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REGULATION NO. 34/2025: STRENGTHENING OVERSIGHT AND MANAGEMENT OF DANANTARA'S STRATEGIC ASSET




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Overview & Introduction

Government Regulation No. 34 of 2025 establishes the comprehensive procedural framework for the management of assets held by the Badan Pengelola Investasi Daya Anagata Nusantara (“**Danantara**”), the state investment management body created under the latest amendments to the SOE Law. As mandated under the SOE Law, this regulation provides the operational foundation for Danantara to manage, invest, transfer, utilize, and supervise its assets in a manner consistent with principles of good governance, accountability, and transparency.

Key Takeaways from Government Regulation No. 34 of 2025

1. Institutional Authority and Scope of Asset Management

The Government Regulation No. 34 of 2025 begins by affirming that all assets under Danantara’s control constitute its property and fall under its management responsibility. This is expressly set out in the opening provisions, which define Danantara as the body executing governmental functions in the field of SOE asset management. The Government Regulation No. 34 of 2025 outlines the legal categories of assets under Danantara’s authority, including equity holdings, securities, cash equivalents, receivables, land and buildings, as well as other forms of movable or immovable property that carry monetary value.

Danantara is empowered to manage these assets autonomously but subject to strict adherence to governance principles. The Government Regulation No. 34 of 2025 requires that all asset management activities be conducted based on good corporate governance, emphasizing accountability, transparency, and the maintenance of accurate asset records. This includes the responsibility to ensure that asset utilization whether for operational expenditures, investment, reserves, or transfers is aligned with the long-term value preservation and risk-management framework mandated by the parent statute.

The scope of authority also extends to the ability to enter cooperation arrangements with third parties, including investment partners, financial institutions, and other SOEs. However, cooperation must be structured so that Danantara maintains decisive control over key decisions, and agreements must at minimum specify the parties, objects, duration, and respective rights and

obligations. Through this structure, the regulation ensures that the delegation of operational activities does not diminish the supervisory and fiduciary obligations inherent in Danantara's statutory mandate

2. Investment, Lending, and Risk-Management Mechanisms

The Government Regulation No. 34 of 2025 sets forth detailed mechanisms through which Danantara may conduct investments, whether directly or indirectly, and whether in the form of equity, securities, cash instruments, receivables, or real property. It requires Danantara to prepare an annual investment plan as part of its work plan and budget, which must be reviewed by the Supervisory Board and approved by the President. Investment boundaries and allocations must be predetermined and may only be adjusted in accordance with internal regulations issued by Danantara. These provisions ensure that investment decisions are structured, planned, and subject to hierarchical approval.

In addition to investing, Danantara is authorized to grant and receive loans. It may borrow from domestic or foreign sources to support operational needs or financing requirements of SOE holding entities, subject to prior presidential approval. Similarly, Danantara may extend loans to the operational and investment holdings, with the option of securing such loans with collateral belonging to the borrower. The lending framework requires formal loan agreements, ongoing monitoring of disbursements, and evaluation of repayment compliance, reflecting a regulated financial governance environment.

Risk management is reinforced through the regulation's provisions on cut loss and total loss decisions. Danantara is permitted to divest or write down underperforming investments, provided it can demonstrate that decisions were made prudently, in good faith, without conflicts of interest, and based on adequate analysis. When these standards are met, Danantara and its personnel are shielded from legal liability for any resulting losses. This codifies a form of business judgment protection for asset managers, ensuring operational flexibility while maintaining legal accountability.

3. Asset Transfer, Write-Offs, Accounting, and Utilization of Returns

The Government Regulation No. 34 of 2025 grants Danantara the authority to dispose of assets through sale or other lawful means. Asset transfers must follow governance procedures and may be conducted only when justified by operational or investment considerations. In some instances, collateralization of assets is allowed, although shareholdings in holding entities cannot be pledged to safeguard the integrity of the SOE group structure. These safeguards ensure that divestments or encumbrances do not compromise the broader strategic interests of the state. □

For accounting and financial reporting, Danantara is required to record every transaction and every form of asset management activity according to internal accounting standards set by its head. Regular reporting must be submitted to the Supervisory Board to ensure transparency and ongoing oversight. The Government Regulation No. 34 of 2025 further governs the processes for asset write-offs, distinguishing between uncollectible receivables, valueless investments, and

obsolete or unusable assets. Write-offs do not eliminate Danantara's authority to pursue recovery efforts, thereby preserving the state's financial interests.

Lastly, the Government Regulation No. 34 of 2025 addresses the use of profits generated from asset management. Gains and losses belong exclusively to Danantara, not to the state treasury, though a portion of profits may be designated as dividends to the state after mandatory reserves are set aside. This framework reflects the legislator's intent to maintain Danantara as a professional financial institution operating under business principles while still generating returns for the state in a structured and prudent manner.

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