

Indonesia Regulatory Update

October 2017



Regulatory Highlights

This publication sets out to highlight at summary level, some of the key current regulatory changes in Indonesia. These important changes have implications for industry, covering a wide range of industries and within these, specific and complex business processes. For further details on any of the items covered, a listing of KPMG Contact Points for further discussion is included at the end of the document. Hyperlinks to the source documentation (Bahasa Indonesia for most items) are provided as appropriate.

Regulatory updates covered in this publication are as follows:

- The Acceleration of Doing Business.
- The Settlement of Bilateral Trade Transactions by Using Local Currency Settlement through Bank.
- Reporting and Requesting for Debtor Information through the Financial Information Service System.
- The Implementation of Corporate Governance in Securities Companies Acting as Underwriters and Securities Broke-Dealers.

General Services

The Acceleration of Doing Business

Recently, the government released a Presidential Regulation No. 91 Year 2017 regarding Acceleration of Doing Business and has become effective since 26 September 2017, which aim to provide ease of doing business and to accelerate the licensing process in accordance with the service standards, time, and costs incurred for all business license for all size of enterprise including small and medium enterprise ("SME").

A Task Force ("*Satgas*") will be established to promote services, safeguards, troubleshooters, simplification and on-line system development in

order to accelerate doing business including for micro, small and middle businesses after they get capital investment approval.

The Task Force consists of National Satgas, Ministry/Institutional Satgas, Province Satgas and municipal/city Satgas. The regulation stipulates who should be in each of the Satgas, and its roles and responsibilities.

The regulation stipulates the procedures to be implemented to achieve the business doing acceleration in Special Economic Zone ("*Kawasan Ekonomi Khusus*"), Free Trade/Port Zone ("*Kawasan Perdagangan Bebas dan Pelabuhan Bebas*"), Industrial Zone and Nationally Strategic Tourism Zone ("*Kawasan Industri dan Kawasan Strategis Pariwisata Nasional*"), as well as for areas outside those special zones.

All business licensing shall be processed through the online integrated system or online single submission system. This system will be launched on 1 January 2018 and begin to effectively operate on 1 March 2018. The government will facilitate an infrastructure to accommodate the end-to-end process.

(Issued regulation in Bahasa: [Presidential Regulation No.91/2017](#))

Financial Services

The Settlement of Bilateral Trade Transactions by Using Local Currency Settlement through Bank

Bank of Indonesia ("BI") has recently issued regulation No. 19/11/PBI/2017 on The Settlement of Bilateral Trade Transactions by Using Local Currency through Bank. The regulation will come into effective on 2 January 2018.

In the regulation, Local Currency Settlement ("*LCS*") is applied to support the stability of Rupiah exchange rate by reducing dependency on US Dollar in settling bilateral trade transactions between Indonesia and

its partner countries. The government expected this regulation to reduce the cost incurred in the foreign exchange transactions against Rupiah with the direct quotation occurrence with other countries' currencies, as to develop regional currency markets and expand the access of business users to pay their obligations in their local currency.

The regulation stipulates that Bank Indonesia along with the other partner countries' central banks are authorized to appoint certain banks in the respective country as Bank Appointed Cross Currency Dealer ("Bank ACCD"). All Bank ACCD needs to have an account with the Bank ACCD of the partner country. Importers and exporters in each country need to open a Sub-Special Purpose Non-Resident ("Sub-SNA account") in the currency of the partner country in their own country Bank ACCD.

Bank ACCD Indonesia gives certain interest over the balance of SNA Rupiah account owned by the Bank ACCD of partner country as well as Sub-SNA accounts. The balance of SNA Rupiah account should be maintained at certain maximum balance at each end of day.

Bank ACCD Indonesia can conduct transactions in Rupiah or foreign currency with other Bank ACCD Indonesia or Bank ACCD of partner countries without underlying transactions with the purpose of squaring position at gross or net basis, for instance spot, forward, swap or other transactions.

Bank ACCD Indonesia can conduct transactions in Rupiah or foreign currency against the partner country's currency with Indonesia Importers/Exporters, with the purpose for squaring position and must be supported with underlying transactions and at gross basis, for instance spot, forward, swap or other transactions. The tenor of the transaction should not exceed the underlying transaction amount.

The issuance of the regulation is the result of the LCS collaboration between Indonesia, Malaysia and Thailand to support the trade between the nations.

Bank ACCD Indonesia must have standard operating procedures for the local currency settlement as well as submit activity and transaction report to Bank Indonesia by no later than 14 days in the following month.

(Issued regulation in Bahasa: [BI Regulation No. 19/11/PBI/2017](#))

[Reporting and Requesting for Debtor Information through the Financial Information Service System](#)

In conjunction with the Financial Service Authority ("OJK") regulation no. [18/POJK.03/2017](#) on Reporting and Requesting for Debtor Information through the Financial Information Service System, OJK has

issued the implementation guidance in OJK circular letter no. 50/SEOJK.03/2017. The regulation has come into effective as of 27 September 2017.

To support OJK in its banking supervisory function and to provide information on financial services, OJK requires all financial services institutions such as commercial banks, sharia banks, rural banks, financing institutions, and potentially, financial institutions in IT-based peer-to-peer lending and micro lending, to report their financial reports through the new financial information service system ("*Sistem Layanan Informasi Keuangan*" - "*SLIK*"). SLIK serves as a means for credit information exchanges among financial services institutions in order to promote credit or financing access.

The circular letter includes administrative procedures and requirements from OJK to use SLIK, format and content of reports, submission channels either online or offline, as well as debtors' information to be reported.

The regulation also stipulates procedures on how to access the debtor information, who is authorized to access and use the information. The debtor may request the debtor's information stored in the system to OJK or to the bank with whom the debtor has transactions.

The system is directly and indirectly overseen by OJK.

(Issued regulation in Bahasa: [OJK Regulation No. 50/SEOJK.03/2017](#))

[The Implementation of Corporate Governance in Securities Companies Acting as Underwriters and Securities Broke-Dealers.](#)

OJK has recently issued regulation 57/POJK.04/2017 on The Implementation of Corporate Governance in Securities Companies Acting as Underwriters and Securities Broke-Dealers. The regulation has come into effective as of 26 September 2017.

In this regulation, Securities Companies are referred to Securities Companies that conduct activities as underwriter, securities broke-dealers, and/or investment manager. The Securities Companies are required to implement Good Corporate Governance ("GCG") which applies transparency, accountability, responsibility, independency and fairness.

The GCG should be materialized in form of, at least:

- Shareholders' commitment and Shareholders general meetings;
- Conduct of Board of Directors' ("BOD") roles and responsibilities;
- Conduct of Board of Commissioners' ("BOC") roles and responsibilities;

- Prohibitions for BOD and BOC;
- Remuneration of BOD and BOC;
- Business ethics;
- Internal controls;
- Business Plans;
- Breaches reporting system and policy as well as customer's complaints system and policy;
- Website;
- Reporting.

The regulation stipulates requirements for each of the above aspects.

The company is required to submit reports to OJK on GCG implementation on annual basis by the 15th of the following month at the latest.

The company is required to comply with this regulation by 14 September 2018 at the latest, i.e. one year after the issuance of the regulation. Sanctions will be implied starting 14 September 2019 for non-compliance.

(Issued regulation in Bahasa: [OJK Regulation No. 57/POJK.04/2017](#))



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