

THE PRINCIPLE “KNOW YOUR CUSTOMER” BY FINANCIAL SERVICE PROVIDER IN THE CAPITAL MARKET SECTOR

(Regulation of the Financial Service Authorities Number 22/POJK.04/2014, dated November 18, 2014)

BY GRACE OF GOD THE ALMIGHTY
THE BOARD OF COMMISSIONERS OF
THE FINANCIAL SERVICE AUTHORITIES,

Considering:

- a. that in the framework of creating a capital market industry which is solvent as well as protected from money laundering practices and used as a funding instrument of terrorism, efforts need to be taken continuously to enhance the prevention and eradication of money laundering crime and terrorism funding by financial service providers in the capital market sector;
- b. that provisions on Principle Know Your Customers by Financial Service Providers in the capital market sector need to be adjusted to international standard on the application of anti-money laundering and terrorism funding prevention program;
- c. that having regards to letters a and b, it is necessary to stipulate a regulation of the Financial Service Authorities on The Principle Know Your Customer by Financial Service Providers in the Capital Market Sector;

In view of:

1. Law Number 8 Year 1995 on Capital Market (Statute Book of the Republic of Indonesia Year 1995 Number 64, Supplement to Statute Book of the Republic of Indonesia Number 3608);
2. Law Number 8 Year 2010 on Prevention and Eradication of Money Laundering Crime (Statute Book of the Republic of Indonesia Year 2010 Number 122, Supplement to Statute Book of the Republic of Indonesia Number 5164);
3. Law Number 21 Year 2011 on the financial service authorities (Statute Book of the Republic of Indonesia Year 2011 Number 111, Supplement to Statute Book of the Republic of Indonesia Number 5253);
4. Law Number 9 Year 2013 on Prevention and Eradication of Terrorism Funding Crime (Statute Book of the Republic of Indonesia Year 2013 Number 50, Supplement to Statute Book of the Republic of Indonesia Number 5406);

D E C I D E S :

To stipulate:

THE REGULATION OF THE FINANCIAL SERVICE AUTHORITIES ON PRINCIPLE KNOW YOUR CUSTOMER BY FINANCIAL SERVICE PROVIDERS IN THE CAPITAL MARKET SECTOR.

CHAPTER I

GENERAL

Article 1

Referred to in this regulation as:

1. Financial Service Provider in the Capital Market Sector shall be stock company undertaking business activity as underwriter of stock issuance, broker of stock trader and/or investment management as well as commercial bank executing custodian function.
2. Money Laundering shall be the money laundering as referred to in the law ruling the prevention and eradication of money laundering crime.
3. Terrorism Funding shall be the funding of terrorism as referred to in the law ruling the prevention and eradication of terrorism funding crime.
4. Customer shall be party using service of financial service provider in the capital market sector in the framework of investment in the capital market, whether followed by the opening of stock account or not.
5. Principle Know Your Customer shall be a principle applied by financial service providers in the capital market sector to:
 - a. ascertain the background and identity of customers;
 - b. monitor stock account and transaction of customers; and
 - c. report suspicious financial transactions and cash financial transactions, in accordance with capital market legislation as well as legislation related to the prevention and eradication of money laundering crime and/or prevention and eradication of terrorism funding crime.
6. Customer Due Diligence hereinafter abbreviated to CDD shall be activity in the form of identification, verification and monitoring executed by financial service provider in the capital market sector to ensure that the transaction is in accordance with profile, characteristic and/or transaction pattern of customer.
7. Enhanced Due Diligence hereinafter abbreviated to EDD shall be a deeper action of CDD executed by financial service provider in the capital market sector to prospective customers or customers classified into high risk area.
8. Suspicious Financial Transaction shall be the suspicious financial transaction as referred to in the law ruling

the prevention and eradication of money laundering crime and/or law ruling the prevention and eradication of terrorism funding crime.

9. Financial Transaction Reporting and Analysis Center hereinafter abbreviated to PPATK shall be PPATK as referred to in the law ruling the prevention and eradication of money laundering crime.
10. Beneficial Owner shall be every party, directly or indirectly, through agreement or whatever method:
 - a. entitled to and/or receiving specified benefit related to:
 1. stock account in financial service provider in the capital market sector; or
 2. business relations with financial service provider in the capital market sector;
 - b. constituting the true owner of funds and/or stock in financial service provider in the capital market sector (ultimate account owner);
 - c. controlling customer transaction;
 - d. authorizing to execute transaction; and/or
 - e. controlling non individual customer.
11. Politically Exposed Persons hereinafter called PEP shall be persons having or once having public authority, among others the state administrators as referred to in legislation ruling state administrators, and/or persons recorded or once recorded as members of political parties having influence on policies and operation of political parties, be they Indonesia citizens or foreign citizens.
12. High Risk Customers shall be customers that are based on their background, identity and history deemed having high risk to execute activities related to money laundering and/or terrorism funding.
13. High Risk Countries shall be countries or territories potential to use as:
 - a. place or instrument of money laundering;
 - b. place of original crime (predicate offense); and/or
 - c. place of terrorism funding activity.
14. High Risk Business shall be a business line potential to use as instrument of money laundering and/or terrorism funding.
15. State Institutions shall be institution having authority in the field of executive, judicature and legislative.
16. Government Institution shall be a collective call of organizational unit of administration executing task and function in accordance with the provision in force, which cover:
 - a. Coordinator Ministry;
 - b. State Ministry;

- c. Ministry;
- d. Non-Ministerial Government Institution;
- e. Provincial Government;
- f. Municipal Government;
- g. regency government;
- h. state institutions established on the basis of law; or
- i. government institutions executing the function of administration by using the State Budget of Revenue and Expenditure and/or Regional Budget of Revenue and Expenditure.

Article 2

Financial Service Providers in the capital market sector shall be obliged to apply principle Know Your Customer and have guidance for the application of Principle Know Your Customer.

CHAPTER II

ACTIVE SUPERVISION BY BOARD OF DIRECTORS AND BOARD OF COMMISSIONERS

Part One

Active Supervision By Board of Directors

Article 3

- (1) Board of directors of financial service providers in the capital market sector shall be obliged to execute active supervision, at least:
- a. ascertaining that financial service providers in the capital market sector have guidance for the application of Principle Know Your Customer;
 - b. recommending guidance for the application of Principle Know Your Customer to board of commissioners;
 - c. ascertaining that the application of principle Know Your Customers is executed in accordance with guidance for the application of principle Know Your Customer already stipulated;
 - d. ascertaining that guidance for the application of Principle Know Your Customer is in line with the change and development of product, service and technology of financial service providers in the capital market sector as well as in accordance with the developments of money laundering and/or terrorism funding modus: and
 - e. ascertaining that the whole employees related to the application of principle Know Your Customer

attend training course related to the application of Principle Know Your Customer periodically.

- (2) In the event that financial service provider in the capital market sector is custodian bank constituting branch office of foreign bank, the active supervision shall be executed executive of branch office of the foreign bank.

Part Two

Active Supervision by Board of Commissioners

Article 4

Board of commissioners of financial service providers in the capital market sector shall execute active supervision, at least:

- a. approving guidance for the application of Principle Know Your Customer recommended by board of directors;
- b. supervising the implementation of responsibility of Board of directors to the application of principle Know Your Customer; and
- c. ascertaining deliberation about money laundering and terrorism funding at meetings of Board of directors and board of commissioners

CHAPTER III

PARTY IN CHARGE OF THE APPLICATION OF PRINCIPLE KNOW YOUR CUSTOMER

IN FINANCIAL SERVICE PROVIDER

Part One

General

Article 5

- (1) In the framework of executing principle Know Your Customer, financial service providers in the capital market sector shall be obliged to set up a special working unit or assign official as party in charge of the application of principle Know Your Customer.
- (2) The party in charge of the application of principle Know Your Customer as referred to in paragraph (1) shall be stipulated as a part of organizational structure of financial service providers in the capital market sector.
- (3) Financial service providers in the capital market sector shall be obliged to ascertain that the party in charge of the application of principle Know Your Customer as referred to in paragraph (1) has adequate capability and authority to access the whole customer data and other related information.

- (4) President Director of financial service providers in the capital sector may not serve as party in charge of the application of principle Know Your Customer.
- (5) In the event that financial service provider in the capital market sector constitutes a stock company undertaking business activity as underwriter of stock issuance, broker of stock trader and/or investment manager in a business entity, the financial service provider may only have one party in charge of the application of principle Know Your Customer.
- (6) In the case of financial service provider in the capital market sector constituting a custodian bank, the party in charge of the application of principle Know Your Customer may be assigned to party in charge of custodian bank or shall be assumed concurrently by party in charge of the application of principle Know Your Customer at commercial bank.

Part One

Special Working Unit

Article 6

In the case of financial service provider in the capital market sector establishing a special working unit as party in charge of the application of principle Know Your Customer, the following provisions shall apply:

- a. the special working unit consists of at least one person acting as leader and one person acting as executive;
- b. the leader and executive in the special working unit are prohibited from assuming double position to execute other function;
- c. the leader of the special working unit is stipulated/appointed by president director;
- d. the special working unit is under coordination of the president director directly in the organizational structure of financial service provider in the capital market sector; and
- e. the special working unit is independent from other function.

Part Three

Assignment of Official

Article 7

In the case of financial service provider in the capital market sector assigning an official as party in charge of the application of principle Know Your Customer, the official shall be stipulated or appointed by president director and may only assume double position to execute functions of risk management, compliance and/or internal audit.

Part Four

Task, Authority and Responsibility

Paragraph 1

Task

Article 8

The party in charge of the application of principle Know Your Customer as referred to in Article 5 paragraph (1) shall have at least the following tasks:

- a. preparing and preserving guidance for the application of Principle Know Your Customer;
- b. ascertaining that procedure for the identification, verification and monitoring of customers remains adequate;
- c. ascertaining that forms related to customers have accommodated data needed in the application of principle Know Your Customer;
- d. monitoring stock account and transaction of customers;
- e. evaluating result of the monitoring and analysis of transaction of customers to ascertain whether suspicious financial transaction and/or cash financial transaction in accordance with legislation related to money laundering and/or terrorism funding exists or not;
- f. administering result of the monitoring and evaluation;
- g. monitoring the updating of customer data and profile;
- h. executing supervision related to the application of principle Know Your Customers to related working units;
- i. receiving and analyzing report on suspicious financial transaction and/or cash financial transaction reported by the assigned working units; and
- j. preparing report on suspicious financial transaction and/or cash financial transaction in accordance with legislation related to money laundering and/or terrorism funding reported compulsorily to PPATK.

Paragraph 2

Authority

Article 9

The party in charge of the application of Principle Know Your Customer as referred to in Article 5 paragraph (1) shall have at least the following authority:

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- a. securing access to the required information in the whole organizational units of financial service provider in the capital market sector;
- b. coordinating and monitoring the implementation of Principle Know Your Customer by related working units;
- c. recommending official and/or employee of related working unit to help implement Principle Know Your Customer; and
- d. reporting suspicious financial transaction executed by board of directors, board of commissioners, or parties affiliated to Board of directors or board of commissioners, directly to PPATK.

Paragraph 3

Responsibility

Article 10

The party in charge of the application of Principle Know Your Customer as referred to in Article 5 paragraph (1) shall have description of responsibility minimally as follows:

- a. ascertaining that the whole activities in the framework of the application of Principle Know Your Customer are executed;
- b. monitoring, analyzing and recommending the need of training course related to the application of principle Know Your Customer for officials and/or employees of financial service providers in the capital market sector; and
- c. keeping in secrecy information related to the application of principle Know Your Customer.

CHAPTER IV

POLICY AND PROCEDURE

Article 11

(1) The Guidance for the application of principle Know Your Customer as referred to in Article 2 shall contain written policies and procedures minimally covering:

- a. identification and verification;
- b. beneficial owner;
- c. CDD by the third party;
- d. risk management;
- e. high risk area;
- f. monitoring of stock account, transaction of customers and updating of customer data;

- g. administration of documents; and
- h. reporting.

- (2) The Guidance for the application of Principle Know Your Customer owned by financial service provider in the capital market as referred to in paragraph (1) shall refer to this regulation of the financial service authorities, legislation related to prevention and eradication of money laundering crime and/or terrorism funding.

Article 12

Financial service providers in the capital market sector shall be obliged to apply the guidance for the application of principle Know Your Customer as referred to in Article 11 consistently and sustainably.

Article 13

The guidance for the application of principle Know Your Customer as referred to in Article 11 shall be obliged to secure approval from board of commissioners

Part One

Identification and Verification

Article 14

- (1) Financial service providers in the capital market sector shall be obliged to apply CDD procedure upon:
- a. planning to make business relations with prospective customers;
 - b. realizing business relations with customers;
 - c. doubting the truth of supporting data, information and/or documents submitted by customers and/or beneficial owners; and/or
 - d. finding indication of suspicious financial transaction related to money laundering and terrorism funding.
- (2) The CDD as referred to in paragraph (1) shall consist of simple CDD, standard CDD and EDD.

Article 15

- (1) Financial service providers in the capital market sector shall be obliged to ask data and information from prospective customers.
- (2) The data and information about the prospective customers as referred to in paragraph (1) shall be as follows:

a. In the case of prospective customer being individual person:

1. data according to identity document, namely:
 - a) name;
 - b) identity number;
 - c) address;
 - d) place and date of birth;
 - e) sex; and
 - f) citizenship;
2. the latest address (if different from the identity document);
3. telephone number;
4. marital status;
5. occupation;
6. address and telephone number of work place (if any);
7. average annual income;
8. source of funds;
9. goal and objective of investment;
10. identity of beneficial owner (if any); and
11. name of bank and account number.

b. In the case of prospective customer being non individual person:

1. name;
2. Number of license or number of business license from the authorized institution;
3. business line/activity;
4. address of domicile;
5. telephone number;
6. place and date of the establishment;
7. identity of beneficial owner) (if any);
8. source of funds;
9. goal and objective of investment; and
10. name of bank and account number.

(3) The data and information as referred to in paragraph (2) shall be accompanied by at least specimen of signature and supporting documents as follows:

- a. In the case of individual person
 1. copy of citizenship identity number (KTP), in the case of Indonesian citizen; or
 2. copy of passport in the case of foreign citizen.
- b. In the case of non-individual person
 1. business entity
 - a) copy of memorandum of association of company;
 - b) copy of business license from the authorized institution;
 - c) specimen of signature of the recipient of authority;
 - d) power of attorney from the authorized official to the recipient of authority to act for and on behalf of prospective customer or customer in investing in the capital market, including the granting of instruction in relation to stock account of prospective customer;
 - e) copy of taxpayer code number (NPWP);
 - f) financial statement or description of business activity;
 - g) copy of certificate of domicile;
 - h) structure of management or governing board;
 - i) structure of ownership or structure of founder;
 - j) copy of identity document of executives/board of director authorized to represent prospective customer; and
 - k) document regarding the ultimate controller.
 2. Foundation
 - a) copy of license related to field of activity of foundation;
 - b) description of foundation activity;
 - c) structure and name of executives of foundation; and
 - d) copy of identity document of member of the governing board authorized to represent the foundation to make business relations with financial service provider in the capital market sector.
 3. Other legal entity
 - a) copy of evidence of registration at the authorized party;
 - b) name of executor; and
 - c) copy of identity document of the party authorized to represent the legal entity in making business relations with financial service providers in the capital market sector.
 4. Organized group, association and non-legal entity groups

- a) copy of evidence of registration at the authorized party;
 - b) name of executor;
 - c) copy of deed of establishment and/or memorandum of association and articles of association (AD/ART); and
 - d) copy of identity document of the party authorized to represent the organized group, association and other non-legal entity groups in executing business relations with financial service provider in the capital market sector.
- (4) In the case of prospective customer being state institution, government institution or international institution, financial service provider in the capital market sector shall be obliged to ask for data and information minimally as referred to in paragraph (2) letter b point 1 and point 4 and the supporting documents as referred to in paragraph (3) letter b point 1 letter c) and letter d).
- (5) The approval of the opening of stock account or business relations may be granted by financial service provider in the capital market sector after believing in the truth of identity and completeness of document of prospective customer as well as considering factors possible to enable the prospective customer to undertake money laundering and/or terrorism funding.
- (6) Financial service providers in the capital market sector shall be prohibited from opening or preserving stock account in the case of:
- a. the stock account using fictitious name;
 - b. prospective customer or customer refusing to abide by the principle Know Your Customer; or
 - c. financial service provider in the capital market sector being unable to believe in the truth of identity and completeness of documents of prospective customer or customer.

Article 16

- (1) Financial service providers in the capital market sector shall be obliged to classify prospective customers or customers on the basis of the risk level of money laundering or terrorism funding.
- (2) The classification of prospective customers or customers as referred to in paragraph (1) shall contain at least 3 (three) categories of risk, namely:
- a. low;
 - b. medium; and
 - c. high.

- (3) Financial service providers in the capital market sector shall be obliged to apply CDD on the basis of levels of risk owned by prospective customers or customers.

Article 17

- (1) Prospective customers or customers shall come into the category of low risk if they fulfill the following criteria:
- a. having profile as follows:
 1. constituting recipient of stock in the framework of Employee Stock Ownership Program (ESOP) and/or Management Stock Ownership Program (MSOP) from issuer or public listed company;
 2. being issuer or public listed company;
 3. company having shares mostly owned by the government;
 4. being state institution or government institution; or
 5. being international institution wherein the government or the representing becomes member;
 - b. party ordering stock at primary market maximally amounting to Rp100,000,000 (one hundred million rupiah); or
 - c. not achieving criteria for medium risk level.
- (2) To the prospective customers or customers matching the criteria for the low risk level as referred to in paragraph (1), financial service providers in the capital market shall be obliged to:
- a. examine the truth of data and information submitted by prospective customers or customers on the basis of supporting documents; and
 - b. ascertaining that the data and information are the latest.
- (3) In the case of customers not matching the criteria as referred to in paragraph (1), financial service providers in the capital market shall be obliged to apply procedure for standard CDD or EDD.

Article 18

- (1) Prospective customers or customers shall come into the category of medium risk if they meet the following criteria:
- a. excluding from the category of low risk;
 - b. excluding from the category of high risk;
 - c. prospective customers or customers of investment manager that:
 1. subscribe stock of mutual funds and other investment products;

2. have stock of mutual funds and other investment products at the end of month; or
 3. have the accumulated transaction of subscription and redemption of stock of mutual funds and other investment product exceeding Rp 100,000,000 (one hundred million rupiah) in one month; or
 - d. prospective customers or customers of broker of stock trader that:
 1. remit funds over Rp 10,000,000 (ten million rupiah) in one day;
 2. Have funds and/or stock with the total value exceeding Rp50,000,000 (fifty million rupiah) at the end of month; or
 3. have the accumulated transaction of stock more than Rp100,000,000 (one hundred million rupiah) in one month.
- (2) Financial service providers in the capital market shall be obliged to verify data and information about the prospective customers or customers as referred to in paragraph (1) by:
- a. comparing data and information about prospective customers and customers to the supporting documents before making business relations with the prospective customers;
 - b. organizing face to face meeting with prospective customers or customers and comparing data and information about prospective customers or customers to the original documents with the provision as follows:
 1. executed directly by employee of financial service providers in the capital market sector, which is proven by written statement in a free format that certifies the employee has organized face to face meeting with the prospective customers or customers;
 2. represented by other party having agreement with financial service providers in the capital market sector (outsourcing), with the provision that the other party eligible to represent the financial service providers in the capital market sector has to know basic principle of CDD; or
 3. replaced by using electronic media with the provision that the electronic media is able to provide electronic information and/or electronic documents as legitimate evidence on the basis of the effective law and is accountable;
 - c. executing interview with prospective customers or customers to examine and believe the legitimacy and truth of documents, in the case of the received data, information and/or supporting documents being doubted; and
 - d. confirming the truth of the authority of the representing party or the party acting for and on behalf of beneficial owner, if the prospective owner or customer act as proxy of or represent beneficial owner.

- (3) In the case of customers previously coming into the category of low risk but already executing face to face meeting after executing simple CDD, financial service providers in the capital market sector shall not need to organize face to face meeting anymore when the customer meets criteria in the category of medium risk.
- (4) The activity as referred to in paragraph (2) letter b shall be executed in one year as from the date when the customer comes into the category of medium risk customer.

Article 19

- (1) Prospective customers or customers shall come into the category of high risk if the following criteria are fulfilled:
 - a. prospective customers or customers and/or beneficial owner comes into high risk area;
 - b. important profile or information changes significantly so that the customer comes into high risk area;
 - c. transaction order is executed by holder of stock account without legitimate legal basis; and/or
 - d. customer executes transaction not suitable to profile, characteristic and customs of transaction patter.
- (2) To the prospective customers or customers meeting the provision as referred to in paragraph (1), financial service providers in the capital market sector shall be obliged to execute EDD, among others by the following methods:
 - a. comparing date and information about prospective customers or customers to supporting documents before making business relations with prospective customers;
 - b. verifying data and information about prospective customers or beneficial owner, which is based on the truth of information, information source, and kind of related information if the prospective customers act in the interest of beneficial owner;
 - c. verifying business relations executed by prospective customers with the third party, if the prospective customers act for and on behalf of beneficial owner;
 - d. confirming the truth of authority of the representing party or party acting for and on behalf of beneficial owner in the case of prospective customers or customers acting as proxy of or representing beneficial owner;
 - e. organizing face to face meeting before making business relations and comparing data and information about prospective customers or customers to the original document;
 - f. interviewing prospective customers to examine and believe the legitimacy and truth of document, in the case of the received information and/or document being doubted; and

- g. executing CDD regularly, minimally in the form of analysis of information about customers, source of funds, objective of investment and business relations with the related party.

Article 20

In stipulating the category of prospective customers or customers on the basis of the risk level, financial service providers in the capital market sector shall be minimally in accordance with the classification and criteria as stipulated in this regulation.

Article 21

- (1) In the case of any change in risk level of customers from low risk to medium risk, financial service providers in the capital market sector shall be obliged to conduct the verification as referred to in Article 18 paragraph (2) letter c and letter d in 30 (thirty) years as from the date when the customers meet the criteria for medium risk as referred to in Article 18 paragraph (1).
- (2) In the case of any change in risk level of customers from low risk or medium risk to high risk, financial service providers in the capital market sector shall be obliged to execute the verification as referred to in Article 19 paragraph (2) letter b, letter c, letter d, letter e, and letter f before continuing business relations with customers.

Article 22

Financial service providers in the capital market sector may ask other data, information and/or supporting documents to ascertain the truth of profile of prospective customers or customers in the framework of identification and verification by considering:

- a. the possibilities of money laundering and/or terrorism funding; and/or
- b. products, service and/or technology used by prospective customers or customers.

Article 23

- (1) Financial service providers in the capital market sector shall apply at least simple CDD procedure to prospective customers or customers belonging to the low risk category.
- (2) Financial service providers in the capital market sector shall apply at least standard CDD procedure to prospective customers or customers belonging to medium risk category.

- (3) Financial service providers in the capital market sector shall be obliged to apply EDD procedure to prospective customers or customers belonging to high risk category.
- (4) In the case of transaction and/or profile of customers not matching the criteria in the stipulated risk level, financial service providers in the capital market sector shall be obliged to re-classify the customers into the suitable risk level and apply:
 - a. standard CDD procedure to customers originally belonging to low risk category that change into medium risk category on accordance with the new stipulation of risk level; or
 - b. EDD procedure to customers originally belonging to low risk category or medium risk category that change to become high risk category.

Part Two

Beneficial Owner

Article 24

- (1) Financial service providers in the capital market sector shall be obliged to ascertain that prospective customers act for themselves or interest of beneficial owner.
- (2) In the case of prospective customers acting in the interest of beneficial owner, financial service providers in the capital market sector shall be obliged to apply CDD to beneficial owner.
- (3) In the case of the difference in the risk level between prospective customers or customers and beneficial owner, CDD shall be applied by following the higher risk level.
- (4) The obligation to apply CDD to beneficial owner as referred to in paragraph (2) shall not apply to prospective customers or customers belonging to low risk category.

Article 25

- (1) Financial service providers in the capital market sector shall be obliged to secure evidence of identity and/or other information about beneficial owner.
- (2) The evidence of identity and/or other information as referred to in paragraph (1), shall be among others:
 - a. in the case of beneficial owner being individual person:
 - 1. the data and information as referred to in Article 15 paragraph (2) letter a;
 - 2. the identity document as referred to in Article 15 paragraph (3) letter a;
 - 3. legal relations between prospective customers and beneficial owner, which is shown by agreement, power of attorney or other form;

4. statement of prospective customers with regards to the truth of identity and source of funds of Beneficial Owner; and
 5. statement of beneficial owner that the said person is the true owner of funds of prospective customers or customers.
- b. in the case of beneficial owner being non individual person:
1. the data and information as referred to in Article 15 paragraph (2) letter b;
 2. the identity document as referred to in Article 15 paragraph (3) letter b;
 3. statement of prospective customers with regards to the truth of identity and source of funds of beneficial owner; and
 4. statement of beneficial owner that the said person is the true owner of the funds of prospective customers or customers.
- (3) If prospective customer constitutes other financial service provider in the capital market sector in the country that acts for and on behalf of beneficial owner, document of the beneficial owner may be in the form of written statement of the prospective customer.
- (4) If prospective customer constitutes overseas financial service provider acting for and on behalf of beneficial owner and applying principle Know Your Customer on the basis of regulation in country of beneficial owner which is minimally equivalent to this regulation, document of the beneficial owner may be in the form of written statement of the prospective customers.
- (5) In the case of the application of principle Know Your Customer by the overseas financial service provider as referred to in paragraph (4) being not equivalent to this regulation, financial service providers in the capital market sector shall be obliged to apply Principle Know Your Customer on the basis of this regulation.
- (6) In the case of financial service providers in the capital market sector doubting or being unable to believe identity of beneficial owner, the financial service providers in the capital sector shall be obliged to refuse to execute business relations with the prospective customers.

Article 26

The obligation to submit data, information and/or identity document of beneficial owner as referred to in Article 25 paragraph (2) letter b shall not apply to beneficial owner constituting:

- a. state institution or government institution;
- b. company having share mostly owned by the government; or
- c. public listed company or issuer.

Part Three

CDD By Third Party

Article 27

- (1) Financial service providers in the capital market sector may appoint the third party to execute the identification and verification as part of the implementation of CDD.
- (2) The third party as referred to in paragraph (1) shall be as follows:
 - a. domestic financial service provider;
 - b. financial service provider in the capital market sector abroad; or
 - c. other domestic parties not constituting financial service provider,
that cooperates with financial service providers in the capital market sector.
- (3) In the case of financial service providers in the capital market sector appointing the third party to execute CDD, the financial service providers in the capital market sector may use result of CDD already executed by the third party.
- (4) The third party as referred to in paragraph (2) shall be obliged to meet the following requirements:
 - a. having CDD procedure in accordance with the provision in force;
 - b. having joint cooperation contract with financial service providers in the capital market sector in the form of written agreement;
 - c. ready to fulfill the request for data, information and supporting document promptly if they are needed by financial service providers in the capital market sector in the framework of the application of principle Know Your Customer; and
 - d. not domiciled in high risk countries.
- (5) In the case of the third party being domiciled abroad as referred to in paragraph (2) letter b, the party shall be obliged to fulfill criteria that the third party has executed Principle KnowYour Customer effectively in accordance with recommendation of the Financial Action Task Force (FATF).
- (6) IN the case of the third party being not financial service provider as referred to in paragraph (2) letter c, CDD procedure shall be stipulated by and under coordination of financial service provider in the capital market sector.
- (7) In the case of financial service providers in the capital market sector appointing the third party, the financial service providers shall be obliged to:

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- a. have and implement procedure for feasibility test and supervision over the third party in applying CDD;
- b. ascertain that the application of CDD executed by the third party has matched CDD procedure already stipulated by financial service providers in the capital market sector;
- c. administer document of results of CDD executed by the third party; and
- d. hold responsibility for result of CDD executed by the third party.

Article 28

- (1) In the case of financial service providers in the capital market sector acting as sales agent of product of other financial service provider, the financial service providers shall be obliged to fulfill request for information about result of CDD and copy of supporting documents if other financial service providers need them in the framework of the application of principle Know Your Customer.
- (2) Procedures for the fulfillment of request for information about result of CDD and copy of supporting documents shall be written down into joint cooperation agreement between the financial service provider and other financial service provider.

Part Four

Risk Management

Article 29

Risk management policy and procedure related to the application of principle Know Your Customers shall constitute a part inseparable from the risk management policy and procedure of financial service providers in the capital market sector as a whole.

Article 30

The risk management policy and procedure related to the application of Principle Know Your Customer as referred to in Article 29 shall cover at least:

- a. supervision by Board of directors and Board of commissioners of financial service providers in the capital market sector;
- b. delegation of authority;
- c. separation of task; and
- d. internal supervision system, including internal audit.

Article 31

- (1) Financial service providers in the capital market sector shall be obliged to verify the effectiveness of the application of principle Know Your Customer.
- (2) The verification as referred to in paragraph (1) shall be done by random sampling.
- (3) Financial service providers in the capital market sector shall be obliged to document the verification as referred to in paragraph (1).

Article 32

Financial service providers in the capital market sector shall be obliged to document and update kind, indicator and example of suspicious financial transaction which occur in various related working units.

Part Five

High Risk Area

Article 33

Prospective customers or customers shall be classified into high risk area in the case of:

- a. background or profile of prospective customers or customers and controller of prospective customers or customers coming into PEP or high risk customer;
- b. business line of prospective customers or customers coming into high risk business;
- c. country or territory of origin, domicile or place where the transaction of prospective customers or customers is executed coming into high risk countries;
- d. coming into list of terrorist names; and/or
- e. the executed transaction being allegedly related to crime in the capital market sector, money laundering crime and/or terrorism funding crime.

Article 34

Action of financial service providers in the capital market shall be obliged to secure prior approval from members of board of directors, official on level below board of director or senior manager in the case of:

- a. financial service providers in the capital market sector planning to make business relations with prospective customers deemed and/or categorized as high risk as referred to in Article 19 paragraph (1); and/or
- b. decision making to continue or terminate business relations with the customers deemed and/or categorized as high risk as referred to in Article 19 paragraph (1).

Part Six

Monitoring of Account and Updating Of Customer Data

Article 35

- (1) Financial service providers in the capital market sector shall be obliged to monitor customer data continually to ascertain that transactions executed by customers are in accordance with profile, characteristic and/or customs of transaction pattern of the said customers.
- (2) In executing the monitoring as referred to in paragraph (1), financial service providers in the capital market sector shall be obliged to have a monitoring system which is able to:
 - a. identify, analyze, monitor and provide report effectively on profile, characteristic and/or customs of transaction pattern executed by customers; and
 - b. inquire every transaction, if necessary, inquire identity of customer, model of transaction, date of transaction, amount and denomination of transaction as well as source of funds used for the transaction.
- (3) Financial service providers in the capital market sector shall be obliged to monitor stock account and transaction of customers, including analysis related to the possibility of predicate offense and terrorism funding.
- (4) Financial service providers in the capital market sector may ask for further data and/or information from customers for transactions not matching profile, characteristic and/or customs of transaction pattern.
- (5) Financial service providers in the capital market sector shall be obliged to evaluate result of the monitoring of stock account and customer transaction as referred to in paragraph (3) to ascertain whether suspicious financial transaction exists or not.
- (6) In the case of suspicious financial transaction being found, financial service providers in the capital market sector shall be obliged to ask for further data and/or information from the customers as referred to in paragraph (4).
- (7) In the case of the data and/or information submitted by customers not providing a convincing explanation, financial service providers in the capital market sector shall be obliged to report the suspicious financial transaction to PPATK.
- (8) In the case of name or other information about customer being the same as the name and information in the list of terrorist names, financial service providers in the capital market sector shall be obliged to report the customer in report on suspicious financial transaction.

Article 36

- (1) Financial service providers in the capital market sector shall be obliged to update the data, information

and/or supporting document as referred to in Article 15 paragraph (2) and paragraph (3) in the case of any change being ascertained from the monitoring by financial service providers in the capital market sector to customers or other accountable information.

- (2) Periodical monitoring related to profile of customers in the interest of data updating shall be done minimally once in the period of:
1. 3 (three) Year for customer belonging to low risk category;
 2. 1 (one) Year for customers belonging to medium risk category; and/or
 3. 6 (six) months for customers belonging to high risk category.
- (3) Financial service providers in the capital market sector shall be obliged to document the data updating program as referred to in paragraph (1).

Part Seven

Administration of Document

Article 37

- (1) Financial service providers in the capital market sector shall be obliged to prepare and document list of customers in accordance with the risk level of customers.
- (2) Financial service providers in the capital market sector shall be obliged to administer the documents as referred to in Article 15 paragraph (3).
- (3) The administration of the documents as referred to in paragraph (1) and paragraph (2) shall be done in a period of less than 5 (five) years as from the expiration of business relations with customers.
- (4) Financial service providers in the capital market sector shall be obliged to save records and documents of the whole identification process of suspicious financial transaction in accordance with the legislation in force.
- (5) Financial service providers in the capital market sector shall be obliged to provide data, information and/or document if they are demanded by the financial service authorities and/or other authorized authorities as governed by the law.

Part Eight

Reporting

Article 38

- (1) Financial service providers in the capital market sector shall submit report on suspicious financial transaction,

cash financial transaction and/or other reports to PPATK as governed in the provision and legislation ruling the prevention and eradication of money laundering and/or terrorism funding crime.

- (2) The reports as referred to in paragraph (1) shall be submitted by referring to the provision issued by PPATK.

CHAPTER V

INFORMATION SYSTEM

Article 39

- (1) Financial service providers in the capital market sector shall be obliged to have information system capable of saving customer data and information as well as data about transactions of the said customers.
- (2) The data and information as referred to in paragraph (1) shall be used as a parameter in monitoring customer transaction.
- (3) The information system as referred to in paragraph (1) shall be obliged to provide facility of indicator of potentially suspicious financial transactions.
- (4) The information system as referred to in paragraph (1) shall be obliged to mention detail of persons, business lines and countries matching the criteria for high risk area and shall be updated regularly.
- (5) Financial service providers in the capital market sector shall ascertain that the monitoring of customer transactions by using the information system could be executed effectively and sustainably.

CHAPTER VI

HUMAN RESOURCES AND TRAINING

Article 40

Financial service providers in the capital market sector shall be obliged to apply screening procedure in the framework of recruiting employees.

Article 41

Financial service providers in the capital market sector shall be obliged to execute training program for the application of Principle Know Your Customer to the whole employees related to the application of Principle Know Your Customers by the following methods:

- a. preparing training program which is executed at least once in 2 (two) years;
- b. executing training program in accordance with the timetable of program already formulated; and

- c. reporting the implementation of training program to the financial service authorities in no later than the following year after the year when the program is executed.

CHAPTER VII

MISCELLANEOUS PROVISION

Article 42

Financial service providers in the capital market sector shall be obliged to take necessary actions to prevent the misuse of technology development in the scheme of money laundering and/or terrorism funding.

Article 43

Financial service providers in the capital market sector shall be obliged to cooperate with law enforcers and the authorized authorities in the framework of combating money launder and/or terrorism funding.

CHAPTER VIII

SANCTION

Article 44

- (1) Without reducing the penal provision in the capital market sector, the financial service authorities shall be authorized to impose administrative sanction on every party violating the provision in this regulation, including the parties causing the violation, in the form of:
 - a. written warning;

- b. fine, namely the obligation to pay money in a specified amount;
- c. restriction of business activity;
- d. freezing of business activity;
- e. revocation of business license;
- f. nullification of approval; and
- g. nullification of registration.

- (2) The administrative sanction as referred to in paragraph (1) letter b, letter c, letter d, letter e, letter f or letter g may be imposed with or without preceded by the administrative sanction in the form of written warning as referred to in paragraph (1) letter a.

- (3) The administrative sanction as referred to in paragraph (1) letter b may be imposed separately or collectively with the sanction as referred to in paragraph (1) letter c, letter d, letter e, letter f or letter g.

Article 45

Besides the administrative sanctions as referred to in Article 44 paragraph (1), the financial service authorities may take certain actions against every party violating the provision in this regulation of the financial service authorities.

Article 46

The financial service authorities may announce the imposition of the administrative sanction as referred to in Article 44 paragraph (1) and certain actions as referred to in Article 45 to communities.

CHAPTER IX
TRANSITIONAL PROVISION

Article 47

Financial service providers in the capital market sector shall be obliged to submit the guidance for the application of Principle Know Your Customer as referred to in Article 2 to the financial service authorities in no later than 6 (six) months as from the enforcement of this regulation.

CHAPTER IX
CONCLUSION

Article 48

Following the enforcement of this regulation:

- a. Decision of the Chairman of Bapepam and LK Number Kep- 476/BL/2009 dated December 13,2009 on Principle Know Your Customer by Financial Service Providers in the Capital Market Sector along with Regulation Number V.D.10, which constitutes attachment thereof, shall be revoked and declared null and void; and
- b. Circular of the financial service authorities Number 7/SEOJK.04/2014 dated April 24, 2014 on the Application of Face To Face Meeting in the Receipt of Holders of Stocks of Mutual Funds through the Electronic Opening of Account and Procedure for the Subscription and Redemption of Stocks of Mutual Funds Electronically shall be declared to remain effective as long as it does not contravene or has not been replaced on the basis of this regulation.

Article 49

The regulation of the financial service authorities shall come into force as from the date of promulgation.

For public cognizance, the regulation shall be promulgated by placing it in Statute Book of the Republic of Indonesia.

Stipulated in Jakarta

On November 18, 2014

THE CHAIRMAN OF THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICE AUTHORITIES

sgd.

MULIAMAN D. HADAD

Promulgated in Jakarta

On November 19, 2014

THE MINISTER OF LAW AND HUMAN RIGHTS OF
THE REPUBLIC OF INDONESIA

sgd

YASONNA H. LAOLY

STATUTE BOOK OF THE REPUBLIC OF INDONESIA
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