Client Alert July 2026

Regulatory updates on Indonesia's Law on Financial Sector Development and Strengthening

Law Number 4 of 2026 on the Amendment to Law Number 4 of 2023 regarding Financial Sector Development and Strengthening (*Penguatan dan Pengembangan Sektor Keuangan*)

Overview

In response to the evolving Indonesian financial market and the need to strengthen financial sector regulation and supervision, on 17 June 2026, the Indonesian government enacted Law Number 4 of 2026 (P2SK Law Amendment). The P2SK Law Amendment refines Law Number 4 of 2023 regarding the Development and Strengthening of the Financial Sector (P2SK Law), which was enacted to strengthen Indonesia's financial regulatory framework and enhance the resilience, stability, and competitiveness of the financial sector.

This Client Alert highlights the key amendments introduced by the P2SK Law Amendment, including:
- Enhanced functions and powers of financial sector authorities and demutualization of the Indonesia Stock Exchange (IDX);
- Expansion of banking business activities (conventional and sharia banks);
- Introduction of BPI Danantara's special financial instruments;
- Regulatory framework for a mineral and strategic commodities exchange;
- Strengthened regulation of the crypto asset industry; and
- Establishment of Indonesia International Finance Center (IIFC).

Key amendments

Enhanced functions and powers of financial sector authorities and demutualization of the IDX

The P2SK Law Amendment introduces significant changes to the functions and powers of key financial sector authorities and the corporate structure of the IDX, as follows:

- The Indonesia Deposit Insurance Corporation (*Lembaga Penjamin Simpanan* (LPS)) now serves as both the deposit insurer for bank customers and the guarantor of insurance policies under Indonesia's policy guarantee program;
- LPS now requires all insurance companies to participate in the policy guarantee program, with the objective of protecting policyholders against potential defaults. This program will come into effect by no later than January 2028;
- LPS' role is expanded from being limited to liquidation following license revocation by the Financial Services Authority (*Otoritas Jasa Keuangan* (OJK)) to also include the resolution of insurance companies. The resolution of an insurance company may be triggered by certain conditions, including the insurance company's financial soundness level. Based on certain considerations, LPS may decide whether to proceed with the resolution. This provision will take effect on 1 January 2030.
- The mandate of the OJK is expanded to include supervision of mineral and strategic commodities exchange and certain public fund management activities (hajj fund management and public housing savings). This provision will be further implemented through an OJK regulation, which must be issued no later than three months after the enactment of the P2SK Law Amendment.
- The OJK's exclusive authority to initiate bankruptcy and suspension of debt payment obligation (*Penundaan Kewajiban Pembayaran Utang* (PKPU)) proceedings is broadened to include digital financial assets and crypto market debtors.
- Bank Indonesia's mandate is strengthened by expressly recognizing its role in supporting financial system stability and sustainable economic growth, alongside its existing monetary and payment system objectives.
- The P2SK Law Amendment also introduces a new ownership framework for the IDX by allowing share ownership not only by securities companies but also by certain eligible limited liability companies.
- The Ministry of Finance, Bank Indonesia, and *Badan Pengelola Investasi Daya Anagata Nusantara* (BPI Danantara) may become shareholders of the IDX while preserving its independence. The amendment also clarifies that the IDX is intended to operate as a demutualized, profit-oriented institution rather than as a mutual or membership-based nonprofit entity.

Expansion of banking business activities (conventional and sharia banks)

Under the P2SK Law Amendment, the scope of business activities that may be conducted by commercial banks are expanded. Commercial banks are now permitted to conduct other financial services activities, subject to consideration of their impact on the stability of the Indonesian financial system. The permitted activities will be introduced gradually and further regulated through OJK's regulations. The amendment also provides that proceeds from the settlement of underlying assets used in sharia investment products may only be distributed or returned to the investor customers of sharia banks.

Introduction of BPI Danantara's special financial instruments

The P2SK Law Amendment introduces special financial instruments in the form of Patriot Bonds and Merah Putih Bonds issued by BPI Danantara (i.e., BPI Danantara bonds). Investors purchasing these instruments in the primary market are granted legal protection against criminal prosecution and civil claims in connection with such purchases, subject to further government regulations. The protection includes legal protection against tax-related offenses.

Regulatory framework for a mineral and strategic commodities exchange

In line with the expansion of the OJK's regulatory mandate, the P2SK Law Amendment introduces a regulatory framework for a mineral and strategic commodities exchange, which will serve as a market system for the trading of minerals, strategic commodities, and their derivatives, supported by financing ecosystems and digital financial instruments.

The exchange will operate under the OJK's regulation and supervision regarding pricing, quality control, settlement, and risk management mechanisms for trading. Additionally, the exchange will be operated by a licensed market operator and is expected to be established and commence operations as from 1 January 2027.

Strengthened regulation of the crypto asset industry

The P2SK Law Amendment further enhances the regulation of the crypto asset industry under the Financial Sector Technology Innovation (*Inovasi Teknologi Sektor Keuangan* (ITSK)) framework, including the following key developments:

- The inclusion of Crypto Asset Financial Services Institutions (*Lembaga Jasa Keuangan Aset Kripto* (LJK Aset Kripto)) as a new category of entities regulated under the ITSK framework. LJK Aset Kripto comprise the following entities:
  - crypto asset traders;
  - crypto asset exchanges;
  - crypto assets clearing, guarantee, and settlement institutions;
  - centralized crypto asset custodians; and
  - other parties as designated by the OJK as LJK *Aset Kripto*.
- LJK Aset Kripto are required to obtain the relevant business licenses from the OJK in accordance with their respective business activities. To provide legal certainty, the P2SK Law Amendment clarifies that digital financial asset trading providers (including crypto assets) that have obtained approval or a license from the relevant authority prior to the transfer of regulatory and supervisory authority to the OJK and subsequently obtained the corresponding approval or license from the OJK are recognized as LJK Aset Kripto under the P2SK Law Amendment.
- All activities relating to crypto assets, including those conducted through crypto asset digital wallets, are required to be transacted through and/or reported to a crypto asset exchange.

Establishment of IIFC

The P2SK Law Amendment provides the legal basis for establishment of IIFC, a special jurisdiction expected to be developed within a designated area. The IIFC is intended to host financial and other business activities under an autonomous administrative and financial framework, as well as a special legal regime incorporating and adapting international principles and standards. The IIFC will be administered by a dedicated governing body known as the IIFC council. Business activities that may be conducted within the IIFC include activities in the financial sector, financial sector supporting services, as well as business activities in other sectors.

The P2SK Law Amendment lay the groundwork for special tax treatment and incentives and other special nontax facilities for the IIFC. A dedicated law governing the IIFC is required to be enacted within three months after the enactment date of the P2SK Law Amendment.

Although the P2SK Law Amendment is primarily regulatory in nature, several amendments may have tax implications. The introduction of BPI Danantara's special financial instruments, the establishment of a mineral and strategic commodities exchange, the enhancement and strengthening of crypto asset regulations, and the proposed IIFC may require further tax analysis once the implementing regulations are issued. Parties engaging in financial-sector business activities that may be affected by the enactment of the P2SK Law Amendment should consider reviewing the potential impact on income tax, VAT, withholding tax, transfer pricing, tax reporting, transaction documentation, and tax controversy readiness. In particular, statutory protections granted under the P2SK Law Amendment related to the purchase of BPI Danantara's special financial instruments should not be interpreted as a blanket tax exemption unless explicitly provided under the applicable tax regulations.

Key takeaways

- Following the expansion of banking business activities introduced by the P2SK Law Amendment, commercial banks may conduct other financial services activities, subject to consideration of their impact on the stability of the Indonesian financial system. This may provide banks in Indonesia with greater flexibility to develop new business activities or products, subject to in-depth market analysis and due diligence (e.g., legal, financial and tax) before submitting such activities or products to the OJK. Accordingly, further clarity is expected to be provided through implementing regulations to be issued by the OJK.
- The introduction of special sovereign-style instruments issued by BPI Danantara, together with statutory protections granting immunity from general and specific criminal liability (including tax offenses) and civil claims in relation to the purchase of BPI Danantara's special financial instruments through the primary market, raises important and still untested questions regarding the scope, enforceability, and legal limits of such protections under Indonesia's existing legal framework. Although government officials have made various statements regarding these protection provisions, further clarification is expected through the issuance of implementing regulations.
- While the P2SK Law Amendment introduces a broad range of reforms, many key provisions remain subject to further implementing regulations. An in-depth tax assessment is necessary once the implementing regulations are issued, particularly in relation to BPI Danantara bonds, the mineral and strategic commodities exchange, crypto assets, and the proposed IIFC.

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