

BANKING & FINANCE, CAPITAL MARKET, COMPETITION / ANTITRUST, CONSUMER & TRADE, AND DISPUTE RESOLUTION

Indonesia Overhauls Its Financial Sector: An Introduction to the Amended P2SK Law



On 17 June 2026, the Indonesian government enacted Law No. 4 of 2026 on Amendments to Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (the "**Amended P2SK Law**"). The amendments respond to two Constitutional Court decisions: (i) Constitutional Court Decision No. 59/PUU-XXI/2023 on investigations of criminal offences in the financial services sector, and (ii) Constitutional Court Decision No. 85/PUU-XXII/2024 on the budget-setting process of the Indonesia Deposit Insurance Corporation (*Lembaga Penjamin Simpanan* or "**LPS**"). They also go considerably further by addressing at least seventeen distinct areas of financial sector regulation.

This is the first in a series of client alerts on the Amended P2SK Law, intended to map the overall shape of the reform. Businesses should note that most of these reforms set out a framework for future implementation, with details to follow through government, Financial Services Authority (*Otoritas Jasa Keuangan* or "**OJK**"), and Bank Indonesia ("**BI**") regulations. A few provisions do carry fixed deadlines, which we flag below.

What Needs Attention Now: Provisions with Deadlines

Two reforms come with fixed timelines that put them on a different footing from the rest of the law.

1. A new strategic mineral and commodity exchange must be operational by 1 January 2027

The Amended P2SK Law requires the establishment of a strategic mineral and commodity exchange (*bursa mineral dan komoditas strategis*), which must be operational by 1 January 2027. As mentioned in our previous client alert ([click here](#) to read), the commodities classified as strategic minerals and commodities include ferro alloys, coal, and palm oil. From that date, the exchange will be regulated and supervised by OJK, marking a shift in oversight from the Indonesian Commodity Futures Trading Regulatory Agency (*Badan Pengawas Perdagangan Berjangka Komoditi* or "**Bappebti**").

The exchange is conceived as an organised and integrated trading platform for strategic minerals and commodities, including their derivatives. It is designed to support end-to-end trading activities, including pricing, quality standardisation, settlement, and risk management, as well as a broader ecosystem involving funding and digital financial instruments.

The transition of regulatory and supervisory authority from Bappebti to OJK will be implemented in phases. The detailed framework for this transition is to be set out in an OJK regulation, to be issued within three months of the promulgation of the Amended P2SK Law, following consultation with the House of Representatives (*Dewan Perwakilan Rakyat* or "**DPR**").

2. A separate law establishing one or more Indonesia Financial Centres must be enacted within three months of promulgation

The Amended P2SK Law also mandates the establishment of one or more Indonesia International Financial Centres (*Pusat Finansial Internasional Indonesia*). These are envisaged as designated zones with financial and administrative autonomy, operating under legal frameworks aligned with international principles and standards.

The Indonesia International Financial Centre initiative aims to position Indonesia as a global financial hub, while supporting financial sector deepening and innovation. It is also intended to attract both domestic and international financial institutions and investors, and to facilitate financing for the real sector, national strategic projects, sustainable finance, climate finance, and infrastructure.

The legal basis for the establishment of the International Financial Centre will be set out in a separate law, which must be enacted within three months of the promulgation of the Amended P2SK Law.

Clients in commodities trading, exchange infrastructure, or considering Indonesia-based fund or treasury structures should watch this quarter closely as both deadlines fall within the period most relevant to near-term planning.

What Changes the Market Directly: Structural Reforms

These provisions reshape how market participants conduct transactions, and are likely to be of most interest to businesses in the capital markets, banking, and insurance sectors.

3. Demutualisation of the Indonesia Stock Exchange (IDX)

The Amended P2SK Law reinforces the demutualisation of the IDX. Under the law, individuals and/or Indonesian legal entities, regardless of exchange membership, may now become shareholders of the IDX. This shift from a membership-based and non-profit structure to a profit-oriented one aims to allow the IDX to move swiftly in response to global developments and to attract major investors. The Ministry of Finance, Bank Indonesia, and Badan Pengelola Investasi Daya Anagata Nusantara ("**Danantara**") are expressly permitted to hold shares, subject to maintaining the exchange's independence.

4. A new title-transfer margin regime applies to financial market transactions

The Amended P2SK Law introduces a title-transfer margin regime for financial market transactions. Under this regime, financial market transaction participants may deliver initial margin either as collateral or through a transfer of ownership (*pengalihan hak milik*) of the margin to the counterparty to secure obligations arising from changes in transaction value.

In a title-transfer arrangement, the margin ceases to be owned by the provider and instead becomes the property of the recipient, subject to a contractual obligation to return equivalent margin once the secured obligations have been discharged. At a minimum, the arrangement must provide for:

- (i) The transfer of ownership of the margin from the margin provider to the margin recipient;
- (ii) The right of the margin provider to receive equivalent margin upon satisfaction of all obligations;
- (iii) The right of the margin recipient to use, transfer, pledge, or otherwise deal with the margin in accordance with the agreed terms.

Critically, in the event of insolvency or liquidation, both initial margin delivered as collateral and margin transferred under such arrangements are excluded from the estate of the defaulting party, provided the transactions are conducted in accordance with prevailing market practice. This effectively recognises close-out netting and collateral protection, and represents a significant step in aligning Indonesia's financial market infrastructure with international standards.

5. Expanded and enhanced supervision of the crypto asset industry

The Amended P2SK Law aims to enhance the attractiveness and competitiveness of the crypto asset industry in Indonesia, positioning it to contribute more meaningfully to the national economy.

To this end, the scope of financial sector technological innovation (*inovasi teknologi sektor keuangan* or ITSK) is expanded to expressly cover digital financial asset activities, including crypto assets. These activities include, among others, tokenisation, initial offerings of digital financial assets (including crypto assets), stablecoins used for transaction purposes (subject to exchange recommendation and OJK approval), as well as staking, crypto asset lending, crypto asset pledging, and other spot and derivative crypto asset activities.

At the same time, the Amended P2SK Law strengthens regulatory oversight by granting OJK the authority to freeze and/or block crypto asset transactions or trading activities, whether conducted by domestic or foreign parties within Indonesia, that do not comply with applicable laws and regulations.

6. LPS gains discretion over whether to rescue a failing insurer

The Amended P2SK Law introduces a significant change to the insurance policy guarantee (*penjaminan polis*) framework. Under the revised framework, insurance companies and sharia insurance companies are required to participate in the policy guarantee programme. This includes, among others, the obligation to pay initial membership contributions and periodic guarantee contributions, and to submit periodic reports.

Within this framework, LPS, as the administrator of the policy guarantee programme, has the discretion to determine whether to rescue an insurance or sharia insurance company that has been placed into resolution by OJK.

Where LPS elects to rescue such an insurer, it assumes all rights and authority of the shareholders, including the authority of the general meeting of shareholders.

Conversely, where LPS decides not to rescue the insurer, it proceeds with resolution measures, which may include portfolio transfers, guarantee claim payments, and the return of unearned premiums.

7. Danantara is authorised to issue bonds

The Amended P2SK Law authorises Danantara to issue bonds in accordance with applicable laws and regulations. These may include ordinary bonds as well as special bonds, such as patriot bonds and merah putih bonds. Special bond issuances must be supported by appropriate strategy, management policies, and risk controls, and conducted in line with principles of professionalism, accountability, and sound business judgement.

Notably, for patriot bond and merah putih bond transactions in the primary market, the State provides legal protection to investors. Purchasers are protected from general and special criminal prosecution (including tax-related offences), as well as civil claims. In addition, data and information arising from such transactions cannot be used as a basis for tax imposition or as evidence in court.

Investors are permitted to transfer and pledge special bonds. Eligible investors include, among others, taxpayers who have participated in tax amnesty and voluntary taxpayer disclosure programmes. Further implementing provisions on the issuance of special bonds will be set out in a government regulation.

Market participants, including exchange stakeholders, financial institutions, crypto operators, and institutional investors, should closely monitor these developments, as they signal a coordinated shift toward a more market-driven, globally aligned, and tightly supervised financial landscape in Indonesia.

What Changes the Institutions: Governance Reforms

A second cluster strengthens the legal and governance footing of LPS, OJK, and BI themselves. This is important to the system's architecture, but generally less immediately actionable for an individual client.

8. Strengthening of LPS as an independent legal entity and state institution, including by refining rules on its board of commissioners

The Amended P2SK Law reinforces LPS' status as both a legal entity and an independent state institution. This is intended to enhance LPS' capacity to perform its mandate as a risk minimiser, including by strengthening its role in bank risk assessment, early intervention, and resolution, with a view to maintaining financial system stability.

Additionally, the Amended P2SK Law refines the rules on LPS' Board of Commissioners (*Dewan Komisiner*), including on composition, qualification, selection, and dismissal. It also introduces a new budget mechanism with clearer allocation of authority:

- (i) LPS' operational budget and work plan must be approved by the DPR; and
- (ii) Budgets relating to guarantee, policy guarantee, fund placement, bank resolution, and insurance company resolution are to be determined by the Board of Commissioners.

Where the DPR does not approve the operational budget, LPS may continue to operate using up to the amount approved in the previous year.

9. Expanding the mandate and duties of the OJK

The Amended P2SK Law expands OJK's regulatory and supervisory functions to cover:

- (i) Financial services activities in the capital markets, financial derivatives, and the carbon exchange;
- (ii) Activities on the strategic mineral and commodity exchange;
- (iii) Financial sector technological innovation (ITSK) and digital financial assets, including crypto assets; and
- (iv) The management of other public funds.

"Other public funds" refers to funds collected from the public by certain statutory entities and placed or invested in the financial services sector, including, among others, hajj financial management funds and public housing savings funds.

10. Enhancing BI's role in supporting real sector growth

The Amended P2SK Law strengthens the role of BI by refining its objectives and mandate. BI's objectives now expressly include:

- (i) Maintaining Rupiah stability;

- (ii) Ensuring payment system stability; and
- (iii) Contributing to financial system stability, in support of sustainable economic growth.

In addition, BI is mandated to formulate and implement a policy mix aimed at creating an economic environment conducive to real sector growth and job creation.

The law also refines BI's governance and accountability framework, including its budget process. Certain budget components relating to monetary policy, payment systems, and macroprudential policy must now be agreed with the DPR in dedicated and closed discussions.

11. DPR tasked with evaluating the performance of LPS, OJK, and Bank Indonesia

The Amended P2SK Law introduces a mechanism for the DPR to conduct performance evaluations of LPS, OJK, and BI based on each institution's institutional performance reports.

These evaluations are carried out by the relevant DPR commissions (including those responsible for finance, national development planning, monetary affairs, and the financial services sector) and submitted to the DPR leadership in the form of recommendations, which are binding.

The recommendations are then submitted by the DPR leadership to the relevant institution and the government for follow-up.

Stakeholders should view these changes as foundational institutional reforms that reinforce regulatory capacity and oversight coherence, even if they are less likely to require immediate operational adjustments in the near term.

Sectoral Provisions Worth Knowing

The remaining reforms are narrower in application but are relevant to specific client segments and sectors.

12. Broadening of banking business activities and MSME financing

The Amended P2SK Law expands the scope of permissible business activities for both commercial banks (*bank umum*) and sharia commercial banks (*bank umum syariah*).

Commercial banks may now, among other things:

- (i) Act as founders and managers of pension funds;
- (ii) Cooperate with other financial service institutions and non-financial entities in providing financial services; and
- (iii) Undertake other financial service activities subject to consideration of their impact on financial system stability.

Sharia commercial banks are similarly granted a broader range of activities, including sharia-compliant capital market activities, the issuance and trading of securities, and cooperation with other financial service institutions.

The law also refines the framework for handling non-performing receivables owed by micro, small, and medium enterprises ("MSMEs"), with the aim of broadening access to financing. In addition, banking sector consolidation is strengthened through a requirement for banks to prepare consolidation roadmaps.

13. Expansion of coverage of the compulsory traffic accident insurance fund

The Amended P2SK Law refines the framework for the compulsory traffic accident insurance fund (*dana pertanggungjawaban wajib kecelakaan lalu lintas*) to enhance protection for the public, in particular traffic accident victims.

Coverage is expanded to include single-vehicle accidents, whilst safeguards are put in place to mitigate moral hazard. Individuals who are killed, injured, or permanently disabled as a result of a traffic accident involving road transport vehicles, or their heirs, are entitled to compensation from the fund, in amounts to be determined by government regulation.

14. Introduction of a new restorative justice mechanism, aligned with the 2023 Criminal Code

The Amended P2SK Law refines the framework for investigation and prosecution of offences in the financial services sector, and introduces a restorative justice (*keadilan restoratif*) mechanism aligned with the Indonesian Criminal Code (Law No. 1 of 2023 as amended by Law No. 1 of 2026 on Penal Adjustments), which came into force on 2 January 2026.

Restorative justice may be applied at:

- (i) The investigation stage by the police investigators under the direction of detectives, where it involves an agreement between the suspect (or their family) and the victim (or their family), including reparation requirements; and
- (ii) The prosecution stage, through an agreement between the suspect (or their family) and the victim (or their family), evidenced by a settlement agreement signed by the offender, the victim, and the public prosecutor.

Separately, parties suspected of criminal offences in the financial services sector may also be subject to administrative sanctions by OJK, including written warnings, suspension of business activities, dismissal of management, administrative fines, and revocation of licences.

15. Closer alignment of bank recovery periods and LPS fund-placement timing rules with actual recovery practice

Rules on bank recovery (*penyehatan*) periods and LPS fund-placement timing are aligned more closely with actual recovery practice.

During the recovery period, OJK may require banks to maintain financial stability, including preventing material deterioration in assets or increases in liabilities, while supporting LPS actions. OJK's powers during this period include the authority to direct the sale of assets or transfer of liabilities, require management changes or handover to third parties, restrict business activities, and appoint a statutory administrator.

These measures are coordinated with LPS in preparation for potential resolution.

16. A multi-agency task force to prevent and handle unlicensed financial activities is established

The Amended P2SK Law provides for the establishment and strengthening of a multi-agency task force (*satuan tugas*) to prevent and address unlicensed financial activities. It comprises financial sector authorities, the financial transaction reporting and analysis authority, relevant ministries and agencies, and law enforcement officials.

Its mandate covers both:

- (i) Unlicensed financial business activities; and
- (ii) Licensed activities that may be in violation of debt collection mechanisms, data misuse, and/or consumer protection requirements.

The task force's mandate also extends to the prevention and handling of the use of financial sector information technology for activities indicative of gambling.

17. New mandate for LPS, OJK, and BI to run public education and community empowerment programmes

Lastly, the Amended P2SK Law introduces a new mandate for LPS, OJK, and BI to carry out inclusive public education and community and environmental empowerment programmes. OJK is specifically required to conduct such programmes in support of the performance of its duties, with details and governance to be further regulated by OJK regulation.

Clients in banking, insurance, consumer finance, and compliance-sensitive sectors should take note of these more targeted reforms, as they introduce selective opportunities, expanded protections, and tighter enforcement mechanisms that may affect specific business lines and risk strategies.

Looking Ahead

Given the volume of implementing regulation required across OJK, BI, LPS, and the government, the practical impact of many of these reforms is likely to emerge gradually over the next 12–18 months.

The Amended P2SK Law nevertheless represents a sweeping overhaul of Indonesia's financial sector architecture, with several immediate points of relevance for market participants:

- **Capital market participants and financial institutions** will be particularly focused on the demutualisation of the IDX and the introduction of a title-transfer margin regime, both of which affect market structure and transaction risk allocation.
- **Banks and sharia banks** may benefit from expanded business activities and MSME financing reforms, potentially enabling new products, partnerships, and distribution models.
- The **crypto asset reforms** signal a clear policy direction toward a more structured and OJK-supervised digital asset ecosystem.

- The **insurance policy guarantee framework**, including LPS' discretion to rescue or not rescue insurers, materially reshapes the risk and recovery landscape for insurance sector stakeholders.
- The planned **strategic mineral and commodity exchange** and **International Financial Centre** initiatives reflect ambitious structural reforms, the implementation of which will depend heavily on forthcoming legislation and implementing regulations.

We will continue to monitor developments under the Amended P2SK Law and issue further alerts on specific areas in due course.

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