

THE FOURTH ROUND OF AMENDMENT TO BANK INDONESIA CIRCULAR NO. 16/14/DPM DATED SEPTEMBER 17, 2014 CONCERNING FOREIGN CURRENCY-TO-RUPIAH TRANSACTIONS BETWEEN BANK AND DOMESTIC PARTIES

(Circular of Senior Deputy Governor of Bank Indonesia

No. 17/49/DPM, dated December 21, 2015)

[Continued from Businesss News No. 8857 page 43-48]

Example 3:

The settlement of foreign currency-to-rupee sale through a forward transaction which is maximally the same as threshold cannot be done through unwind because there is no full movement of fund.

Customer A makes a forward sale transaction with a tenure of 1 month as much as USD2,000,000.00 on January 15, 20xx to Bank C with a forward rate of USD/IDR Rp13,000.00 and only submits supporting documents.

After the transaction has run for 2 weeks, the rupiah's exchange rate weakens to reach a spot exchange rate of USD/IDR Rp13,500.00, Customer A intends to make unwind for the transaction without full movement of fund. The matter cannot be done.

5. In between point III.1 and point III.2, 1 (one) point is inserted, namely point III.1A, which reads as follows:

1A. Document of claims in foreign currency from transactions required to use the rupiah as referred to in Article

11 paragraph (2) of PBI shall follow the following rules:

- a. Transactions required to use the rupiah refer to Bank Indonesia rules concerning the obligation to use the rupiah in the territory of the Unitary State of the Republic of Indonesia.
- b. Document of claims in foreign currency from transactions exempted from the obligation to use the rupiah can be used as document of underlying transaction by attaching a photocopy of approval of exemption from the obligation to use the rupiah from Bank Indonesia.

6. In between point III.2 and point III.3, 1 (one) point is inserted, namely point III.2A, which reads as follows:

2A. Bank shall apply document control/procedure to ensure that :

- a. documents that have been used by customers as underlying transactions from certain foreign currency-to-rupee transactions can be used for other foreign currency-to-rupee transactions, provided that they do not exceed the nominal value of underlying transactions.

Example:

In January 20xx, customer X makes foreign currency-to-rupee purchase through a forward transaction as much as USD5,000,000.00 to Bank A. In connection with the transaction, customer X submits document of underlying transaction in the form of license payment document to the principal abroad as much as USD7,000,000.00. The transaction is made at the branch office of Bank A in Jakarta.

In February 20xx, customer X plans to make another foreign currency-to-rupee purchase through a forward transaction with the same underlying transaction through the branch office of Bank A in Surabaya. Customer can only make a forward purchase transaction as much as USD2,000,000.00 because it has not exceeded the nominal value of underlying transaction.

Under these circumstances, document control/procedure owned by the bank must work effectively to ensure that the documents that have been used by customers as underlying transactions from certain foreign currency-to-rupee transactions are not used for other foreign currency-to-rupee transactions so that it exceeds the nominal value of underlying transactions.

- b. If there are several types of documents of underlying transactions in a series of economic activities, only one of the documents of underlying transactions can be used as a document for foreign currency-to-rupee transactions.

Example:

In February 20xx, customer Y who is an importer of foods and drinks orders goods and issues a purchase order to the seller abroad. Customer Y makes foreign currency-to-rupee purchase by using document of underlying transaction in the form of the purchase order.

In connection with the purchase of goods, customer Y receives an invoice issued by the seller abroad. Given the invoice, customer Y intends to make foreign currency-to-rupee purchase despite having made purchase using document of underlying transaction in the form of purchase order.

Customer Y cannot make foreign currency-to-rupee purchase using the invoice because customer Y has used document of underlying transaction in the form of purchase order originating from a series of the same economic activities.

Under these circumstances, the document control/procedure owned by the bank must work effectively to ensure that the document of underlying transaction, for instance, in the form of purchase order and invoice from the same economic activities, cannot be used as document of underlying transactions for different foreign currency-to-rupiah transactions.

7. In between point III.4 and point III.5, 1 (one) point is inserted, namely point III.4A, which reads as follows:

4A. If document of underlying transaction is proof of claim to purchase of goods from abroad (import), the bank must ensure that the customer conveys a document showing that the goods is intended to enter and to be received in the Indonesian customs area.

8. In between point III.5 and point III.6, 1 (one) point is inserted, namely point III.5A, which reads as follows:

5A. If document of underlying transaction for trade and investment activities in the form of list of invoices, the bank must ensure that the availability of invoices in the list of invoices.

9. In between point III.8 and point III.9, 1 (one) point is inserted, namely point III.8A, which reads as follows:

8A. Document of underlying transaction for the holding of foreign currency fund at home and abroad as referred to in Article 3 paragraph (5) of PBI are among others in the form of deposit book, checking account, deposit slip, and evidence of NCD holding.

10. Attachment II is scrapped.

11. Attachment IV is amended so that it becomes as contained in Attachment IV which is an integral part of this Bank Indonesia Circular.

12. Attachment V is amended so that it becomes as contained in Attachment V which is an integral part of this Bank Indonesia Circular.

Banks that have made foreign currency-to-rupiah sale transactions through forward transactions below the threshold before the coming into force of Bank Indonesia Regulation No. 17/15/PBI/2014 concerning the Third Round of Amendment to Bank Indonesia Regulation No. 16/16/PBI/2014 concerning Foreign Currency-To-Rupiah Transactions between Banks and Domestic Parties (Statute Book of the Republic of Indonesia of 2015 No. 223, Supplement to Statute Book of the Republic of Indonesia No. 5743) can continue

the said transactions until they become due based on Bank Indonesia Regulation No. 16/16/PBI/2014 concerning Foreign Currency-To-Rupiah Transactions between Banks and Domestic Parties (Statute Book of the Republic of Indonesia of 2014 No. 212, Supplement to Statute Book of the Republic of Indonesia No. 5581) as already several times amended the latest by Bank Indonesia Regulation No. 17/13/PBI/2015 (Statute Book of the Republic of Indonesia of 2015 No. 201, Supplement to Statute Book of the Republic of Indonesia No. 5736).

Provisions as referred to in :

- a. point III.2A concerning document control/procedure;
- b. point III.4A concerning documents showing that goods are intended to enter and to be received in the Indonesian customs area;
- c. point III.5A concerning the availability of invoices in the list of invoices;
- d. Attachment IV Documents of Underlying Transactions for Domestic and Foreign Trade in Goods and Services;
- e. Attachment V Documents of Underlying Transactions for Investment in the Form of Direct Investment, Portfolio Investment, Loans, Capital and Other Investment at Home and Abroad; shall begin to take effect on March 1, 2016.

This Bank Indonesia Circular shall take effect as of the date of issuance and shall be made retroactive as of October 7, 2015.

For public cognizance, this Bank Indonesia Circular shall be promulgated by placing it in the State Gazette of the Republic of Indonesia.

Kindly be informed of it.

BANK INDONESIA,

sgd.

MIRZA ADITYASWARA

SENIOR DEPUTY GOVERNOR

ATTACHMENT IV

DOCUMENTS OF UNDERLYING TRANSACTIONS FOR DOMESTIC AND
FOREIGN TRADE IN GOODS AND SERVICES

A. Final documents of underlying transactions

1. A photocopy of consulting service contract.
2. A photocopy of work contract or other supporting documents between the concerned expatriates and the corporate body.
3. Documents of credits consisting of :
 - a. a photocopy of loan agreement or other related documents which can show schedule and amount of payments; and
 - b. a photocopy of evidence of loan withdrawal which can show fund withdrawal, including the movement of accounts from the creditor to the debtor or evidence of fund transfer order in the form of MT 103.
4. A photocopy of royalty agreement with foreign party, along with other supporting documents.
5. Letter of Credit (L/C) and revision of L/C.
6. Documents of claim or payment obligation, including :
 - a. Invoice or commercial invoice which is valid until the due date of the said invoice or commercial invoice. If the invoice has exceeded the due date, the invoice can be used for a maximum of 3 months since the due date, complete with :
 - 1) MT 103 containing information about the relevant invoice; and
 - 2) statement from the customer that foreign currency payment has never been made on the basis of the relevant invoice.
 - b. Debit note whose information can be verified by the bank.
 - c. Sales contract whose validity period and nominal value are the same as those contained in the contract.
 - d. List of invoices supported by a statement from the customer containing:
 - 1) validity of the said list;
 - 2) responsibility of customer to administer the said invoices; and
 - 3) commitment to provide invoices if they are needed by the bank.

e. Claims in the rupiah currency issued by foreign exporter, along with documents supporting the truth and validity of transactions, covering the following information:

- 1) evidence of claim in the rupiah currency and its payment order in foreign currency contained in an agreement (contract) and/or invoice;
- 2) identity of the party receiving payments in foreign currency in the form of foreign exporter or other foreign party appointed by the foreign exporter;
- 3) conversion rate during the date of fund transfer; and
- 4) evidence of fund transfer activity according to information as contained in point 1) up to point 3).

7. Sale purchase deed and evidence of the foreign holding of assets related to the sale of assets in Indonesia owned by the foreign party whose foreign currency purchase is made by the domestic party given power of attorney by the foreign party. The foreign currency fund must later be transferred to the account of the foreign party giving the power of attorney, evident from the document of foreign currency transfer.

8. Document of foreign currency-to-rupiah sale originating from the sale of foreign currency from exports, with a maximum validity period of 12 months after the transaction date of foreign currency sale.

9. Document of underlying transaction for money changer activity (KUPVA) in the form of KUPVA net sale to customers in the past 1 month. The document of underlying transaction is complete with a statement signed by the authorized official from KUPVA containing the commitment of KUPVA to :

- a. administer sale purchase documents and/or documents of underlying transactions from KUPVA customers;
- b. provide documents of underlying transactions from KUPVA customers if they are needed by the bank in case of foreign currency purchase by KUPVA customers to KUPVA with a value of more than USD25,000.00 (twenty five thousand United States dollar) or its equivalent per month.

10. A photocopy of import notification (PIB).

11. A photocopy of export notification (PEB).

Official electronic mail or facsimile as extra information from the documents of underlying transactions in the form of evidence of claim can be used as long as the bank can verify the sender from the e-mail or facsimile.

B. Documents of Underlying Transactions in the form of Projection

1. Projection of cash flow for international trade activities (export/ import) and travel agent services for the period of 1 year ahead, compiled by customers and signed by the authorized official from the customer (by enclosing other relevant documents). The projection must at least contain breakdown of sources of foreign currency receipts and expenditure showing monthly net difference of foreign currency deficit/surplus.
2. Purchase documents among others in the form of purchase order already confirmed by the seller and later accompanied by evidence of goods delivery.
3. Projection of school fees and living cost abroad signed with duty stamp by the customer.
4. Projection of medical expenses and accommodations signed with duty stamp by the customer.
5. Projection of travel expenses and accommodations signed with duty stamp by the customer.

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ATTACHMENT V

DOCUMENTS OF UNDERLYING TRANSACTIONS FOR INVESTMENT IN THE FORM OF DIRECT INVESTMENT, PORTFOLIO INVESTMENT, LOANS, CAPITAL AND OTHER INVESTMENT AT HOME AND ABROAD

A. Final Documents of Underlying Transactions

1. Evidence of the holding of foreign currency investment issued by the authorized party including sale purchase agreement for investment among others in the form of shares, bonds, other securities, evidence of distribution of dividends and other investment gains.
2. A request for payment to the balance account for certain transactions required by the authorized party.
3. Loan documents consisting of :

- a. a photocopy of loan agreement or other relevant documents that can show schedule and amount of payments; and
- b. a photocopy of loan withdrawal document that can show fund withdrawal, including the movement of account from the creditor to the debtor or evidence of fund transfer order in the form of MT 103.
4. evidence of customer's participation in a tender and provision of guarantee/bank guarantee in foreign currency.
5. Summary of General Meeting of Shareholders and other extra documents depicting the nominal value of rupiah to pay dividends to foreign shareholders.
6. Collective investment contract for mutual fund transactions in foreign currency.

B. Documents of Underlying Transactions in the Form of Projection

Projection of cash flow related to a certain project for the next period of 3 years starting from the transaction date, compiled by the customer and signed by the authorized official from the customer (by enclosing work contract document and/or other related documents).

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