

# Indonesia Regulatory Update

July 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:

- Amendment to Ministry of Energy and Natural Resources No. 7/2017 on Procedures for the Determination on Benchmark Pricing for Metals Minerals and Coals.
- National Payment Gateway.
- Sole Ownership in Indonesian Banks.
- Procedures for the Use of Services of Public Accountants and Public Accounting Firms in Financial Services Activities.

## Energy and Natural Resources

[Amendment to Ministry of Energy and Natural Resources No. 7/2017 on Procedures for the Determination on Benchmark Pricing for Metals Minerals and Coals.](#)

Ministry of Energy and Natural Resources ("MEMR") issued decree No. 44/2017 regarding Amendment to [Ministry of Energy and Natural Resources No. 7/2017](#) on Procedure for the Determination on Benchmark Pricing for Metals Minerals and Coals. The regulation has come into effect as of 17 July 2017.

Minor amendments are made to the regulation as follows:

- Previously, the Benchmark Pricing for Metals Minerals and Coals ("*Harga Patokan Mineral Logam*" – "*HPM*") was determined by Director General of Minerals and Coal ("Director General") on behalf of the Ministry, while on the new regulation Article 1(5), HPM is assigned directly by the Ministry.
- Example of metal mineral classified under HPM are nickel, cobalt, lead, zinc, bauxite, iron, gold, silver, tin, copper, manganese, chrome, titanium and other metal minerals.
- As stated in article 4(6), ministry will determine HPM metals based on several variables such as grade of the metals minerals, minerals constant, corrective factor, payable metals, treatment cost and refining charges. While in article 7(1), Benchmark Price for Coal ("*Harga Patokan Batubara*" – "*HPB*") for steam/thermal coal and cooking/metallurgical coal, will be determined directly under the Ministry without the assistance of Director General. Periodic review for these two assessment are conducted every 6 months.
- Article 9(1) clarifies how business owner with a Production Operation Mining-Business Permit ("*Izin Usaha Pertambangan Operasi Produksi*" – "*IUP-OP*") able to sell coal i.e. fine coal, reject coal and coal with certain impurities below the designated HPB.

(Issued regulation in Bahasa: [MEMR Regulation No. 44 year 2017](#))

## Financial Services

### National Payment Gateway

Bank of Indonesia ("BI") issued regulation No. 19/8/PBI/2017 regarding National Payment Gateway (NPG). This regulation has come into effect as of 21 June 2017.



The regulation remarks the beginning of an efficient and secure national payment system of the banking industry in Indonesia. Through this new regulation, all electric money, debit and credit cards shall be interconnected and interoperated together with local switching agencies for instance PT Artajasa Pembayaran Elektronis ("ATM Bersama"), PT Daya Network Lestari (Alto Network), PT Jalin Pembayaran Nasional (ATM Link) and PT Rintis Sejahtera ("ATM Prima") to reduce transaction fee, such as interbank transfer fee and domestic retail fee.

NPG is organized by standard institutions, switching institutions and service institutions ("Organizers"). Conventional banks, sharia banks and non-bank institutions including card payment instrument issuers, acquirers, payment gateway are identified as "Parties".

Organizers and Parties, shall comply with the use of national branding and logos as previously regulated by BI. NPG Organizers and Parties shall provide service features such as payments, transfers, cash withdrawals, and balance checking.

In order to establish NPG Organizers, BI needs to conduct administrative research, feasibility study and analysis and decide whether to approve or reject the proposal.

Parties with transactions involving Automatic Teller Machine (ATM) and or debit card shall be integrated with at least two switching institutions before 30 June 2018.

(Issued regulation in Bahasa: [BI Regulation No. 19/8/PBI/2017](#))

### Sole Ownership in Indonesian Banks

In July 2017, Indonesian Financial Services Authority ("Otoritas Jasa Keuangan" or "OJK") issued a new regulation No. 39/POJK.03/2017 and a circular letter No. 44/SEOJK.03/2017 as a more comprehensive documents regarding Sole Ownership in Indonesian Banks, which revokes [BI Regulation No.14/24/PBI/2012](#) and [BI Circular Letter No.15/2/DPNP](#) on the same topic.

The list of noteworthy provisions regulated in [39/POJK.03/2017](#) and [44/SEOJK.03/2017](#) as follows:

- A party may only be a controlling shareholder ("Pemegang Saham Pengendali" or "PSP") in one bank. But this does not apply to controlling shareholders on sharia bank and joint venture bank.



- A party which becomes a PSP in more than one banks shall:
  - a. merge or consolidate the banks under its control,
  - b. form a Bank Holding Company ("BHC"), or
  - c. establish holding function for the purpose of consolidating and directly controlling the banks under its control.

a and b should be completed within one year, and c should be completed within 6 months, since the shareholder becomes PSP in more than one bank ("rules fulfillment period").
- BHC may only engage in certain activities such as investment and the provision of management service to enhance the effectiveness of the consolidation, business strategy, and optimizing the financial condition of the controlled banks.
- Incentives are given in the form of time extension for compliance with legal lending limit ("*Batas Maksimum Pemberian Kredit*"), facilities related to branch opening, corporate governance and consolidation.
- Holding Function is only applicable to PSP in the form of bank, which incorporate in Indonesia and central government agencies.
- In order to form a BHC, PSP is required to submit to OJK their establishment plan and transfer of shares from PSP to BHC along with supporting documents such as Minutes of Annual General Meeting of Shareholders ("GMS"), draft on articles of association of BHC, draft on bank's shares transfer deed ("*Akta Pengalihan Saham*") and list of prospective Board of Directors ("BOD") and Board of Commissioners ("BOC"). OJK will conduct fit and proper test towards prospective members of BOD and BOC.
- BHC is required to submit all the supporting information and documents concerning holding function and its implementation plan to OJK.
- PSP which does not comply with sole ownership rule, is prohibited from controlling and owning more than 10% of shares with voting rights in each bank. The excess of shares above 10% ownership has no voting rights in a GMS. PSP should transfer the shares ownership above 10% to third party by no later than 1 year after the rules fulfillment period.

## Procedures for the Use of Services of Public Accountants and Public Accounting Firms in Financial Services Activities

OJK recently issued Circular Letter No. 36/SEOJK.03/2017 regarding Procedures for The Use of Services of Public Accountants and Public Accounting Firms in Financial Services Activities. This regulation revokes both [BI Circular Letter No. 3/32/DPNP](#) regarding Relationship between Banks, Public Accountants and BI and [Circular Letter No. 7/57/DPBS](#) regarding the Relationship between Banks involved in the Organization of Sharia-Business Activities, Public Accountants' Offices, Public Accountants, Sharia Supervisory Board and BI. The circular letter has come into effect as of 11 July 2017.

This circular letter provides a technical guideline to the [Regulation No. 13/POJK.03/2017](#) on the Use of Services of Public Accountants ("PA") and Public Accounting Firms ("PAF") in Financial Services Activities.

The circular letter lists the procedures to be applied in appointing a PA/PAF and role of Audit Committee; minimum required scope of works in the financial statement audit of commercial banks and sharia commercial banks; certification program and continuing professional education for PA/PAF; administration management of PA/PAF (registration with OJK, leave, re-activation, and resignation of PA/PAF); independency of PA/PAF; and reporting by PA/PAF to OJK.

Appointment of PA/PAF to provide annual audit services should be done by financial institutions such as banks, capital markets and/or non-banking financial institutions. Appointments are decided through a GMS by considering the proposal from BOC. The proposed PA/PAF is as recommended by the Audit Committee. The circular letter stipulates list of factors to be considered by the Audit Committee in forming the recommendation.

Audit committee is responsible to evaluate the conduct of annual financial audits done by PA/PAF. Results obtained are then reported through the Board of Directors to OJK.

(Issued regulation in Bahasa: [Circular Letter No. 36/SEOJK.03/2017](#))

# Contact us

## **Siddharta Widjaja & Rekan Audit Services**

33<sup>rd</sup> Floor, Wisma GKBI  
28, Jl. Jend. Sudirman  
Jakarta 10210, Indonesia  
**T:** +62 (0) 21 574 2333/2888  
**F:** +62 (0) 21 574 1777/2777

## **Kusumaningsih Angkawidjaja Partner In Charge, Audit Services**

Kusumaningsih.Angkawidjaja@  
kpmg.co.id

## **Liana Lim Head of Financial Services**

Liana.Lim@kpmg.co.id

## **Susanto Head of Markets**

Susanto@kpmg.co.id

## **KPMG Advisory Indonesia Tax Services**

33<sup>rd</sup> Floor, Wisma GKBI  
28, Jl. Jend. Sudirman  
Jakarta 10210, Indonesia  
**T:** +62 (0) 21 570 4888  
**F:** +62 (0) 21 570 5888

## **Abraham Pierre Partner In Charge, Tax Services**

Abraham.Pierre@kpmg.co.id

## **Ichwan Sukardi Head of Energy and Natural Resources**

Ichwan.Sukardi@kpmg.co.id

## **KPMG Siddharta Advisory Advisory Services**

35<sup>th</sup> Floor Wisma GKBI  
28, Jl. Jend. Sudirman  
Jakarta 10210, Indonesia  
**T:** + 62 (0) 21 574 0877  
**F:** + 62 (0) 21 574 0313

## **Ho Wah Lee Partner In Charge, Advisory Services**

Wahlee.Ho@kpmg.co.id

**kpmg.com/id**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2017 Siddharta Widjaja & Rekan – Registered Public Accountants, an Indonesian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.