



DEPARTEMEN PERDAGANGAN  
REPUBLIK INDONESIA

MINISTRY OF TRADE OF THE REPUBLIC OF INDONESIA  
DIRECTORATE GENERAL  
INTERNATIONAL TRADE COOPERATION

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Jakarta, March 27 , 2009

Mr. Simon Morris  
Chairman  
The Foreign Banks Association of Indonesia  
c/o Pricewaterhouse Coopers  
Jl. HR Rasuna Said Kav. X-7 No. 6, 11<sup>th</sup> Floor  
Jakarta 12940

Dear Mr. Morris,

In response to your letter of February 10, 2009 addressed to Minister of Trade regarding confirmation on export proceeds to banks with local presence in Indonesia, I would like to provide you with the objectives and background of the Ministry of Trade Regulation No. 1/M-DAG/PER/1/2009 on Export Proceed through L/C dated 5 January 2009.

The main objectives of the issuance of this regulation are increasing quality and efficiency of operations; supporting the efforts of maintaining natural resources; and increasing efficiency of foreign exchange transactions. This regulation mandating the use of L/Cs is part of a policy package to secure real sector related to trade financing in handling global financial crisis. Payment of exports by L/C will benefit exporters and buyers, giving assurance of payment from buyers to exporters, in combination with the trade financing package.

Products managed under this regulation are primary products in the form of raw materials or intermediary goods, including coffee, CPO, cocoa, rubber, mining products, and tin. For each export activity, related exporters are required to mention the L/C number in the PEB (*Pemberitahuan Ekspor Barang/Product Export Notice*), and the export proceeds must be transferred and received through a domestic foreign exchange bank.

Domestic foreign exchange banks (*Bank Devisa Domestik*) referred to in the Regulation are banks operating in Indonesia, either foreign or local banks, possessing a permit to operate as domestic foreign exchange banks in accordance with prevailing banking laws and regulations in Indonesia.

Members of FBAI need not be concerned by alleged reports stating that the Indonesian government requires commodity producers to send their export proceeds to banks with a local presence, no longer foreign banks or joint venture banks. In principle, the Regulation does not restrict members of FBAI to participate in export proceeds. However, in order to be eligible as players, members of FBAI must fulfill prevailing bank regulations in Indonesia to operate as a Foreign Exchange Banks.

Taking into account the change of situation, the decrease in export, some suggestions from relevant stakeholders, and the difficulties faced by small and medium exporters in fulfilling the L/C requirement, and in its efforts to minimize the change in current export policy, the Government of Indonesia has revised the application of commodities export obligated to use L/C through Ministry of Trade Regulation No. 10/M-DAG/PER/3/2009 on Export Proceed through L/C dated 5 March 2009.

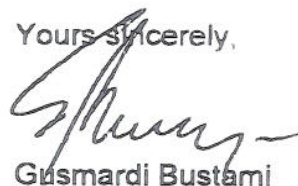
Under this revised regulation, effective April 1, 2009 L/C application is only mandatory for mining, tin and CPO products, for high scale exporters, with export above US\$ 1 million. Meanwhile, based on the changing situation from sellers market to buyers market, evaluation and preparation steps for application of L/C obligation for other commodities (i.e. cacao, rubber, coffee) will be postponed to August 31, 2009.

In addition, in order to reach the main goal of this regulation, namely increasing quality and efficiency of operations, an obligation to report will be applied for all arranged commodities. During the postponed time, starting April 1, 2009, exporters of the above-mentioned commodities (mining, tin, CPO, cacao, rubber and coffee) stipulated in the Regulation are obligated to report or mention L/C payment or other payment used in international trade as well as the number and the date of the payment document in the PEB. Those exporters are also obligated to send monthly reports to the Minister of Trade through export realization, which includes the method of payment, the name of the foreign exchange bank and the exporter's account number.

For your information, GOI will continue its reform process to create more trade and investment opportunities. GOI will also improve the overall economic competitiveness through simplification of regulations and consistent enforcement of regulations. I really hope that the existing members of FBAI investments will continue to maintain and expand investments in Indonesia.

Once again thank you for your cooperation and strong support in strengthening the economic and business relations in Indonesia.

Yours sincerely,



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