

NEW BANK INDONESIA REGULATION

Bank Indonesia (BI) has issued new regulation No. 17/3/PBI/2015 concerning the Obligation to Use Indonesian Rupiah in the Territory of the Republic of Indonesia (“**PBI No. 17/3/PBI/2015**”) dated 31 March 2015. Indonesian Rupiah is the currency of the Republic of Indonesia, which is a symbol of state sovereignty. Therefore the purpose of issuance of PBI No. 17/3/PBI/2015 is to actualize the state sovereignty and to support the achievement of stability of Indonesian Rupiah exchange rate.

The Obligation to Use Indonesian Rupiah

PBI No. 17/3/PBI/2015 regulates that any party is obliged to use Indonesian Rupiah for the transaction conducted in the territory of the Republic of Indonesia, either cash or non-cash transaction. Definition of the territory of the Republic of Indonesia as stipulated in Article 1 point 4 Law No. 7 Year 2011 concerning Currency (“**Currency Laws**”) is the entire territorial of the Republic of Indonesia, including ships and aircrafts with Indonesian flags, Indonesian embassy, and other Indonesian representative office overseas.

The transactions which are subject to PBI No. 17/3/PBI/2015 are as follows:

1. Every transaction with payment purposes;
2. Settlement of other kinds of obligation which shall be fulfilled by money; and/or
3. Other financial transactions.

Exception of the Obligation to Use Indonesian Rupiah

The obligation to use Indonesian Rupiah is not applicable for the following transaction:

1. Certain transaction in relation to the implementation of the state budget (APBN);
2. Acceptance of gifts (*hibah*) from, or awarding gifts to, overseas;
3. International trade transaction;
4. Bank deposits in the form of foreign exchange; or
5. International financing transaction.

The exception also includes the foreign exchange transaction conducted based on regulation among others:

1. A foreign exchange business activity conducted by the Bank based on prevailing regulation;
2. Bonds transaction issued by government on foreign exchange in the primary market and the secondary market;
3. Other transaction in foreign exchange conducted based on prevailing law and regulation.

Prohibition to Refuse Payment in Indonesian Rupiah

PBI No. 17/3/PBI/2015 also regulates the prohibition refuse to accept Indonesian Rupiah which purpose of such delivery is for the payment or to settle the obligation that shall be fulfilled in Indonesian Rupiah and/or other transaction conducted in territory of the Republic of Indonesia.

Exception of such prohibition is when there is a doubt on the originality of the Indonesian Rupiah received for the cash transaction or payment/obligation settlement in foreign exchange as agreed in a written agreement.

The written agreement as described above can only be conducted for the transactions which are excluded from the obligation to use Indonesian Rupiah or transaction concerning the strategic infrastructure projects which have been approved by BI.

Publish Price of Goods/Services

Further, in order to support the implementation of the obligation to use Indonesian Rupiah, the business operators are obliged to publish the price of goods/services only in Indonesian Rupiah.

Reporting and Compliance Monitoring

Based on PBI No. 17/3/PBI/2015, BI is authorized to request the report, information and/or data to any party related to the obligation to use Indonesian Rupiah and the obligation to publish the price of goods/services in Indonesian Rupiah. The requested party is obliged to provide such request.

BI also conducts the compliance monitoring by way of:

1. Requesting report, information, data, and/or other supporting documents, with or without involving the relevant institution;
2. Perform direct monitoring to any party; and/or
3. Appoints other party to conduct research in order to monitor the compliance of each party.

Sanction

The violation of the obligation to use Indonesian Rupiah in a cash transaction and refusal to accept Indonesian Rupiah payment will be punished by the sanction as set forth in Article 33 of Currency Laws that is imprisonment for a maximum of 1 (one) year and a maximum fine of IDR 200,000,000 (two hundred million Indonesian Rupiah).

Further, for violation of the non-cash transaction, the sanction will be as follows:

1. Warning letter;
2. The obligation to pay (minimum 1% of the transaction value or maximum IDR 1,000,000,000); or
3. Prohibition to participate in a payment transaction.

Other Provision

The activities in the form of foreign exchange conducted by money changer companies and carriage of money outside or inside the territory of the Republic of Indonesia are not categorized as the transaction obliged to use Indonesian Rupiah.

The written agreement concerning the payment or obligation settlement in foreign exchange of non-cash transaction made before 1 July 2015 remains valid until the expiration of such agreement. Any amendment or alteration to the written agreement described above shall be subject to PBI No. 17/3/PBI/2015. Therefore, the obligation to use Indonesian Rupiah for non-cash transaction will be valid commencing from 1 July 2015.

PBI No. 17/3/PBI/2015 has come into force since its enactment date, which is 31 March 2015.