

OJK RE-REGULATES FIT AND PROPER TEST REQUIREMENTS FOR NON-BANK FINANCIAL SERVICES

Mar 24, 2014

Currently, provisions on fit and proper tests for non-banking financial services are provided separately in several regulations and they apply different standards of fit and proper test procedures and materials. In an attempt to unify the fit and proper test requirements for non-banking financial services, the Financial Services Authority (“**OJK**”) issued Regulation No. 4/POJK.05/2013 on Fit and Proper Test of Primary Parties in Insurance Companies, Pension Funds, Financing Companies, and Credit Insurance Companies was recently regulated and has been in effect as of 23 December 2013. Under this regulation, a fit and proper test is required for parties who manage, supervise and/or have significant influence on Insurance, Pension Fund, Finance Lease or Guarantee Companies, namely (i) members of the Board of Directors; (ii) members of the Board of Commissioners; (iii) members of the Islamic Board of Supervisors (Dewan Pengawas Syariah); (iv) members of the Representatives of Board Members (Badan Perwakilan Anggota); (v) controlling shareholders; (vi) experts; and (v) foreign workers (the “**Primary Party**”).

The Primary Party must pass the fit and proper test before performing their tasks and duties, which will be conducted in three different circumstances, i.e. at the time they are nominated as a Primary Party; at the expiry of the validity period of the previous fit and proper test result; or at any time when a fit and proper test must be repeated (re-evaluated). The fit and proper test result will be valid for five years.

In addition, a Primary Party who has passed the fit and proper test before the issuance of this regulation is considered to have passed the fit and proper test

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In addition, a Primary Party who has passed the fit and proper test before the issuance of this regulation is considered to have passed the fit and proper test under this regulation and will remain valid for 5 years from this regulation’s enforcement date i.e. 23 December 2013.

Certain Primary Parties including the Board of Directors and Board of Commissioners of Pension Fund or Foreign Workers and Controlling Shareholders of Financial Lease and Insurance Companies who have not participated in any fit and proper test are considered to have passed the test as of this regulation coming into effect which will be valid for 5 years. The names of the Primary Parties above must be notified to the OJK by the relevant company within 3 months from this regulation coming into effect.