



Entering the Bullion Bank Era: Key Insights into Indonesia's New Licensing Regime

Indonesia is developing its bullion banking system under a new regulatory system designed to integrate gold more fully into the financial sector, while providing stronger oversight. Key steps include the licensing of bullion banks and the planned establishment of a National Gold Council.

This advisory outline what these changes mean for banks and gold producers operating in Indonesia.

A. Overview of Bullion Banks

Bullion banks in Indonesia are financial institutions authorized to conduct a range of gold-related financial activities. At this digital era, bullion banking activities can be conducted via electronic systems, provided that the financial institutions ensure the cybersecurity resilience of such electronic systems and the physical availability of the gold being traded.

Their operations are mainly regulated under:

- Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector ("**P2SK Law**"), which sets out the legal basis for bullion banking and business activities in the financial sector.
- Financial Services Authority (*Otoritas Jasa Keuangan* – "**OJK**") Regulation No. 17 of 2024 on Bullion Business Activities ("**POJK 17/2024**"), which provides detailed rules for bullion banking activities.

In addition, a presidential regulation is being drafted to further support and complement the OJK regulation.

Financial institutions intending to operate a full bullion banking business in Indonesia must meet a minimum core capital¹ threshold of IDR14 trillion (approximately USD845 million). This high capital requirement effectively excludes smaller banks, regional banks, and microfinance institutions from entering the bullion banking sector.

¹ A bank's capital consists of core capital and complementary capital. The core capital consists of: (i) paid-up capital, (ii) additional capital reserves (e.g., general reserves and retained earnings), and (iii) additional core capital (e.g., qualifying debt instruments). This core capital serves as the foundation for assessing a bank's financial health and its ability to absorb losses.

Currently, only two financial institutions have been licensed to operate bullion banking activities in Indonesia: state-owned pawnshop operator PT Pegadaian and state-owned PT Bank Syariah Indonesia Tbk. (BSI).

B. Permitted Bullion Banking Services

Authorized bullion banks can offer the following gold-related services:

(i) Gold savings

Customers deposit gold into an account known as an unallocated account. In an unallocated account, customers do not take physical possession of the gold, but they hold a claim over a specified quantity of gold. Given that customers release their control over the physical gold, the financial institution is permitted to utilize the deposited gold for purposes such as gold-based financing or gold trading, as explained in points (ii) and (iii) below.

- From the financial institution's perspective, this scheme is similar to how regular banks work. Customers deposit money, and the bank utilizes that money for loans or investments to generate profit.
- From the customer's perspective, this scheme is suitable for those seeking to hold gold as an investment or savings vehicle, as it offers flexibility, liquidity, and the convenience of buying and selling via the financial institution.

Difference with gold custody services

Under the gold savings scheme, the customer only has a claim for the gold (not the physical gold). If the financial institution becomes bankrupt, the customer will then be considered one of the creditors in the bankruptcy proceedings. This is different from customers who deposit physical gold for custody, where the customer remains the legal owner. In that case, the gold is not part of the financial institution's bankruptcy estate and must be returned in full (see point (iv) below).

(ii) Gold-based financing

Financial institutions may provide financing in the form of a specified amount of gold, based on an agreement that requires the borrower to return the same amount of gold after a certain period, along with a return or profit-sharing arrangement. The minimum amount of gold disbursed per financing transaction is 500 grams, subject to industry developments and changes as determined by the OJK.

Security/collateral requirements

In providing gold-based financing, financial institutions must secure collateral in the form of cash or cash equivalents, time deposits, government-issued securities, and/or securities issued by Bank Indonesia. For non-bank financial institutions, collateral may also include inventory in the form of gold. The value of such collateral must be at least 100% of the gold financing amount. In the event of fluctuations in the market price of gold, the financial institution may adjust the collateral value in the form of cash or cash equivalents.

(iii) **Gold trading**

Gold trading refers to the buying and selling of gold with a minimum transaction weight similar to gold-backed financing, i.e., at least 500 grams per transaction, subject to industry developments and changes determined by the OJK. Gold trading in the context of bullion banking activities is not intended for gold-based financing or gold custody. The gold traded must be in physical form and conducted through spot transactions, meaning the delivery of gold occurs on the same day or within one business day after the transaction date.

For gold trading intended for gold savings, gold-backed financing, and/or gold custody services, the minimum weight requirement of 500 grams does not apply. This means, for example, customers purchasing gold weighing less than 500 grams to be saved in a gold custody account is permissible.

(iv) **Gold custody services**

Gold custody services are considered the “safest” option for customers to retain ownership of their physical gold. Under this scheme, customers deposit gold into an allocated account. The allocated account is an account maintained in the customer’s name, based on a written agreement, where the gold is stored by the financial institution. Importantly, the financial institution does not acquire ownership rights over the gold held in this account.

Given the above, in gold custody services, financial institutions are prohibited from using the deposited gold for gold financing and/or trading activities. This contrasts with gold savings (see point (i) above), where customers release their control over the gold, allowing the financial institution to use it for gold financing and/or trading activities.

Another key feature that makes gold custody services the “safest” option is the legal treatment of the gold in the event of the financial institution’s bankruptcy. If the institution is declared bankrupt by a court decision, the gold held in custody is not included in the bankruptcy estate and must be returned to the customer in full.

(v) **Other related activities by financial institutions**

Other related activities refer to services that support the core bullion banking activities. This category is broadly defined to accommodate the evolving needs of bullion banks. Accordingly, financial institutions are required to apply for a separate license from the OJK, in addition to the main bullion banking license.

Also, bullion banking services may be carried out in accordance with sharia principles by upholding justice (*‘adl*), balance (*tawazun*), public benefit (*maslahah*), and universality (*alamiyah*); avoiding prohibited elements such as *riba*, *maisir*, *gharar*, *zalim*, *risywah*, *maksiat*, and unlawful objects; and using contracts (*akad*) that comply with fatwas or sharia compliance statements issued by authorized sharia bodies.

C. Bullion bank licensing

Administrative requirements

Bullion banks offering any type of permitted service must obtain a bullion business license (*izin kegiatan usaha bulion*) from the OJK.

Capital requirement

In addition to reviewing the completeness of the documents and the feasibility of the submitted business plan, the OJK will also verify compliance with the following capital requirements:

- a minimum core capital of IDR14,000,000,000,000 (equivalent to approximately USD845 million) for commercial banks, Islamic commercial banks, and/or Islamic banking units; and
- a minimum equity of IDR14,000,000,000,000 (or equivalent) based on applicable financial accounting standards for other financial institutions.

The above capital and equity requirements do not apply to financial institutions that solely conduct gold custody services. In such cases, the minimum capital/equity requirements will follow the specific regulatory provisions applicable to those institutions.

Treatment for existing license holders

Financial institutions that had already obtained a business license from the OJK before the enactment of POJK 17/2024 (i.e., before 18 October 2024) and have already been conducting bullion banking activities had to submit a separate application for a bullion business license within six months from the effective date of POJK 17/2024 (i.e., six months from 18 October 2024).

It is pertinent to note that installment-based gold purchases and cash financing using gold as collateral are still permitted as common activities conducted by banks, financing institutions, or other financial service providers, without the need to apply for a bullion business license.

D. National Gold Council

The government plans to establish a National Gold Council (*Dewan Emas Nasional* – “**Council**”) to oversee and structure Indonesia’s bullion ecosystem. The Council is expected to bring together stakeholders from mining, refining, trading, retail, financing and certification.

Although Indonesia is a major gold producer, much of that gold is held privately or traded informally, rather than being integrated into regulated financial and banking systems. The Council is intended to help change this by expanding the domestic market, reducing reliance on gold imports and offshore storage, and making gold a more active component of financial planning and reporting.

The Council is expected to play a role similar to bullion councils or gold associations in countries like the UK, Turkey and Singapore.

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