



New OJK Regulation on
Financial Conglomerates
(Vol.1) ^{P1}

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I. Introduction

The enactment of Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector, commonly known as the “P2SK Law,” represents a significant stride in aligning Indonesia's financial services industry with its growing complexity and diversity. This law marks a critical advancement by enhancing the regulatory and supervisory framework for financial services institutions. A prominent feature of the P2SK Law is the introduction of a comprehensive framework for Financial Conglomerates (*Konglomerasi Keuangan*), mandating the Indonesia Financial Services Authority (*Otoritas Jasa Keuangan* or “**OJK**”) to further refine these regulations.

In line with the P2SK Law, the OJK issued OJK Regulation No. 30 of 2024 in December 2024, concerning Financial Conglomerates and Financial Holding Companies (“**OJK Regulation 30/2024**”). This new regulation supersedes the previous OJK Regulation No. 45/POJK.03/2020, rendering it obsolete.

OJK Regulation 30/2024 imposes specific requirements on Controlling Shareholders (*Pemegang Saham Pengendali* or “**PSP**”) and/or Ultimate Controlling Shareholders (*Pemegang Saham Pengendali Terakhir* or “**PSPT**”) of Financial Services Institutions (*Lembaga Jasa Keuangan* or “**LJK**”) ¹. They must establish a Financial Holding Company (*Perusahaan Induk Konglomerasi Keuangan* or “**PIKK**”) if they meet certain criteria outlined in the regulation. PIKKs play a crucial role in overseeing the activities of Financial Conglomerates, focusing on monitoring, governance and risk management to ensure financial activities are managed effectively.

¹ Financial Services Institutions (*Lembaga Jasa Keuangan* or “**LJK**”) refer to entities that conduct activities in the banking sector, capital markets, insurance, pension funds, venture capital, microfinance institutions, financing institutions, and other financial services.

The OJK's regulation of Financial Conglomerates and the establishment of PIKKs aim to cultivate a financial system that is both sustainable and stable, safeguarding the interests of consumers and the public. This need is driven by global developments and the increasingly complex, dynamic and interconnected nature of financial services, which spans various sectors. This interconnectedness—whether in products, institutions or ownership—elevates risk exposure, necessitating robust regulation and supervision to mitigate potential risks in Financial Conglomerates. For PSPs and PSPTs, this regulation is expected to enhance their ability to oversee their Financial Conglomerates' development, ensuring better coordination and integration of risk management, governance, capital and other critical aspects.

OJK Regulation 30/2024 addresses a range of issues, including the general provisions concerning Financial Conglomerates and PIKKs, the establishment and licensing of PIKKs, governance, as well as the control and ownership of Financial Conglomerates.

This series of legal alerts will provide detailed insights into these regulatory changes. Volume 1 will delve into the general provisions of Financial Conglomerates and PIKKs as outlined in OJK Regulation 30/2024. Subsequent volumes, Volumes 2 and 3, will explore additional topics in greater detail.

II. Structure and composition of a Financial Conglomerate

According to OJK Regulation 30/2024, a Financial Conglomerate consists of the following components:

- A. Ultimate Controlling Shareholder (PSPT):** This term refers to an individual or a state entity that, directly or indirectly, owns shares in a company and acts as the ultimate controller or beneficial owner of the company or business group.
- B. Controlling Shareholder (PSP):** This term refers to a legal entity, individual or business group that, either directly or indirectly, holds shares or their equivalents in an entity operating within the financial services sector and possesses the capability to exert control over the entity.
- C. Financial Conglomerate:** This term refers to a group of Financial Services Institutions (LJKs) connected by ownership and/or control relationships, comprising the following structure:
 - 1. **Financial Holding Company (PIKK):** This may manifest as either an Operational PIKK or a Non-Operational PIKK, as detailed below. It is a legal entity owned by a PSP and/or a PSPT, responsible for overseeing, consolidating and managing all activities of a Financial Conglomerate.
 - 2. **Members of a Financial Conglomerate:** These include LJKs engaged in both conventional and Sharia-compliant business activities, which may encompass banks, insurance companies, securities companies, financing companies, infrastructure financing companies, guarantee agencies, pension funds, venture capital companies, pawnbrokers, providers of co-funding services based on information technology, organisers of securities offerings through information technology-based crowdfunding services and other LJKs as determined by the OJK (excluding microfinance institutions).

III. Requirement to establish a PIKK

PSPs and/or PSPTs of LJKs within the same group are mandated to establish a PIKK if they satisfy the following conditions:

- A. The total group assets of the LJKs amount to at least IDR100 trillion, and the group encompasses at least 2 (two) LJKs across 2 (two) different financial sectors; or
- B. The total group assets of the LJKs range from IDR20 trillion to less than IDR100 trillion, and the group includes at least 3 (three) LJKs in 3 (three) distinct financial sectors.

It is essential to note that the establishment of a PIKK requires approval from the OJK, necessitating the submission of an application within 6 (six) months following the fulfillment of the criteria for forming a Financial Conglomerate.

The total asset value of the group shall be calculated based on its total assets over 6 (six) consecutive months (excluding pension fund assets if such an entity is part of the group) and shall encompass the total assets of LJK members within the Financial Conglomerate.

To ensure legal certainty, the OJK specifies that for the initial assessment after the implementation of OJK Regulation 30/2024, the base calculation of total group assets for evaluating Financial Conglomeration criteria will rely on financial statements as of the end of June 2024, whether audited or unaudited.

Furthermore, it is important to recognise that, after considering certain factors, the OJK may designate LJKs under common ownership and/or control as a Financial Conglomerate, necessitating the establishment of a PIKK, even if the Financial Conglomerate does not meet the aforementioned thresholds. Factors considered include the complexity of business activities (such as the variety of products and services offered, transaction volume, product sensitivity and performance realisation) and the impact on financial system stability.

OJK Regulation 30/2024 also stipulates that if a group's asset value falls below the threshold mentioned above, but the group still meets the required number of LJKs as per points A or B above, the provisions related to Financial Conglomerates under OJK Regulation 30/2024 remain applicable.

IV. Types of PIKKs

According to OJK Regulation 30/2024, there are two types of PIKKs:

- A. Operational PIKKs; or
- B. Non-operational PIKKs.

An Operational PIKK is a legal entity owned by a PSP and/or a PSPT that not only performs the functions of a PIKK but also operates as an LJK. Conversely, a Non-operational PIKK is a legal entity owned by a PSP and/or a PSPT that solely performs the functions of a PIKK.

The key distinction between the two lies in the fact that an Operational PIKK functions as an LJK with the requisite capabilities and management within a Financial Conglomerate, while a Non-operational PIKK does not operate as an LJK. Non-operational PIKKs are included in the calculation of the total group assets of a Financial Conglomerate but are exempt

from the count of LJKs required to establish a PIKK. However, if a Non-operational PIKK receives approval or a permit from the OJK, it will be classified as an LJK.

OJK Regulation 30/2024 explicitly requires that a Non-operational PIKK must be established as a Limited Liability Company (Perseroan Terbatas) in Indonesia. Although the regulation implies the same requirement for an Operational PIKK, it does not explicitly establish the required legal form for an Operational PIKK.

V. Illustrative examples of PIKK formation

Case illustration 1:

A PSPT owns a PSP in the form of a bank. The PSP owns one bank and one insurance company. The total assets of the PSP and its two subsidiaries amount to IDR105 trillion. This group forms a Financial Conglomerate that is required to establish a PIKK. The PSPT may designate the PSP as an Operational PIKK.

Case illustration 2:

A PSPT owns a PSP that is not an LJK. The PSP owns one bank, one insurance company and one securities company. The total assets of the PSP and its three subsidiaries amount to IDR55 trillion. This group forms a Financial Conglomerate required to establish a PIKK. The PSPT may designate the PSP as a Non-operational PIKK.

Case illustration 3:

A PSPT owns two PSPs: the first is a bank, and the second is an insurance company. The first PSP owns a finance company, and the second owns a venture capital company. The combined assets of these PSPs and their subsidiaries total IDR90 trillion, forming a Financial Conglomerate required to establish a PIKK. If neither PSP controls the other's subsidiaries, the PSPT may establish a non-LJK company to serve as a Non-operational PIKK, which must have control over both PSPs.

VI. Exemptions from the requirement to form a PIKK

OJK Regulation 30/2024 outlines specific conditions under which LJKs may be exempt from being classified as a Financial Conglomerate or from the requirement to establish a PIKK:

- a. The relationships between LJKs that are directly owned and controlled by the central Government or regional governments are exempt from being classified as a Financial Conglomerate and the requirement to establish a PIKK.
- b. Rural economic banks and/or Sharia rural economic banks within a single group, or groups entirely composed of such banks owned by the same PSP and/or PSPT, are exempt from being classified as a Financial Conglomerate and the obligation to establish a PIKK.
- c. Branch offices of foreign banks are excluded from being part of a Financial Conglomerate.

VII. Administrative sanctions

Should PSPs, PSPTs and/or members of a Financial Conglomerate meet the criteria for establishing a PIKK but fail to comply or obtain approval from the OJK, they will face administrative sanctions in the form of written warnings. Continued non-compliance following these

warnings may lead to prohibitions from engaging in specific business activities.

Furthermore, if administrative sanctions are imposed, PSPs, PSPTs and/or their key personnel may face additional sanctions, including being prohibited from serving as primary parties. This is in line with OJK regulations regarding the fit and proper assessment of primary parties within LJKs.

VIII. Conclusion

The implementation of OJK Regulation 30/2024 significantly enhances the regulatory landscape for Financial Conglomerates in Indonesia. This regulation aims to bolster supervision and risk management by clearly defining the criteria for establishing a PIKK and identifying exemptions for certain Financial Conglomerates. Its primary objective is to improve governance and ensure stability within the financial sector.

For PSPs, PSPTs and LJKs, this regulation presents both challenges and opportunities. It necessitates careful planning, particularly if restructuring is required to comply with OJK Regulation 30/2024. While it demands adjustments in group structure, operations and governance to meet the new standards, it also offers the opportunity to enhance efficiency and risk management practices. As the regulation is implemented, ongoing analysis and expert guidance will be essential for entities to successfully adapt and prosper within this updated regulatory framework.

This Legal Alert is intended to provide an overview of the new regulatory framework for Financial Conglomerates under OJK Regulation 30/2024. It may not cover all related aspects.

Subsequent volumes, Volumes 2 and 3, will explore additional topics in greater detail. Stay tuned for a comprehensive understanding of these pivotal developments in Indonesia's financial sector.

Please feel free to contact us for more detailed advice or specific inquiries.

Your PwC Indonesia contacts:

Please feel free to contact our Legal Specialists.

Indra Allen
Partner
PwC Legal Indonesia
indra.allen@pwc.com

Adi Pratikto
Partner
PwC Legal Indonesia
adi.pratikto@pwc.com

Danar Sunartoputra
Partner
PwC Legal Indonesia
danar.sunartoputra@pwc.com

Fifi Mulyana
Junior Partner
PwC Legal Indonesia
fifi.mulyana@pwc.com

Puji Atma
Junior Partner
PwC Legal Indonesia
puji.atma@pwc.com

Indra Natakusuma
Junior Partner
PwC Legal Indonesia
indra.natakusuma@pwc.com


Dimas Bimo
Junior Partner
PwC Legal Indonesia
dimas.bimo@pwc.com

Agnes Wardhana
Junior Partner
PwC Legal Indonesia
agnes.wardhana@pwc.com

Narindra Krisnamurti
Senior Manager
PwC Legal Indonesia
narindra.krisnamurti@pwc.com

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