

Bank Indonesia Loosens the Mandatory Fulfilment of Giro Reserve Requirements in Rupiah

On May 1, 2020, Bank Indonesia amended the provisions of mandatory fulfilment of Giro Reserve Requirements (*Giro Wajib Minimum* — the “GWM”) in Rupiah for Conventional Commercial Banks (*Bank Umum Konvensional* — collectively, “BUK”), Sharia Commercial Banks (*Bank Umum Syariah* — collectively, “BUS”) and Sharia Business Units (*Unit Usaha Syariah* — collectively, “UUS”) by enacting the Members of the Board of Governors of Bank Indonesia Regulation Number 22/10/PADG/2020 on Giro Reserve Requirements in Rupiah and Foreign Exchange for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units effective on May 1, 2020 (“PADG 22/2020”). PADG 22/2020 is the fifth amendment of the initial Members of the Board of Governors of Bank Indonesia Regulation Number 20/10/PADG/2018. PADG 22/2020 entered into force as of May 1, 2020.

PADG 22/2020 is an implementing regulation of Bank Indonesia Regulation Number 22/3/PBI/2018 dated July 16, 2018 on Giro Reserve Requirements in Rupiah and Foreign Exchange for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units as lastly amended by Bank Indonesia Regulation Number 22/10/PBI/2018 dated October 1, 2018.

The issuance of PADG 22/2020 is Bank Indonesia’s effort to constantly maintain and increase the availability of Rupiah liquidity in conventional and sharia banking from the impact of domestic economic growth slowdown.

Under PADG 22/2020, Bank Indonesia loosens the mandatory fulfilment of the GWM amount in Rupiah for BUK, BUS and UUS. PADG 22/2020 also amends provisions which, among others, loosen the requirement for BUK to be eligible in obtaining giro services from Bank Indonesia, provide an adjustment of the calculation that reflects the change of the mandatory fulfilment of GWM for BUK, BUS, and UUS that receives short-term liquidity loan or financing, as well as clarify the mandatory fulfilment of GWM on a daily basis for BUK and BUS performing merger and consolidation.

❖ LESS STRINGENT GWM REQUIREMENTS IN RUPIAH

PADG 22/2020 has lowered the GWM percentage in Rupiah at the average of 3.5% of Third-Party Fund (*Dana Pihak Ketiga* — “DPK”) in a BUK in Rupiah during a particular report period. Previously the requirement was at the average of 5.5% of DPK in a BUK. The calculation of the foregoing GWM shall be fulfilled at 0.5% on a daily basis. This is a more lenient specification from the previous 2.5% daily requirement based on balance sheet of a BUK’s clearing account in Rupiah at Bank Indonesia. Meanwhile, the average of calculation basis of the foregoing GWM still remain the same at 3% based on the average of balance sheet of a BUK’s clearing account in Rupiah at Bank Indonesia. Similar relaxation of GWM percentage also applies to BUS and UUS.

In connection with giro services (*jasa giro*), the previous regulations provide that Bank Indonesia may grant giro services for BUK every day to a particular portion of the fulfillment of obligation of GWM in Rupiah, provided that such BUK fulfills the ratio of GWM in Rupiah more than or equal to 5.5%. PADG 22/2020 lowers this requirement to be at 3.5%.

Similar with the previous regulations, BUK that receive any short-term liquidity loan and BUS that receive any short-term liquidity sharia financing are not subject to the mandatory fulfilment of GWM at an average. Such BUK and BUS are only obligated to comply with the fulfilment of GWM in Rupiah on a daily basis. However, PADG 22/2020 loosens the requirement for GWM fulfilment on a daily basis from the previous 5.5% and 4%

respectively to 3.5% of the respective DPK in Rupiah.

❖ **Clarification of GWM calculation for BUK and BUS in mergers or consolidations**

PADG 22/2020 clarifies the calculation for the relaxation of daily GWM percentage in Rupiah for BUK and BUS performing merger or consolidation. The calculation for the foregoing relaxation shall be 1% on a daily basis. If the daily mandatory fulfilment of GWM in Rupiah is less than 1%, the relaxation upon daily mandatory fulfilment of GWM in Rupiah for such BUK and BUS shall be fulfilled by the surviving bank in the merger or consolidation with the percentage of the stipulated daily mandatory fulfilment of GWM, which is 0.5% of their respective DPK.

Alongside the aforementioned changes, PADG 22/2020 amends the details of the calculations as set out under Attachments I, III, V, VI, VIII, X, XI and XII of PADG 22/2020, together with a brief examples to calculate the GWM amount.

September 11, 2020

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