

## Indonesia: The future of financial conglomeration - Understanding the latest regulatory changes

### In brief

The Financial Services Authority (*Otoritas Jasa Keuangan* or OJK) has finally unveiled the much-anticipated implementing regulation for the new chapter of financial conglomeration. OJK Regulation No. 30 of 2024 on Financial Conglomeration and Financial Holding Company ("**POJK 30**") governs the establishment or appointment of a financial holding company (*perusahaan induk konglomerasi keuangan* or PIKK) - a legal entity tasked with controlling, consolidating and overseeing all of the financial conglomerate's activities. This regulation was promulgated and became effective on 23 December 2024.

Consequently, OJK Regulation No. 45/POJK.03/2020 on Financial Conglomeration ("**POJK 45**"), which previously governed the concept of financial conglomeration, has been revoked.

In summary, POJK 30 asserts the provisions of PIKK as set out under Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector ("**P2SK Law**"), which we have elaborated in our past client alert ([here](#)). POJK 30 re-establishes the criteria for financial conglomerates and requires controlling shareholders and ultimate shareholders of Indonesian financial institutions that already fulfilled the criteria to submit an application for PIKK establishment approval at the latest by 23 June 2025.

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## Key updates from POJK 30

### 1. Criteria and members of financial conglomerates

Controlling shareholder and/or ultimate shareholder of financial services institutions in the same group (due to ownership or control) must establish a PIKK if:

- a. The group has total consolidated assets of at least IDR 100 trillion and include at least two institutions in different financial sectors; or
- b. The group has total consolidated assets of between IDR 20 trillion and IDR 100 trillion and include at least three institutions in different financial sectors.

Furthermore, the range of financial services institutions eligible to be part of a financial conglomerate has been extended to include, among others: venture capital companies, P2P lending and organizers of securities offering through IT-based crowdfunding services.

The above threshold differs from POJK 45, which required financial conglomerates to have total assets of at least IDR 100 trillion, operate more than one financial service institution, include a main entity with subsidiaries and/or related companies (*entitas terelasi*) and limit financial conglomerate members to banks, insurance and reinsurance companies, finance companies, and/or securities companies.

### 2. Establishment of PIKK

PIKK can be either operational or non-operational. Below are the definition of the two types:

- **Operational PIKK:** a financial service institution owned and appointed by the controlling shareholder.
- **Non-operational PIKK:** a non-financial service institution owned and appointed by the controlling shareholder

PIKK plays a pivotal role in steering and integrating the financial conglomerate's activities. Their responsibilities under POJK 30 span across making strategic equity investments, offering management services to enhance consolidation and business strategies, and injecting additional capital in the members of the financial conglomerate. Additionally, with OJK's approval, non-operational PIKK can venture into other financial services activities.

Financial conglomerates also now have an additional obligation beyond the previously mandated corporate charter, which is to create a financial conglomerate corporate plan. This corporate plan must include an evaluation of the previous period's performance, an analysis of internal and external environments and the financial conglomerate's goals and strategies.

### 3. **Criteria for Ownership and Control**

While POJK 45 offers a general definition of control, POJK 30 lists down elements that categorize an entity as capable of exerting control over its financial conglomerates. PIKK is deemed to control members of its financial conglomerate if:

- a. PIKK owns more than 50% of the shares in the members of the financial conglomerate;
- b. PIKK owns 50% or less of the shares but still exercises control over the members of the financial conglomerate;
- c. Financial accounting standards require the financial statements of the members to be consolidated with PIKK; or
- d. If other parties own between 20% and 50% of the shares, the control must meet the following conditions:
  - i. PIKK and the other parties have equal ownership in the member of the financial conglomerate; and
  - ii. PIKK and other parties exercise joint control based on a written agreement, committing to provide both financial and non-financial supporting in accordance to their ownership.

Control over members of the financial conglomerate, as mentioned in point (b), can be exercised by:

- a. Direct management or influencing policies of the members;
- b. Acting in concert to achieve common control goals;
- c. Authority to appoint or dismiss directors, commissioners and principals of the members; and/or
- d. Indirectly influencing or managing the policies of the members.

### 4. **Important Timelines**

The application to become a PIKK will need to be submitted within six months after the enactment of the regulation, i.e., 23 June 2025. If any company restructuring is required to establish the financial conglomerate, the restructuring would need to be completed within one year after obtaining the initial OJK approval to become a PIKK unless permitted otherwise by OJK.

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## Closing

With POJK 30, Indonesia is making significant strides in creating a more integrated supervision of the financial services sector, reinforcing its commitment to a robust and comprehensive financial system. Companies that previously did not need to establish a financial conglomerate should now be aware that they may fall under the new criteria. Companies may also need to factor in the possibility of undertaking corporate actions to establish the financial conglomerate. For more information on POJK 30 and its potential impact on your business, please contact us.

## Contact Us



**Erwandi Hendarta**  
Senior Partner  
[erwandi.hendarta@hhplawfirm.com](mailto:erwandi.hendarta@hhplawfirm.com)



**Mahardikha K Sardjana**  
Partner  
[mahardikha.k.sardjana@hhplawfirm.com](mailto:mahardikha.k.sardjana@hhplawfirm.com)



**Eddie Prabowo Dewanda**  
Partner  
[eddie.dewanda@hhplawfirm.com](mailto:eddie.dewanda@hhplawfirm.com)



**Amanda Besar**  
Associate  
[amanda.besar@hhplawfirm.com](mailto:amanda.besar@hhplawfirm.com)



**Theresia Fransmanto**  
Associate  
[theresia.fransmanto@hhplawfirm.com](mailto:theresia.fransmanto@hhplawfirm.com)

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