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Indonesia Recalibrates Its Financial Sector: Key Updates under the Amended Financial Omnibus Law

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Introduction

On June 17, 2026, Law No. 4 of 2026 on the Amendment to Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector ("**Law No. 4/2026**") was enacted. The amendment represents the latest reform of Indonesia's regulatory framework under Law No. 4 of 2023, commonly referred to as the "**Financial Omnibus Law**", and responds to heightened geopolitical uncertainty and is designed to safeguard financial system stability while supporting sustainable economic growth.

Law No. 4/2026 substantially recalibrates Indonesia's financial-sector regulatory framework. It refines the mandates of key financial authorities, expands the scope of regulated financial activities, and introduces new frameworks covering insurance resolution, digital assets, commodities market infrastructure, capital market infrastructure, and financial-sector enforcement.

The enactment of Law No. 4/2026 is significant for two reasons. First, it materially expands the duties and functions of three key regulators: the Indonesian Deposit Guarantee Agency (*Lembaga Penjamin Simpanan*, "**LPS**"), the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan*, "**OJK**"), and Bank Indonesia. Second, it establishes a number of new policy frameworks and institutions such as the Indonesian International Financial Center, with further details expected to be set out in implementing regulations. Below, we highlight several key updates introduced by Law No. 4/2026. This overview is high-level at this stage, and further analysis may be required once implementing regulations are issued.

1. Expansion of the LPS's Role in Insurance Policy Guarantees and Insurance Company Resolution

One of the main changes under Law No. 4/2026 is the expansion of the LPS's duties, functions, and authority, together with the strengthening of the LPS's status as an independent legal entity accountable to the President. Previously, the LPS's duties and authority were limited to deposit guarantees and bank resolution; under Law No. 4/2026, however, the LPS now has broader guarantee functions and resolution powers for both the banking and insurance sectors.

a. <u>Expansion of the LPS's Role</u>

The LPS's expanded role is reflected in the additional duties assigned to it under Law No. 24 of 2004 on the Deposit Guarantee Agency (as amended). The LPS is now responsible not only for formulating and implementing the deposit guarantee program, but also for guaranteeing insurance policies and conducting the resolution of insurance company. This includes:

i. determining and collecting periodic policy guarantee premiums;
ii. determining and collecting initial fees payable by insurance companies and sharia insurance companies participating in the guarantee program;
iii. obtaining policyholder data, financial soundness data, financial statements, and due diligence reports on insurance and sharia insurance companies;
iv. conducting educational outreach to insurance companies, sharia insurance companies and the public regarding the insurance policy guarantee program;
v. carrying out due diligence on insurance companies and sharia insurance companies, either independently or jointly with the OJK;
vi. transferring insurance portfolios, paying claims covered by the insurance policy guarantee program , and refunding premiums; and
vii. providing financial assistance to insurance companies and sharia insurance companies in resolution.

Please note that the LPS's new role in guaranteeing insurance policies will not become operational until January 2028. Accordingly, further implementing regulations and institutional preparations should be expected before the program becomes fully operational.

b. Insurance Resolution Framework

Reflecting the expansion of the LPS's authority, Law No. 4/2026 introduces a new framework for handling distressed conventional and sharia insurance companies under Law No. 40 of 2014 on Insurance, alongside the existing resolution frameworks for conventional and sharia banks.

The new framework provides greater flexibility in dealing with troubled insurance companies. Under the new law, the OJK and the LPS may conduct joint examinations of troubled insurance companies as an anticipatory measure or as part of the response to an insurance company's financial distress. Then the LPS can carry out preparatory resolution measures, conduct due diligence, seek potential investors, and formulate and implement resolution policies for insurance companies designated by the OJK as companies "in resolution".

The LPS may also decide whether to rescue an insurance or sharia insurance company in resolution, based on factors such as the estimated cost of rescue, the estimated cost of non-rescue, broader economic and industry conditions, the availability of investors, timing considerations, and the effectiveness of the proposed resolution.

Once an insurance company is designated as "in resolution", the LPS has broader powers to preserve value and maintain continuity of essential insurance functions. The LPS may transfer some or all of the assets and/or liabilities of an insurance company in resolution, without obtaining the approval of interested third parties or certain corporate organs, to a receiving insurance company or an intermediary insurance company established or authorized to receive the transferred assets and/or liabilities and temporarily continue the insurer's business activities.

Following the transfer, the LPS may request the OJK to revoke the business license of the insurer in resolution, after which the LPS will carry out the liquidation. The intermediary insurance company must then be sold, either through the sale of all shares in the company or through the transfer of its assets and liabilities to another insurance company or another party.

2. Expansion of the OJK's Supervisory Scope and Regulatory Powers

a. <u>OJK Supervision over the Mineral and Strategic Commodities Exchange</u>

Law No. 4/2026 expands the OJK's supervisory perimeter to include the mineral and strategic commodities exchange. Pursuant to Law No. 4/2026, which amends Law No. 21 of 2011 on the Financial Services Authority, the OJK's statutory duties now expressly include the regulation and supervision of activities relating to the mineral and strategic commodities exchange. This places a new commodities-related market infrastructure within the OJK's financial-sector regulatory framework.

The new exchange framework is further developed under Article I, point 91, of Law No. 4/2026, which inserts Article 132A into the Financial Omnibus Law. Pursuant to Article 132A paragraph (1) of the Financial Omnibus Law, the mineral and strategic commodities exchange is an organized and integrated market system for trading minerals and strategic commodities, including their derivatives, supported by financing ecosystems, digital financial instruments, and mechanisms relating to pricing, quality, settlement and risk management.

The framework transfers regulatory and supervisory authority over the relevant exchange transactions from the Indonesian Commodity Futures Trading Regulatory Agency (*Badan Pengawas Perdagangan Berjangka Komoditi,* or "**Bappebti**") to the OJK. The OJK must issue a regulation governing the phased transfer after consulting with the House of Representatives of the Republic of Indonesia (*Dewan Perwakilan Rakyat*, or "**DPR**"). The transfer of authority must be completed by 17 September 2026. The exchange is expected to be established and operational by 1 January 2027, with further provisions to be set out in an OJK regulation, subject to DPR approval.

b. <u>Dedicated OJK-Supervised Framework for Crypto and Digital Financial Assets</u>

The Financial Omnibus Law brought activities relating to digital financial assets, including crypto assets, within the broader scope of Financial Sector Technology Innovation (*Inovasi Teknologi Sektor Keuangan,* or "**ITSK**"). Law No. 4/2026 further expands this framework to expressly cover a wider range of digital financial asset activities, including tokenization, initial offerings of digital financial assets and crypto assets, stablecoins used for transaction purposes, staking, crypto asset lending, crypto asset pledging, and other spot and derivative crypto asset activities. However, crypto assets are still not recognized as payment instruments.

Law No. 4/2026 also introduces a more detailed statutory framework for crypto asset financial institutions. These institutions include crypto asset traders, crypto asset exchanges, crypto clearing, guarantee and settlement institutions, centralized crypto custodians, and other parties designated by the OJK. Each crypto asset financial institution must be licensed by the OJK. The law further regulates the minimum requirements for the establishment and ownership structure of crypto asset exchanges, requires transactions relating to crypto assets, including those involving digital wallets for crypto assets, to be conducted through and/or reported to the relevant crypto asset exchange, and gives the OJK authority to conduct fit and proper assessments of the main parties of crypto asset financial institutions.

The amendment also strengthens the OJK's enforcement, market-conduct and consumer-protection powers, including its power to freeze and/or block non-compliant crypto asset transactions or trading activities conducted in Indonesia by both domestic and foreign parties.

3. Broader Business Activities for Conventional and Sharia Banks

The banking reform framework had already begun to modernize the scope of permissible banking activities, including through digital banking and open finance concepts. Law No. 4/2026 goes a step further by expressly allowing banks to engage in a wider range of adjacent financial services and cooperation arrangements, subject to further regulation by the OJK and Bank Indonesia.

This expansion is reflected in the amended definition of "bank," which now recognizes banks not only as institutions that collect deposits and extend financing to improve public welfare, but also as institutions that may conduct other financial services activities. Banks may now, in addition to their core banking business, conduct other financial services activities, provided that they take into account the impact of those activities on financial system stability.

Further provisions governing these expanded activities will be issued by the OJK and Bank Indonesia within their respective areas of authority.

4. Danantara Special Debt Instruments

Law No. 4/2026 introduces a new statutory framework for the issuance of debt instruments by *Badan Pengelola Investasi Daya Anagata Nusantara* ("**Danantara**"). Danantara may now issue ordinary debt instruments and special debt instruments, including instruments known as patriot bonds and *merah putih* bonds.

Patriot bonds are intended to encourage participation by the Indonesian diaspora and the wider public in national economic development and serve as instruments for mobilizing domestic capital, while *merah putih* bonds are intended to be rupiah-denominated instruments that mobilize capital from domestic and international investors to support national strategic projects and investment aimed at driving Indonesia's economic growth.

These instruments are freely transferable and tradable and may be used as collateral by investors. Eligible investors include, among others, participants in tax amnesty or voluntary disclosure programs. More importantly, investors purchasing Danantara's special debt instruments in the primary market are granted statutory protection. Purchases of these instruments in the primary market are treated as lawful transactions within the national financial system and are protected from criminal prosecution, including prosecution for tax-related offenses, and from civil claims. Data and information relating to purchases of the special debt instruments cannot be used as a basis for any tax assessment or as evidence in judicial proceedings.

Further details will be set out in a Government Regulation.

5. Demutualization of the Indonesia Stock Exchange

The ownership model of the Indonesia Stock Exchange (*Bursa Efek Indonesia*, "**IDX**") has changed from a membership-based structure to a demutualized, for-profit structure. Shareholders in the IDX may now include Indonesian citizens and/or Indonesian legal entities, whether or not they are stock exchange members. The law also allows the Ministry of Finance, Bank Indonesia, and Danantara to become shareholders of the IDX, provided that the exchange's independence is preserved. This reform is intended to ensure that the IDX is managed professionally in accordance with the principles of accountability, transparency, effectiveness, efficiency, and fairness.

This structure is expected to allow the exchange to respond more quickly to market developments, attract a broader range of investors, and potentially become a public company itself.

6. Establishment of the Indonesian International Financial Center

Law No. 4/2026 provides for the establishment of the Indonesian International Financial Center (*Pusat Finansial Internasional Indonesia*), which is intended to enhance Indonesia's competitiveness as an international financial center, attract investment, facilitate the financing of national strategic projects and other projects, promote innovation in the financial sector and contribute to economic growth.

The center will operate as a special financial area with financial and administrative autonomy and a distinct legal framework under which international principles and standards may be adopted or adapted. The center will encompass financial-sector businesses, businesses supporting the financial sector and other business activities. Business activities conducted within the center will benefit from special tax treatment as well as special tax facilities and other facilities.

The Indonesian International Financial Center has been designed by the government as a potential platform for establishing family office structures. Law No. 4/2026 required a separate implementing law to be enacted within three months of its promulgation. On 21 July 2026, the Indonesian Parliament approved the bill formally establishing the Indonesian International Financial Center framework. The government may establish one or more financial centers. Although the location of the first center has not yet been finalized, the province of Bali has previously been identified by officials as a potential site.

The full text of the approved bill was not immediately made publicly available following its approval on July 21. Once the official text becomes available, we will review its provisions and issue a separate newsletter providing a more detailed analysis.

7. Expanded Authority of the Financial Sector Task Force to Address Misconduct

Under the previous regime, the Financial Omnibus Law provided the statutory basis for the OJK, together with other authorities, to establish a task force to handle unlicensed financial-sector activities. Under Law No. 4/2026, the task force's mandate is no longer limited to unlicensed financial-sector activities, but also covers licensed business activities involving suspected breaches of requirements governing fund-collection mechanisms, misuse of data, or breaches of consumer protection requirements.

This is particularly relevant for online lending and digital financial services providers, as regulatory issues may arise not because the operator is unlicensed, but because its collection practices, use of customer data, or consumer-facing conduct are problematic. Additionally, Law No. 4/2026 expressly extends the task force's mandate to include preventing and addressing suspected use of ITSK for gambling activities.

Key Takeaways

Law No. 4/2026 represents a recalibration of Indonesia's financial-sector framework. It expands the roles and powers of the LPS and the OJK, and introduce new frameworks for crypto assets, the mineral and strategic commodities exchange, and financial-sector enforcement. In light of this, businesses should assess whether the amendment affects their licensing and compliance requirements, reporting obligations, governance structures, or their interactions with the OJK, the LPS and Bank Indonesia, while closely monitoring the implementing regulations to be issued under Law No. 4/2026.