

## *FREQUENTLY ASKED QUESTIONS*

### REGULATION OF BANK INDONESIA ON NON-BANK FOREIGN EXCHANGE BUSINESS ACTIVITIES

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1. What is the background of the issuance of this Regulation? Regulation of BINo.18/20/PBI/2016 on Non-Bank Foreign Exchange Business Activities is improvement of Regulation of BI No. 16/15/PBI/2014 on Non-Bank Foreign Exchange Business Activities and alignment with several other regulations issued by Bank Indonesia. With the issuance of this Regulation, Regulation of BI No. 16/15/PBI/2014 is repealed and declared null and void. Issuance of this Regulation aims to provide more express implementing regulation on implementation of non-bank foreign exchange business activities. Improvement of this regulation is expected to be able to increase good governance and promote development of non-bank foreign exchange industry to become sounder and more efficient. This Regulation consists among others of: 1) scope of business activities, 2) obligation to submit underlying transactions, 3) improvement of procedures and requirements for license, 4) governance and customer protection, and 5) selling and buying of foreign banknotes by parties other than Money Changers.
2. What business activities can be conducted by Money Changers? Money Changers can conduct activities including exchange under the mechanism of selling and buying foreign banknotes and buying Traveler's Checks. In addition, Money Changers can also conduct other business activities pertaining to the implementation of non-bank foreign exchange provided that they are specified in the provisions of Bank Indonesia and carrying foreign banknotes.
3. What is the mechanism of selling and buying foreign banknotes through Money Changers? In selling and buying foreign banknotes through Money Changers, it is specified that:
  - a. foreign banknotes must be physically submitted;
  - b. Rupiah must be physically submitted or by intra-bank or interbank transfer provided that it comes from or is designated to the Money Changer's account; and
  - c. purchase of foreign banknotes by Money Changer's customers above a threshold per month per customer must have Underlying Transactions.

Selling and buying of foreign banknotes must be actually conducted and supported by the availability of adequate real fund to finance the transaction, or in other words, they must not be solely based on the recording aspect in bookkeeping (accounting).

4. What is the regulation on Underlying Transactions in the implementation of Non-Bank Foreign Exchange?
  - a. Purchase of foreign banknotes by Money Changer's customers above a certain threshold per month per customer must have Underlying Transactions.
  - b. The certain threshold refers to the provisions of Bank Indonesia on transactions of foreign currencies against Rupiah between banks and domestic parties and the provisions of Bank Indonesia on transactions of foreign currencies against Rupiah between banks and foreign parties. The threshold in this Regulation is USD25,000.00 (twenty-five thousand US dollar) or its equivalent per month per customer.
  - c. The Underlying Transactions of foreign banknote purchase include all trade of goods and services within and outside the country and/or onshore and offshore investments.
  - d. Transactions which cannot be made as Underlying Transactions for foreign banknote purchase are fund placement with banks, money remittance through a fund transfer company, and bill payment in foreign currencies of transactions for which Rupiah use is mandatory.
  
5. What are the obligations of Money Changers pertaining to the application of mandatory Underlying Transactions?
  - a. If a customer buys foreign banknotes above a certain threshold or its equivalent per month per customer, a Money Changer must ensure that the customer has submitted justifiable documents for the Underlying Transactions and supporting documents for the foreign banknote purchase.
  - b. Money Changers must administer the documents for Underlying Documents and supporting documents for foreign banknote purchase.
  - c. Documents for Underlying Transactions may be in the form of final and/or estimate documents.
  - d. Supporting documents for foreign banknote purchase are in the form of copies of customer resident's identity, copies of customer's Taxpayer Identification Number, and duly duty-stamped written statement signed by the customer or any party legitimately representing the customer, and power of attorney if the customer is represented by another part

6. What are the requirements for obtaining license as a Money Changer?  
Prospective Money Changers must meet the following requirements:
  - a. have the form of Limited Liability Company whose entire shares are owned by Indonesian citizen(s) and/or legal entity whose entire shares are owned by Indonesian citizen(s);
  - b. specify in their articles of association that their purpose and objective is to sell and buy foreign banknotes and buy Traveler's Checks;
  - c. meet the amount of paid-up capital determined by Bank Indonesia; and
  - d. the paid-up capital does not come from loans and/or is not for money laundering.
  
7. What are the phases of license processing as a Money Changer?  
Bank Indonesia grants license as a Money Changer through the following phases:
  - a. scrutiny of fulfillment of requirements for institution and financial condition;
  - b. scrutiny of fulfillment of requirements for members of Board of Directors, members of Board of Commissioners, and shareholders;
  - c. examination of business premises of a prospective Money Changer; and
  - d. dissemination of provisions to members of Board of Directors, members of Board of Commissioners, and shareholders of the prospective Money Changer.
  
8. In what circumstances confirmation or interview may be conducted with a prospective Money Changer?  
Bank Indonesia may conduct confirmation or interview session with prospective members of Board of Directors, members of Board of Commissioners, and/or shareholders to ensure fulfillment of institutional and financial condition requirements, fulfillment of requirements for members of Board of Directors, members of Board of Commissioners, and shareholders, and/or examination of business premises.

9. How is the application of customer protection principle by Money Changers?

Money Changers must ensure the application of customer protection principle must at least be in the form of delivery of exchange rate information to customers in a transparent manner, protection of customer's data and/or information, and effective handling and settlement of customer's complaints. In addition, Money Changers may not charge any fees to customers.

10. Does the license granted by Bank Indonesia have validity?

License as a Money Changer issued by Bank Indonesia is valid for 5 (five) years as of the license grant date and may be extended at the Money Changer's request to Bank Indonesia. The license may also be evaluated based on the supervision of Bank Indonesia during the license validity period.

11. What is the status of a Money Changer's license granted prior to the issuance of this Regulation?

Licenses as Money Changers granted prior to the enforcement of this Regulation remain valid within no later than 5 (five) years as of the promulgation date of this Regulation.

12. What is the regulation on parties conducting foreign exchange activities without any license from Bank Indonesia? Any party which has been conducting foreign exchange activities without any license from Bank Indonesia must apply for a license as a Money Changer with facilitation in the form of requirements for licensing referring to the old regulation, namely Regulation of BI No. 16/15/PBI/2016 on Non-Bank Foreign Exchange Business Activities. In addition, sanctions will not be imposed on such parties during the license process facilitation period. The facilitation is valid for 6 (six) months as of the promulgation date of this Regulation.

If after the period of 6 (six) months Bank Indonesia is aware that there is any party which has been conducting foreign exchange activities without any license from Bank Indonesia, then Bank Indonesia may recommend to the competent authority to revoke their business license and/or terminate their business activities or take any

stricter steps under the applicable laws and regulations.

13. With whom Money Changers can conduct cooperation on foreign banknote purchase activities?

Money Changers may cooperate with hotels or similar companies to purchase foreign banknotes. The cooperation may be implemented within areas which are geographically considered difficult to open Money Changer's offices, there is no bank and/or Money Changer or the number of banks and/or Money Changers is limited, or have limited transportation and telecommunication access.

14. Who are parties other than Money Changers which can conduct selling and buying of foreign banknotes on the Indonesian borders?

Parties other than Money Changers which can sell and buy foreign banknotes on Indonesian borders are companies carrying business activities on Indonesia borders which have obtained the approval of Bank Indonesia.