

CIRCULAR Number 17/11 /DKSP

Subject: Obligation to Use Rupiah in the territory of the Unitary State of the Republic of Indonesia

In light of the enactment of Bank Indonesia Regulation Number 17/3 /PBI /2015 on the Obligation to Use Rupiah in the Territory of the Unitary State of the Republic of Indonesia (State Gazette of the Republic of Indonesia Year 2015 Number 70, Supplement to State Gazette of the Republic of Indonesia Number 5683) it shall be necessary to regulate the implementation of provisions on the obligation to use rupiah in the territory of the Unitary State of the Republic of Indonesia under this Circular of Bank Indonesia as follows:

I. GENERAL PROVISIONS

A. The obligation to use Rupiah in the territory of the Unitary State of the Republic of Indonesia shall adhere to a territorial principle. Any activity of transaction carried out in the territory of the Unitary State of the Republic of Indonesia both by residents and non-residents, and cash and non-cash transactions within the territory of the Unitary State of the Republic of Indonesia shall be obliged to use Rupiah.

B. Transaction and payment shall be considered as one activity. For any activity of transactions carried out in the territory of the Unitary State of the Republic of Indonesia the receipt of payment shall be in Rupiah.

Example:

Company A as a foreign shipping company uses the services of seaport in Indonesia that is managed by PT B. Company A shall make payment in cash through an agent by using Rupiah or by a transfer using the currency of the country of Company A. When the payment is of a transfer, PT B shall be obliged to receive the payment from Company A in Rupiah.

C. The obligation to use Rupiah in each transaction as cited in letter A shall not be applicable for the transactions as follows:

1. certain transactions in the implementation of State's Budget of Revenues and Expenditures (APBN) that include:

- a. foreign debt payments;
- b. payment of domestic debt in foreign currency;
- c. expenditure of goods from other country;
- d. capital expenditure from other country;
- e. State's revenues derived from the sale of State's bonds in foreign currencies; and
- f. other transactions in the implementation of State's Budget of Revenues and Expenditures (APBN) such as payments of taxes, visa on arrival, and non-tax revenues;

2. receipts or grants from or to other countries by parties, one of them shall domicile abroad;

3. international trade transactions that include:

- a. export and/ or import of goods to or from the outside of customs territory of the Republic of Indonesia; and/ or
- b. service trade activities across the borders of the country carried out for the sake of:
 - 1) cross-border supplies such as online purchases (using network) or via call center. Including in the definition of cross-border supplies shall be the recruitment of experts with specific expertise who are assigned by a holding company to work in Indonesia; and
 - 2) consumption abroad, for instance an Indonesian citizen who studies abroad or undergoes medical treatment abroad;

4. bank deposits in foreign currencies such as foreign exchange savings or foreign currency deposits; or

5. international financial transactions by parties, one of them shall domicile in foreign country, such as providing credit or loan by Bank abroad to customers in Indonesia.

D. The obligation to use Rupiah in every transaction as cited in letter A shall not be applicable for the transfer of fund in foreign currency from individual in the country to foreign party, of which is not intended for a payment or settlement of liabilities arising from transactions in the territory of the Unitary State of the Republic of Indonesia.

E. The obligation to use Rupiah in each transaction as cited in letter A shall not be applicable for transaction in foreign currency under the prevailing laws and regulations such as:

1. Business activities in foreign currencies by Bank based on the laws that regulate about banking and Islamic banking, of which, among others, includes:

- a. credit in foreign currency for export activity and other activities;
- b. inter-bank money market in foreign currency;
- c. bonds in foreign currencies;
- d. sub-debts in foreign currencies;
- e. sale and purchase of securities in foreign currencies; and
- f. other banking transactions in foreign currencies as regulated in laws on banking and Islamic (shariah) banking as well as in its implementing regulations.

The term of business activity in foreign currency shall include the fees imposed by Bank in carrying out the business activities.

2. Transactions in the primary and secondary markets of securities in foreign currencies issued by the Government of Indonesia shall refer to in the laws that regulate about State's bonds and State's Islamic securities.

Example:

Transaction of global bonds (sukuk) in foreign currencies issued by the Government.

3. Other transactions in foreign currencies based on the prevailing laws and regulations.

Example:

Domestic financing transactions in foreign currencies by Indonesian Export Financing Agency (LPEI) based on the law that regulates the Indonesian export financing institutions.

F. Each party shall be prohibited from rejecting the acceptance of amount of Rupiah for the payment or the settlement of liabilities in Rupiah and/ or for other financial transactions within the territory of the Unitary State of the Republic of Indonesia.

Example:

Supplier of goods and/ or services shall be prohibited from rejecting the acceptance of amount of Rupiah from the user of goods and/ or services.

G. The provisions as cited in letter F shall be exempt in case that:

1. there are doubts over the authenticity of Rupiah received for cash transactions; or
2. the payment or the settlement of liabilities in foreign currency has already been agreed in writing.

H. written agreement as cited in point G.2 shall be applicable only for:

1. transactions that are excepted from the obligation to use Rupiah as cited in letters C and E; or
2. strategic infrastructure projects that have been approved by Bank Indonesia for exemption from the obligation to use Rupiah.

I. In order to support the implementation of the obligation to use Rupiah, businesses both individuals and corporations shall be required to include the prices of goods and/ or services only in Rupiah.

J. Bank Indonesia has the authority to request for reports, information, and/ or data from any party in regard of the implementation of the obligations to use Rupiah and the obligation to include the prices of goods and/ or services in Rupiah.

K. Bank Indonesia shall monitor the compliance of each party in implementing the obligations to use Rupiah and the obligation to include the prices of goods and/ or services in Rupiah.

L. In case there is a problem of businesses with specific characteristics in regard of the implementation of the obligation to use Rupiah for non-cash transactions, Bank Indonesia shall be allowed to make a specific policy without ignoring the obligation to use Rupiah.

II. OBLIGATION TO INCLUDE THE PRICES OF GOODS AND/ OR SERVICES IN RUPIAH

A. Every entity of business in the territory of the Unitary State of the Republic of Indonesia shall include the prices of goods and/ or services only in Rupiah and shall be prohibited from including the prices of goods and/ or services in both Rupiah and foreign currency at the same time (dual quotation).

Example of prohibition on dual quotation:

Shop A sets up a price of computer at Rp15,000,000.00 and at USD1,500.00 at the same time.

B. Obligation and prohibition as cited in letter A shall be applicable, among others, for:

1. price tag, such as tag of price of goods;
2. Fee of services such as fee for agent in buying and selling properties, services of tourism, and consulting services;
3. cost of lease, such as the rent of apartment, house, office, building, land, warehouse, vehicle;
4. rates, such as rates of loading and unloading of containers at seaport or fares of air ticket and cargo;
5. price list, such as the list of prices of restaurant menus;
6. contract, such as the price or the cost based on the clause of contract or agreement;
7. document of bidding, ordering, and billing such as in the clauses on prices in invoice, delivery order, purchase order; and/ or
8. evidence of payment, such as the price in receipt.

C. Obligation and prohibition on the inclusion of prices of goods and/ or services in Rupiah as cited in letters A and B shall also be applicable for the inclusion of prices of goods and / or services by using electronic media.

III. IMPLEMENTATION ON THE OBLIGATION TO USE RUPIAH FOR STRATEGIC INFRASTRUCTURE PROJECT BASED ON WRITTEN AGREEMENT

A. Project of infrastructures shall be as follows:

1. transport infrastructures that include services of airport, supplies and/ or services for seaport and railway facilities and infrastructures;
2. road infrastructures that include toll roads and toll bridges (overpasses);
3. irrigation infrastructures that include drainages for standard-quality water;
4. drinking-water infrastructures that include the development of facilities to hold standard-quality water, transmission networks, distribution networks, and water treatment plants;
5. sanitation infrastructures that include plant for waste water treatment, network of garnering (pooling) as well as main network, and facility of garbage including its transport and disposal;
6. infrastructures of telecommunications and informatics that include the telecommunications networks and e-government infrastructure;
7. electricity infrastructures that include power plants as well as geothermal power generation, transmission or distribution of power supplies; and
8. oil and gas infrastructures that include transmission and/ or distribution of oil and gas.

B. infrastructure project as cited in letter A shall be exempt from the obligation to use Rupiah, if:

1. declared by the central government or local government that it is part of strategic infrastructure project as evidenced by an official document issued by relevant Ministries / Agencies, of which is given to the owner of project; and
2. granted and approved by Bank Indonesia for the exemption to the obligation to use Rupiah.

C. In giving an approval Bank Indonesia shall consider, among others, the source of financing of project and the impact of project to macroeconomic stability.

D. Approval for the exemption of the obligation to use Rupiah in strategic infrastructure project as provided by Bank Indonesia shall include:

1. the transactions in regard of the development of strategic infrastructure project until the completion of the project; and/ or
2. the transactions in regard of the sales of products or services as the outputs of strategic infrastructure project up to a certain period of time, providing the sale of products or services have already been agreed since the beginning of development of the project.

E. Request for the exemption of the obligation to use Rupiah shall be submitted by the party concerned on the exemption of the obligation to use Rupiah and there shall also be the reasons for the use of foreign currency in the payment or the settlement of liabilities.

F. In case that the project is implemented by a consortium, a request shall be submitted by one of the consortium's members on behalf of the whole consortium, or submitted altogether by the consortium's members.

G. Procedure for the submission of request shall be as follows:

1. Applicant shall submit a written request to Bank Indonesia.
2. The request as cited in paragraph 1 shall include the following documents:
 - a. documents concerning the legality of the applicant such as Deed of Establishment and Articles of Association of company, including those of any amendment, domicile, and profile of company;
 - b. letter of statement or certificate from Ministry or Agency based on its authority stating that the project is part of strategic infrastructure project;
 - c. in case that a request is not submitted by the operator or contractor, there has to be information citing that the project is part of strategic infrastructure project as proved from a photocopy of certificate as cited in letter b and it has to be accompanied by recommendations stating that:

- 1) the project to be implemented is part of strategic infrastructure project; and/ or
 - 2) the implementation of the project shall require the use of foreign exchanges in order to procure goods and/ or services from outside of the territory of the Unitary State of the Republic of Indonesia;
- d. photocopy of written agreement stating that the payments shall be in foreign currencies, of which should be of the original version as declared by the applicant.

H. In order to follow up the request as cited in letter G, Bank Indonesia shall be allowed to request for information and/ or additional documents and also to do inspection in regard of the request as submitted by the applicant, and the inspection can be in form of a visit to the jobsite of project.

I. Bank Indonesia shall give approval or rejection in writing in regard of the request as submitted by the applicant in no later than 30 (thirty) days after the receipt of complete documents of request.

J. Bank Indonesia shall notify in writing to the applicant in case there is a need of additional time to the period of 30 (thirty) days for further processing of request.

IV. IMPLEMENTATION OF THE OBLIGATION TO USE RUPIAH FOR NON-CASH TRANSACTIONS FOR BUSINESSES WITH SPECIFIC CHARACTERISTICS

A. In case that there will be a problem with businesses of specific characteristics in regard of the implementation of the obligation to use Rupiah for non-cash transactions as cited in point I.L, Bank Indonesia shall be allowed to make a specific policy without ignoring the obligation to use Rupiah.

B. In deciding to make a specific policy as cited in letter A, Bank Indonesia shall consider as follows:

1. the readiness of businesses in regard of the obligation to use Rupiah, of which may require fundamental changes in the system and/ or in the process of business activities and/ or in the nature of the entity of business;
2. the continuity of business activities when the business has to promptly comply with the obligation to use Rupiah with no sufficient transitional period and such a thing may eventually affect the continuity of operation of the business;
3. investment activities in case that the business activities shall require financing in foreign currencies for a certain period of time and the prompt obligation to use Rupiah might interfere the investment; and/ or
4. business activities that have a significant impact to the national economic growth.

C. In addition to considering the factors as cited in letter B, Bank Indonesia shall also consider the compliances of businesses to the provisions of Bank Indonesia concerning the obligation to make

incomes in foreign exchanges from exports, and the imposition of a principle of prudence when managing offshore debts for non-bank corporations.

V. REPORTS ON THE USE OF RUPIAH IN THE TERRITORY OF THE UNITARY STATE OF THE REPUBLIC OF INDONESIA

A. Bank Indonesia has the authority to request for reports, information, and / or data from any party in regard of the implementation of the obligation to use Rupiah.

B. Any party as cited in letter A shall be obliged to submit reports, information, and / or data to Bank Indonesia, and there shall also be the submission of supporting documents when required by Bank Indonesia.

VI. MONITORING THE COMPLIANCE OF THE USE OF RUPIAH IN THE TERRITORY OF THE UNITARY STATE OF THE REPUBLIC OF INDONESIA

A. Bank Indonesia shall monitor the compliance of every party concerning the obligation to use Rupiah and the obligation to include prices of goods and/ or services in Rupiah.

B. The scope of monitoring the implementation of the obligation to use Rupiah as cited in letter A shall be intended to fulfill the obligation to use Rupiah for non-cash transactions. In monitoring the non-cash transactions Bank Indonesia shall be allowed to cooperate with relevant agencies.

C. In conducting the monitoring for the fulfillment of the obligation to use Rupiah for cash transactions, Bank Indonesia shall cooperate with the officers of law enforcement.

D. Under the monitoring mechanism as cited in letter A the implementation shall be conducted under the following conditions:

1. The monitoring shall be conducted based on direct and / or indirect methods.
2. Monitoring with direct method as cited in point 1 shall be conducted by doing inspection at any time by Bank Indonesia.
3. Monitoring with indirect method as cited in point 1 shall be implemented by carrying out activities of analysis and evaluation over the reports as submitted by parties as cited in point VA
4. In conducting the direct inspection as cited in point 2, the party as the object of inspection shall provide the inspector, among others, as follows:
 - a. financial reports, data of transactions, and supporting data;
 - b. access to observing the operational activities and physical facilities in regard of the business activities; and/ or
 - c. description of transactions and activities in correlation with the obligation to use Rupiah as provided by competent and authorized party when the inspection is in progress.

VII. CORRESPONDENCE

A. The submission of request as cited in Chapter III, the submission of report as cited in Chapter V, and/ or the correspondence shall be put forward to Bank Indonesia at:

Department of Policy and Monitoring of Payment System
Bank Indonesia Office Complex Building D, 5th Floor
Jl. M.H. Thamrin No. 2 Jakarta 10350.

B. In case of change of address as cited in letter A, Bank Indonesia shall make notification by mail and/ or other media of communications.

VIII. OTHER PROVISIONS

- A. Bank and Fund Transfer Operator shall notify about the obligation to use Rupiah in the territory of the Unitary State of the Republic of Indonesia to every customer who will do transactions using foreign currency.
- B. In case that the customer as cited in letter A will remain doing the transactions by using foreign currencies, Bank and Fund Transfer Operator shall ask the customer to fill out a form or slip of transaction by depicting the purpose of such transactions.

IX. PROCEDURE TO IMPOSE SANCTIONS

- A. Any party violating the obligation to use Rupiah in the territory of the Unitary State of the Republic of Indonesia shall be sanctioned.
- B. Violation against the obligation to use Rupiah for cash transactions and/ or prohibition from rejecting the use of Rupiah for cash transactions shall be subject to criminal penalty as referring to in Article 33 of Law Number 7 Year 2011 on Currencies.
- C. Imposition of sanctions for the violations against the obligation to use Rupiah for non-cash transactions shall be conducted with the following conditions:
 - 1. Each party who violates the obligation to use Rupiah for non-cash transactions shall be subject to administrative sanctions in form of:
 - a. written warning;
 - b. obligation to pay; and / or
 - c. prohibition to get involved in the process of payments.
 - 2. The sanction on the obligation to pay as cited in point 1.b shall be imposed with the following conditions:
 - a. The sanction on the obligation to pay shall be imposed by Bank Indonesia by giving a written warning at least for 2 (two) times.
 - b. The sanction on the obligation to pay shall be at 1% (one percent) of the value of the transaction and the maximal amount to pay shall be at Rp1,000,000,000.00 (one billion rupiah).

c. The value of transaction as cited in point b shall be calculated from the total value of transaction that has been violated in regard of the obligation to use Rupiah. The imposition of administrative sanction shall be for the violation against non-cash transactions that have taken place after the date of July 1, 2015.

d. In case that the business entity that has been sanctioned to pay financial penalty is still violating the obligation to use Rupiah, the business entity shall be obliged again to pay penalty without any previous written warning.

e. The sanction to pay financial penalty shall be in Rupiah with the calculation using the prevailing mid-rate of Bank Indonesia that is effective for 1 (one) working day before the date of transaction.

f. The sanction of financial penalty shall be conducted as follows:

1) debiting the account at Bank Indonesia in case that the sanctioned party has an account at Bank Indonesia; or

2) paying an amount to a designated account at Bank Indonesia in case that the sanctioned party has no account at Bank Indonesia.

3. Bank Indonesia shall be allowed to impose a sanction by prohibiting the sanctioned party, who has committed the violation against the obligation to use Rupiah in the territory of the Unitary State of the Republic of Indonesia, from getting involved in the process of any payment as cited in point 1.c.

D. Violation against the obligations to include the prices of goods and/ or services in Rupiah and the obligation to submit reports, information, and/ or data shall be subject to administrative sanction in form of written warning.

E. The party who is sanctioned for the violation against the obligation to include the prices of goods and/ or services in Rupiah as cited in letter D shall be obliged to follow up the inclusion of prices of goods and/ or services in Rupiah.

F. The party who is sanctioned for the violation against the obligation to submit reports, information, and / or data as cited in letter D shall still be required to submit the reports, information, and/ or data as requested by Bank Indonesia.

G. In addition to imposing administrative sanction as referred to letters C and D, Bank Indonesia shall be allowed to recommend a competent authority to take action by revoking the business permit or terminating the operational activities of the business.

H. In case that the business entity has submitted a request as cited in Chapters III and IV but the request is not approved by Bank Indonesia, Bank Indonesia shall impose administrative sanction against the violation as committed by the business entity as of the date of July 1, 2015.

I. The imposition of administrative sanction against the business entity as cited in letter H shall refer to in the provisions of letter C and/ or letter D.

X. TRANSITIONAL PROVISIONS

In regard of the written agreement concerning the payment or the settlement of liabilities in foreign currency prior to the date of July 1, 2015 the following provisions shall apply:

1. Written agreement shall include master agreement, derivative agreement or other documents citing about activities of transactions that will be carried out by the parties concerned such as purchasing order and delivery order.
2. Written agreement as derivative or implementation of the master agreement made since the date of July 1, 2015 and treated as a stand-alone agreement shall be subject to provisions on the obligation to use Rupiah in the territory of the Unitary State of the Republic of Indonesia.
3. Extension of the period and/ or amendment of the written agreement made after the date of July 1, 2015 shall be subject to the compliance to the provisions on the obligation to use Rupiah in the Territory of the Unitary State of the Republic of Indonesia.
4. Amendment as cited in point 3, shall include, among others, the amendments on the parties under the agreement, the prices of goods and/ or services, and/ or the objects of agreement.

XI. PROVISION OF CLOSING

This Circular of Bank Indonesia shall come into effect as of June 1, 2015.

That every one shall be aware of it, and the issuance of this Circular of Bank Indonesia shall be published in State Gazette of the Republic of Indonesia.

BANK INDONESIA,

ENI V. Panggabean
HEAD OF DEPARTMENT OF POLICY AND MONITORING OF PAYMENT SYSTEM