

## New Framework for Issuing Industrial Business Licences

by Margareth Nita Gunawan

On 6 May 2019, the Minister for Industry of the Republic of Indonesia issued new regulations outlining new administrative procedures for issuing Industrial Business Licences (*Izin Usaha Industri*) and Expansion Licences (Regulation 15).\*



Image source: <https://www.canstockphoto.com>

Regulation 15 introduces the use of the online submission system for the application and administration of Industrial Business Licences and Expansion Licences.

In essence, all industrial companies are required to obtain an Industrial Business Licence. Industrial Business Licences must also be obtained in order to carry out the business of machinery/equipment, raw material and production output storage.

Industrial Business Licences are classified by Regulation 15 into the following categories based on the number of employees and/or company value:

- small-scale industries;
- medium-scale industries; and
- large-scale industries.

Industrial Business Licences list the company's industrial location and/or industrial type based on the five-digit

Indonesia Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia*).

Regulation 15 states that in order to apply for an Industrial Business Licence, the applicant must:

- possess National Industrial Information System (*Sistem Informasi Industri Nasional*) Account;
- have obtained all other relevant certificates, licences and permissions including environmental licences and location permits; and
- have undergone a field examination.

Industrial Business Licences must be amended if the relevant industrial companies make changes to any of the following:

- number of employees;
- investment value;
- built-in production capacity;
- addition of industrial classification;

and

- addition/transfer of business locations.

Regulation 15 provides that a company that decides to expand its industrial operations must apply for an Expansion Licence. Regulation 15 states that in order to apply for an Expansion Licence, the applicant must:

- undergo a new field examination once the company's expansion plan is ready to be implemented; and
- submit business data covering the two years prior to a new field examination.

A 'principle licence' introduced by the previous regulatory framework is no longer recognized. Similarly, Industrial Registration Certificates (*Tanda Daftar Industri*) will no longer serve as Industrial Business Licences and small-scale industrial companies will now have to obtain an Industrial Business Licence in accordance with Regulation 15.

\* Regulation of the Minister of Industry No. 15 of 2019 on the Issuance of Industrial Business Licences and Expansion Licences under the Electronically Integrated Business-Licensing Services Framework. Regulation 15 has repealed and replaced Regulation of the Minister No. 41/M-IND/PER/6/2008 on Provisions and Procedures for the Granting of Industrial Business Licences, Expansion Licences and Industrial Registration Certificates, as amended by Regulation of the Minister No. 81/M-IND/PER/10/2014 and Regulation of the Minister No. 122/M-IND/PER/12/2014 on the Delegation of Authority for the Granting of Industrial-Related Licences via the One-Stop Integrated Services Framework to the Head of the Capital Investment Coordinating Board.

## Money and Foreign Exchange Markets: New Regulations

by Galih Adi Prasetya

On 26 April 2019, the Central Bank of the Republic of Indonesia (**Bank Indonesia**) enacted a new regulation governing money and foreign exchange markets (the **Regulation**).<sup>1</sup> The Regulation aims to create integrity, fairness, transparency and efficiency in Indonesia's financial markets. In addition, the Regulation aims to reduce financial market risk.



Image source: <https://www.wkbn.com>

The Regulation covers the activities of administrators of money and foreign exchange transactions including electronic trading platforms (**ETP**), brokerage companies, systematic internalisers, and exchange operators.

The Regulations list specific obligations for each type of operator and include requirements in relation to:

- licensing and approvals;
- minimum paid-up capital (Rp 30 billion for ETP and Rp 12 billion for brokerage companies);
- obligations based on citizenship of the owners (up to 49% foreign owned for ETP and brokerage companies)
- amending the nature of the business;
- the application of prudential principles and risk management strategies;
- minimum equity requirements (Rp 10 billion for ETP and Rp 5 billion for brokerage companies); and
- periodic reporting obligations, such as:
  - monthly transaction reports;
  - quarterly financial reports;
  - audited annual financial reports (not required for systematic internalisers, and exchange operator); and
  - system audit reports (not required systematic internalisers, and exchange operator).

The Regulation also regulates the authority of Bank Indonesia to limit the

service of operators and number of customers for monetary stability purpose. Penalties for breach of any of the obligations set out in the new Regulation are administrative in nature and vary in severity up to the revocation of the entity's business or operation licence.

The Regulation will come into force on 31 July 2019. However, for ETPs and systematic internalisers, it will come into force on 31 October 2019 and on 31 January 2020 for exchange operators.

<sup>1</sup> Central Bank of Republic of Indonesia Regulation No. 21/5/PBI/2019 relating to the Operators of Transactions in Money Markets and Foreign-Exchange Markets.

## Non-Bank Foreign Exchange Activities: New Regulations

by Stanley Patria Armando

The Bank of Indonesia issued regulations relating to non-bank foreign exchange transactions (*the Regulations*)\*. The Regulations require the relevant non-bank financial institutions to submit monthly reports on their transactions and other specified activities to the Bank of Indonesia.



Image source: <https://www.sureplus.id>

Before submitting a report, the Regulations state that the relevant reporting institution must apply to be able to submit the report via the online submission system and provide information to ensure that the institution's online profile may be completed. Once the application letter has been accepted, the Bank of Indonesia will provide the reporting institution with a username and password to enable the institution to log on to the online submission system and submit reports.

The reports must include, among other things, details of:

- transactions relating to goods, services or any other types of transactions between residents and non-residents; and
- foreign financial assets, non-residents' equity, foreign derivative obligations and any changes to those assets;

Even if the reporting party does not carry out any transactions during a

reporting period, a report must be submitted. Qualifying institutions that do not submit reports, are late in submitting their reports or do not correct incorrect an report will receive a written warning.

\*The Board of Governors' Member Regulation Number 21/7 / PADG / 2019 on 12 April 2019 concerning Reporting of Non-Bank Foreign Exchange Transactions. The Board of Governors' Member Regulation, Bank of Indonesia Circular Letter Number 17/26 / DStA dated 15 October 2015 concerning Foreign Exchange Traffic Activities Other than Foreign Debt is revoked and declared invalid.



## Anti-Competitive Practices: New Regulations

by Stanley Patria Armando

The Business Competition Supervisory Commission (KPPU) has issued new regulations outlining the procedures for competition trials (the **Regulations**).<sup>\*</sup> Cases can be instigated either via report or by the KPPU itself. Reports can be made by anybody but must in writing with details of the alleged violation of the competition law and must include evidence.



Image source: <https://encrypted-tbn0.gstatic.com>

Once a case has been instigated either by the KPPU or via report, the KPPU will carry out an investigation. During the investigation, the KPPU can summon the all relevant parties including witness and experts to provide evidence.

Article 33 of the Regulations gives the party being investigated an opportunity to change the alleged anti-competitive behavior. This is carried out through an 'integrity pact' signed by the relevant parties. This allows a re-

ported party to change their anti-competitive behavior and avoid a trial.

Once an investigation has been carried out, the KPPU will determine whether there is a violation of the law. If this is the case, the KPPU will provide its conclusions and remedying actions to the reported party. If the party does not implement the remedying actions, the KPPU can submit the case for criminal prosecution.

<sup>\*</sup>This regulation revokes KPPU Regulation Number 1 of 2010 concerning Procedures for Handling Cases.

## VSL | LEGAL

Soho Capital, 17<sup>th</sup> Floor  
Jl. Letjen. S. Parman Kav. 28  
Jakarta 11470, Indonesia

t : +6221-29181342  
f : +6221-29181343  
info@vsll.co.id  
Website: vsll.co.id

This is a digital publication prepared by the Indonesian law firm, VSL LEGAL. It is only intended to inform generally on the topics covered and should not be treated as legal advice or relied upon when making investment or business decisions. Should you have any questions on any matter contained in this publication, or other comments generally, please contact your usual VSL LEGAL contact or email to [info@vsll.co.id](mailto:info@vsll.co.id).