be carried out or within which an answer with full statement of motives regarding the advice should be submitted. If within such period the advice has not been carried out, *casa quo* no satisfactory answer has been received by the Bank, the Bank, after having given the credit institution the opportunity of being heard, may proceed to publish the advice in the "Berita Negara".

(3) The publication as referred to in the second paragraph of this article shall, if the credit institution to which the advice was given so requests,

imply the publication of the correspondence which passed between the Bank and such credit institution in connection with the advice.

Article 11

(1) In case of a decision regarding publication as referred to in article 10, the Bank may give notice of such decision to the credit institution concerned at least twenty days before the intended publication will be effected.

(2) Within fourteen days after the despatch of such notification the credit institution concerned may appeal against such decision to the Monetary Board, which Board pronounces final judgment. The lodging of an appeal suspends the publication.

Article 12

(1) Should a credit institution not or too late fulfil the obligations resulting from or imposed on it by virtue of this ordinance, the Minister of Finance, after consultation with the Monetary Board, shall be entitled to withdraw the permission as referred to in the first paragraph of article 2, or the provisional permission as referred to in the second paragraph of article 3, in which case the provisions of article 4 become applicable.

(2) If a decision for the withdrawal of permission as mentioned in the preceding paragraph has been confirmed and therefore cannot be revised anymore, the Minister of Finance shall publish such decision in the "Berita Negara" and the newspapers to be indicated by him.

Article 13

This ordinance shall not be applicable to:

- (a) desa banks, desa lumbungs and rural credit institutions;
- (b) co-operative credit institutions;
- (c) pawnshops;
- (d) pasar banks;
- (e) other credit institutions to be indicated by the Minister of Finance.

Article 14

This ordinance will come into force on the day of its promulgation.