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By: BOARD OF COMMISSIONERS OF INDONESIAN FINANCIAL SERVICES
AUTHORITY

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Title: KNOW YOUR CUSTOMER PRINCIPLES BY FINANCIAL SERVICE
PROVIDER IN CAPITAL MARKET SECTOR

BY THE GRACE OF THE ALMIGHTY GOD

BOARD OF COMMISSIONERS FOR FINANCIAL SERVICE AUTHORITY,

Considering:

- a. whereas in the context of creating Capital Market industry which is sound as well as protected from any practice of money laundering and from being made as facility of terrorism funding, continuous efforts shall be required for improving the prevention and eradication of criminal acts of money laundering and terrorism funding by Financial Service Provider in Capital Market Sector;
- b. whereas it is necessary to adjust the provisions on Know Your Customer Principles by Financial Service Provider in Capital Market Sector to the international standard regarding application of program for anti money laundering and prevention from terrorism funding;
- c. whereas based on the considerations as intended in points a and b, it is necessary to stipulate a Regulation of Financial Service Authority regarding Know Your Customer Principles by Financial Service Provider in Field of Capital Market;

In View of:

1. Law Number 8 Year 1995 regarding Capital Market (State Gazette of the Republic of Indonesia Year 1995 Number 64, Supplement to State Gazette of the Republic of Indonesia Number 3608);
2. Law Number 8 Year 2010 regarding Prevention and Eradication of Criminal Act of Money Laundering (State Gazette of the Republic of Indonesia Year 2010 Number 122, Supplement to State Gazette of the Republic of Indonesia Number 5164);
3. Law Number 21 Year 2011 regarding Financial Service Authority (State Gazette of the Republic of Indonesia Year 2011 Number 111, Supplement to State Gazette of the Republic of Indonesia Number 5253);
4. Law Number 9 Year 2013 regarding Prevention and Eradication of Criminal Act of

Terrorism Funding (State Gazette of the Republic of Indonesia Year 2013 Number 50, Supplement to State Gazette of the Republic of Indonesia Number 5406);

HAS DECIDED

To Stipulate:

REGULATION OF FINANCIAL SERVICE AUTHORITY REGARDING KNOW YOUR CUSTOMER PRINCIPLES BY FINANCIAL SERVICE PROVIDER IN CAPITAL MARKET SECTOR.

CHAPTER I GENERAL PROVISIONS

Article 1

Referred to herein as:

1. Financial Service Provider in Capital Market Sector shall be Securities Firm which conducts business activity as Securities Underwriter, Securities Trading Broker, and/or as Investment Manager, as well as Commercial Bank which runs functions of Custodian.
2. Money Laundering shall be money laundering as intended in law which stipulates prevention and eradication of criminal act of money laundering.
3. Terrorism Funding shall be terrorism funding as intended in law which stipulates prevention and eradication of criminal act of terrorism funding.
4. Customer shall be the Parties who use services of Financial Service Provider in Capital Market Sector in the context of investment activity in Capital Market whether followed by or without opening of Securities account.
5. Know Your Customer Principles shall be principles which are applied by Financial Service Provider in Capital Market Sector to:
 - a. know background and identity of Customer;
 - b. monitor Securities account and transaction of Customer; and
 - c. report Suspicious Financial Transaction and financial transaction which are entered into by cash,in accordance with laws and regulations in the field of Capital Market as well as laws and regulations related to prevention and eradication of criminal act of money laundering and/or prevention and eradication of criminal act of terrorism funding.
6. *Customer Due Diligence*, hereinafter abbreviated as CDD, shall be activities in the form of identification, verification, and monitoring by Financial Service Provider in Capital Market Sector to ensure transaction is in accordance with profile, characteristics, and/or pattern of transaction of Customer.

7. *Enhanced Due Diligence*, hereinafter abbreviated as EDD, shall be more thorough action of CDD conducted by Financial Service Provider in Capital Market Sector to prospective Customer or Customer classified in high risk area.
8. Suspicious Financial Transaction shall be suspicious financial transaction as intended in law which stipulates prevention and eradication of criminal act of money laundering and/or law which stipulates prevention and eradication of criminal act of terrorism funding.
9. Center for Financial Transaction Reporting and Analysis, hereinafter abbreviated as PPATK, shall be PPATK as intended in law which stipulates prevention and eradication of criminal act of Money Laundering.
10. *Beneficial Owner* shall be any parties whether directly or indirectly by agreement or by any methods:
 - a. have rights to and/or receive certain benefits related to:
 1. Securities account at Financial Service Provider in Capital Market Sector; or
 2. business relationship with Financial Service Provider in Capital Market Sector;
 - b. constitute the actual owner of funds and/or Securities at Financial Service Provider in Capital Market Sector (*ultimate account owner*);
 - c. control transaction of Customer;
 - d. give authorization to enter into transaction; and/or
 - e. control non- individual Customer.
11. *Politically Exposed Person*, hereinafter referred to as PEP, shall be a person who has or has ever had public authority, among other things, State Administrator as intended in laws and regulations which stipulate State Administrator, and/or a person who is registered or has ever been registered as member of political party who has influence on policies and operating of political party, whether of Indonesian citizenship or foreign citizenship.
12. *High Risk Customer* shall be Customer who, based on his/her background of identity and history, is deemed to have high risk to perform activity in connection with Money Laundering and/or Terrorism Funding.
13. *High Risk Countries* shall be state or territory which is potential to be used as:
 - a. place of occurrence or facilities of Money Laundering;
 - b. place of performance of predicate offense; and/or
 - c. place of activities of Terrorism Funding.

14. *High Risk Business* shall be business field which is potential to be used as facilities of Money Laundering and/or facilities of Terrorism Funding.
15. State Institution shall be institution having authority in the executive, judicative, and legislative field.
16. Government Agencies shall be collective term for government organization units which carry out their duties and functions in accordance with the applicable provisions, which cover:
 - a. Coordinating Ministry;
 - b. State Ministry;
 - c. Ministry;
 - d. Non-Ministry Governmental Institution;
 - e. Provincial Government;
 - f. Municipality Government;
 - g. Regency Government;
 - h. state institution established based on law; or
 - i. government institutions that run governmental functions by using State Revenues and Expenditures Budget and/or Regional Revenues and Expenditures Budget.

Article 2

Financial Service Provider in Capital Market Sector must apply Know Your Customer Principles and has guidelines for application of Know Your Customer Principles.

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 Provider in Capital Market Sector must perform active supervision at least:
 - a. to ensure that Financial Service Provider in Capital Market Sector has guidelines for application of Know Your Customer Principles;
 - b. to propose the guidelines for application of Know Your Customer Principles to

Board of Commissioners;

- c. to ensure that application of Know Your Customer Principles is implemented in accordance with the guidelines for application of Know Your Customer Principles already stipulated;
 - d. to ensure that the guidelines for application of Know Your Customer Principles are in line with change and development of products, services, and technology of Financial Service Provider in Capital Market Sector as well as in accordance with development of modus of Money Laundering and/or Terrorism Funding; and
 - e. to ensure that all employees related to application of Know Your Customer Principles have followed training related to application of Know Your Customer Principles periodically.
- (2) In the event that Financial Service Provider in Capital Market Sector is in the form of Custodial Bank constituting Branch Office of Foreign Bank, active supervision shall be done by head of Branch Office of the Foreign Bank.

Part Two
Active Supervision By Board of Commissioners

Article 4

Board of Commissioners for Financial Service Provider in Capital Market Sector must perform active supervision at least:

- a. to give approval of guidelines for application of Know Your Customer Principles proposed by Board of Directors;
- b. to supervise the implementation of responsibility of Board of Directors for application of Know Your Customer Principles; and
- c. to ensure discussion in respect of Money Laundering and Terrorism Funding in meeting of Board of Directors and Board of Commissioners.

CHAPTER III
PERSON IN CHARGE OF APPLICATION OF KNOW YOUR CUSTOMER PRINCIPLES AT
FINANCIAL SERVICE PROVIDER

Part One
General

Article 5

- (1) In the context of implementation of Know Your Customer Principles, Financial Service Provider in Capital Market Sector must establish special work unit or must assign official as person in charge of application of Know Your Customer Principles.
- (2) Person in charge of application of Know Your Customer Principles as intended in

paragraph (1) shall be stipulated as part of structure of organization of Financial Service Provider in Capital Market Sector.

- (3) Financial Service Provider in Capital Market Sector must ensure that person in charge of application of Know Your Customer Principles as intended in paragraph (1) has adequate capability and authority to access all data on Customer and other related information.
- (4) President director of Financial Service Provider in Capital Market Sector cannot become person in charge of application of Know Your Customer Principles.
- (5) In the event that Financial Service Provider in Capital Market Sector constitutes Securities Firm conducting business activity as Securities Underwriter, Securities Trading Broker, and/or Investment Manager in one business entity, Financial Service Provider in Capital Market Sector can have one sole person in charge of application of Know Your Customer Principles.
- (6) In the event that Financial Service Provider in Capital Market Sector constitutes Custodial Bank, responsibility for application of Know Your Customer Principles can be assigned to person in charge of Custodial Bank or can be hold concurrently by person in charge of application of Know Your Customer Principles at Commercial Bank.

Part Two Special Work Unit

Article 6

In the event that Financial Service Provider in Capital Market Sector establishes special work unit as party in charge of application of Know Your Customer Principles, the following provisions shall be applicable:

- a. special work unit consists of at least 1 (one) person who acts as head and 1 (one) person who acts as executor;
- b. head and executor at special work unit shall be prohibited from holding double position in running other functions;
- c. head of special work unit shall be stipulated/appointed by president director;
- d. special work unit shall be under coordination of president director directly in structure of organization of Financial Service Provider in Capital Market Sector; and
- e. special work unit shall be independent from other functions.

Part Three Assignment of Official

Article 7

In the event that Financial Service Provider in Capital Market Sector assigns official as person in charge of application of Know Your Customer Principles, the official must be

stipulated or appointed by president director and can only hold double position to carry out functions of risk management, function of compliance, and/or function of internal audit.

Part Four
Duties, Authority, and Responsibility

Section 1
Duties

Article 8

Person in charge of application of Know Your Customer Principles as intended in Article 5 paragraph (1) shall have duties at least as follows:

- a. preparing and maintaining the guidelines for application of Know Your Customer Principles;
- b. ensuring that the procedure for identification, verification, and monitoring on Customer is still adequate;
- c. ensuring that form related to Customer has accomodated necessary data in implementation of Know Your Customer Principles;
- d. monitoring Securities account and implementation of transaction of Customer;
- e. making evaluation on result of monitoring and analysis of transaction of Customer to ensure whether or not there is Suspicious Financial Transaction and/or financial transaction entered into by cash in accordance with laws and regulations related to Money Laundering and/or Terrorism Funding;
- f. administering monitoring and evaluation result;
- g. monitoring data and profile update of Customer;
- h. performing supervision in connection with application of Know Your Customer Principles on the related work units;
- i. receiving and making analysis of report on Suspicious Financial Transaction and/or financial transaction entered into by cash which are reported by work units assigned; and
- j. preparing report on Suspicious Financial Transaction and/or financial transaction by cash in accordance with laws and regulations in connection with Money Laundering and/or Terrorism Funding that must be reported to PPATK.

Section 2
Authority

Article 9

Person in charge of application of Know Your Customer Principles as intended in Article 5 paragraph (1) shall have authority at least as follows:

- a. obtaining access to necessary information existing in all units of organization of Financial Service Provider in Capital Market Sector;
- b. coordination and monitoring on the implementation of Know Your Customer Principles by the related work units;
- c. proposing official and/or employee of the related work unit to help the implementation of Know Your Customer Principles; and
- d. reporting Suspicious Financial Transaction entered into by Board of Directors, Board of Commissioners, or Parties affiliated to Board of Directors or Board of Commissioners, directly to PPATK.

Section 3 Responsibility

Article 10

Person in charge of application of Know Your Customer Principles as intended in Article 5 paragraph (1) shall have description of responsibility at least as follows:

- a. ensuring all activities in the context of application of Know Your Customer Principles can be implemented;
- b. monitoring, analyzing, and recommending need for training on application of Know Your Customer Principles for officials and/or employees of Financial Service Provider in Capital Market Sector; and
- c. keeping confidentiality of information in respect of application of Know Your Customer Principles.

CHAPTER IV POLICIES AND PROCEDURES

Article 11

- (1) The guidelines for application of Know Your Customer Principles as intended in Article 2 shall contain written policies and procedures which at least cover:
 - a. identification and verification;
 - b. *Beneficial Owner*;
 - c. CDD by third party;
 - d. risk management;
 - e. high risk area;
 - f. monitoring on Securities account, transaction of Customer, and data update

of Customer;

- g. administration of documents; and
 - h. reporting.
- (2) The guidelines for application of Know Your Customer Principles owned by Financial Service Provider in Capital Market Sector as intended in paragraph (1) must refer to this Regulation of Financial Service Authority, laws and regulations in connection with prevention and eradication of criminal acts of Money Laundering and/or Terrorism Funding.

Article 12

Financial Service Provider in Capital Market Sector must apply the guidelines for application of Know Your Customer Principles as intended in Article 11 consistently and sustainably.

Article 13

The guidelines for application of Know Your Customer Principles as intended in Article 11 must obtain approval from Board of Commissioners.

Part One Identification and Verification

Article 14

- (1) Financial Service Provider in Capital Market Sector must implement the CDD procedure at the time of:
- a. going to conduct business relationship with prospective Customer;
 - b. implementing business relationship with Customer;
 - c. existence of doubt regarding the accuracy of data, information, and/or support documents provided by Customer and/or *Beneficial Owner*; and/or
 - d. indication exists of suspicious financial transaction related to Money Laundering and Terrorism Funding.
- (2) CDD as intended in paragraph (1) shall consist of simple CDD, standard CDD, and EDD.

Article 15

- (1) Financial Service Provider in Capital Market Sector must request data and information to prospective Customer.
- (2) Data and information on prospective Customer as intended in paragraph (1) shall be as follows:
- a. For individual prospective Customer:

1. data in accordance with documents of identity, i.e.:
 - a) name;
 - b) identity number;
 - c) address;
 - d) place and date of birth;
 - e) gender; and
 - f) nationality;
 2. the last address of domicile (if different from documents of identity);
 3. telephone number;
 4. marriage status;
 5. occupation;
 6. address and telephone number of workplace (if any);
 7. income average per year;
 8. source of funds;
 9. objectives and purposes of investment;
 10. identity of *Beneficial Owner* (if any); and
 11. name of bank and account number.
- b. For non-individual prospective Customer:
1. name;
 2. number of permit or number of business license from competent agency;
 3. field of business/activity;
 4. address of domicile;
 5. telephone number;
 6. place and date of establishment;
 7. identity of *Beneficial Owner* (if any);

8. source of funds;
 9. objectives and purposes of investment; and
 10. name of bank and account number.
- (3) Data and information as intended in paragraph (2) shall at least be accompanied by specimen signature and support documents as follows:
- a. For individual
 1. photocopy of Identity Card (KTP), for Indonesian Citizen; or
 2. photocopy of Passport, for Foreign Citizen.
 - b. For non-individual
 1. Business entity
 - a) photocopy of articles of association of company;
 - b) photocopy of business license from competent agency;
 - c) specimen signature of proxy;
 - d) power of attorney from authorized official to proxy, to act for and on behalf of prospective Customer or Customer in investment in Capital Market, including giving instruction in connection with Securities account of prospective Customer;
 - e) photocopy of Taxpayer Registration Number (NPWP);
 - f) financial statement or description of business activity;
 - g) photocopy of certificate of domicile;
 - h) structure of management or organizer;
 - i) structure of ownership or structure of founder;
 - j) photocopy of documents of identity of executives/Board of Directors authorized to represent prospective Customer; and
 - k) documents regarding final controller.
 2. Foundation
 - a) photocopy of permit of field of activity of foundation;
 - b) description of activities of foundation;
 - c) structure and name of administrator of foundation; and

- d) photocopy of documents of identity of member of administrator authorized to represent foundation to conduct business relationship with Financial Service Provider in Capital Market Sector.
 - 3. Other legal entity
 - a) photocopy of proof of registration at authorized parties
 - b) name of organizer; and
 - c) photocopy of documents of identity of parties authorized to represent legal entity in conducting business relationship with Financial Service Provider in Capital Market Sector.
 - 4. Organized group, association, and other unions constituting non- legal entity
 - a) photocopy of proof of registration at authorized parties;
 - b) name of organizer;
 - c) photocopy of deed of establishment and/or articles of association and rules of association (AD/ART); and
 - d) photocopy of documents of identity of parties authorized to represent organized group, association, and unions constituting non-legal entity in conducting business relationship with Financial Service Provider in Capital Market Sector.
- (4) In the event that prospective Customer is in the form of State Institution, Government Agencies, or international institution, Financial Service Provider in Capital Market Sector must ask for data and information at least as intended in paragraph (2) sub-paragraph b points 1 and 4 and support documents as intended in paragraph (3) sub-paragraph b point 1 sub-paragraphs c) and d).
- (5) Approval for opening of Securities account or business relationship can be given by Financial Service Provider in Capital Market Sector after being convinced of the accuracy of identity and the completeness of documents of prospective Customer as well as considering factors that can enable prospective Customer to perform Money Laundering and/or Terrorism Funding.
- (6) Financial Service Provider in Capital Market Sector shall be prohibited from opening or maintaining Securities account if:
- a. Securities account uses fictive name;
 - b. prospective Customer or Customer rejects to comply with Know Your Customer Principles; or

- c. Financial Service Provider in Capital Market Sector cannot be convinced of the accuracy of identity and the completeness of documents of prospective Customer or Customer.

Article 16

- (1) Financial Service Provider in Capital Market Sector must classify prospective Customer or Customer based on risk level of Money Laundering or Terrorism Funding.
- (2) The grouping of prospective Customer or Customer as intended in paragraph (1) shall at least consist of 3 (three) classifications of risk, i.e.:
 - a. low;
 - b. moderate; and
 - c. high.
- (3) Financial Service Provider in Capital Market Sector must apply CDD based on risk level owned by prospective Customer or Customer.

Article 17

- (1) Prospective Customer or Customer is included in group of low risk if the following criteria are met:
 - a. has the following profile:
 - 1. constituting receiver of Securities in the context of *Employee Stock Ownership Program* (ESOP) and/or *Management Stock Ownership Program* (MSOP) from Issuer or Public Company;
 - 2. in the form of Issuer or Public Company;
 - 3. company the majority shares of which are owned by the Government;
 - 4. in the form of State Institution or Government Agency; or
 - 5. in the form of international institution in which Government or representative is member;
 - b. party which performs order of Securities in first level market at a maximum of Rp100.000.000,00 (one hundred million rupiah); or
 - c. not reaching criteria for moderate risk level.
- (2) To prospective Customer or Customer who meets the criteria for low risk level as intended in paragraph (1), Financial Service Provider in Capital Market Sector must:
 - a. examine the accuracy of data and information conveyed by prospective

Customer or Customer based on support documents; and

- b. ensure the data and information are the most recent data.
- (3) In the event that Customer does not fit the criteria as intended in paragraph (1), Financial Service Provider in Capital Market Sector must perform the procedure for standard CDD or EDD.

Article 18

- (1) Prospective Customer or Customer shall be included in group of moderate risk if the following criteria are met:
- a. not included in low risk criteria;
 - b. not included in high risk criteria;
 - c. for prospective Customer or Customer of Investment Manager who:
 - 1. performs *subscription* of Mutual Fund Securities and other investment products;
 - 2. has Mutual Fund Securities and other investment products at the end of month; or
 - 3. has accumulated transaction of *subscription* and *redemption* of Mutual Fund Securities and other investment products within the period of 1 (one) month, exceeding Rp100.000.000,00 (one hundred million rupiah); or
 - d. for prospective Customer or Customer Securities Trading Broker who:
 - 1. deposits funds more than Rp10.000.000,00 (ten million rupiah) in 1 (one) day;
 - 2. has funds and/or Securities with a total of more than Rp50.000.000,00 (fifty million rupiah) at the end of month; or
 - 3. has accumulated transaction of Securities more than Rp100.000.000,00 (one hundred million rupiah) within the period of 1 (one) month.
- (2) Financial Service Provider in Capital Market Sector must perform data and information verification of prospective Customer or Customer as intended in paragraph (1) by:
- a. comparing data and information on prospective Customer or Customer to support documents before conducting business relationship with prospective Customer;
 - b. performing *face to face* meeting with prospective Customer or Customer and comparing data and information on prospective Customer or Customer to

original documents on the following provisions:

1. conducted directly by employee of Financial Service Provider in Capital Market Sector, which is authenticated by written statement in free format that declares the employee has performed *face to face* meeting with prospective Customer or Customer;
 2. represented by other parties who have agreement with Financial Service Provider in Capital Market Sector (*outsourcing*), on the provisions that other parties who can represent Financial Service Provider in Capital Market Sector must know the basic principles of CDD; or
 3. replaced by using electronic media, on the provision that the electronic media can provide electronic information and/or electronic documents as valid means of proof based on effective law and is accountable;
- c. performing interview with prospective Customer or Customer to examine and ensure the validity and accuracy of documents, in the event that there are doubts regarding data, information, and/or support documents received; and
 - d. performing confirmation on the accuracy of authority of the parties who represent or act for and on behalf of *Beneficial Owner*, if prospective Customer or Customer acts as proxy or represents *Beneficial Owner*.
- (3) For Customer previously included in low risk group but at the time of implementation of simple CDD has held *face to face* meeting with customer, it is no longer necessary for Financial Service Provider in Capital Market Sector to perform *face to face* meeting when the Customer meets the criteria in moderate risk group.
- (4) The implementation of activity as intended in paragraph (2) sub-paragraph b must be conducted within a period of 1 (one) year as from Customer meets the criteria in moderate risk group of Customer.

Article 19

- (1) Prospective Customer or Customer shall be included in high risk group if the following criteria are met:
- a. prospective Customer or Customer and/or *Beneficial Owner* are/is included in high risk area;
 - b. there is significant change of profile or important information, so that Customer is included in high risk area;
 - c. order of transaction is done by holder of Securities account without valid legal basis; and/or
 - d. Customer who enters into transaction does not fit profile, characteristics, and habitual transaction pattern.

- (2) To prospective Customer or Customer who meets the provisions as intended in paragraph (1), Financial Service Provider in Capital Market Sector must perform EDD, among other things, by the following method:
- a. comparing data and information on prospective Customer or Customer to support documents before conducting business relationship with prospective Customer;
 - b. data and information verification of prospective Customer or *Beneficial Owner* based on the accuracy of information, the accuracy of sources of information, and type of related information, if prospective Customer acts in favor of *Beneficial Owner*;
 - c. verification of business relationship conducted by prospective Customer with third party, if prospective Customer acts for and on behalf of *Beneficial Owner*;
 - d. confirmation in connection with the accuracy of authority of parties who represent or act for and on behalf of *Beneficial Owner*, if prospective Customer or Customer acts as proxy or represents *Beneficial Owner*;
 - e. performing *face to face* meeting before conducting business relationship and comparing data and information on prospective Customer or Customer to original documents;
 - f. interview with prospective Customer to examine and ensure the validity and accuracy of documents, in the event that there is doubt regarding information and/or support documents received; and
 - g. performing CDD periodically at least in the form of analysis of information on Customer, sources of fund, purposes of investment, and business relationship with the related parties.

Article 20

In stipulating the grouping of prospective Customer or Customer based on risk level, Financial Service Provider in Capital Market Sector must at least comply with the grouping and criteria as stipulated herein.

Article 21

- (1) In the event that there is change of risk level of Customer from low risk level to become moderate risk level, Financial Service Provider in Capital Market Sector must perform verification process as intended in Article 18 paragraph (2) sub-paragraphs c and d within a period of 30 (thirty) days as from Customer meets the criteria for moderate risk level as intended in Article 18 paragraph (1).
- (2) In the event that there is change of risk level of Customer from low risk level or moderate risk level to become high risk level, Financial Service Provider in Capital Market Sector must perform verification process as intended in Article 19 paragraph

(2) sub-paragraphs b, c, d, e, and f before continuing business relationship with Customer.

Article 22

Financial Service Provider in Capital Market Sector can ask for data, information, and/or other support documents to ensure the accuracy of profile of prospective Customer or Customer in the context of identification and verification by taking into account:

- a. level of possibility of Money Laundering and/or Terrorism Funding; and/or
- b. products, services, and/or technology used by prospective Customer or Customer.

Article 23

- (1) Financial Service Provider in Capital Market Sector shall at least perform procedure for simple CDD to prospective Customer or Customer having low risk level.
- (2) Financial Service Provider in Capital Market Sector shall at least perform CDD standard procedure to prospective Customer or Customer having moderate risk level.
- (3) Financial Service Provider in Capital Market Sector must perform the procedure for EDD to prospective Customer or Customer having high risk level.
- (4) If there is discrepancy between transaction and/or profile of Customer and criteria at risk level already stipulated, Financial Service Provider in Capital Market Sector must re- stipulate grouping of the Customer in suitable risk level and must apply:
 - a. standard CDD procedure for Customer which at the beginning is grouped in low risk and then changes to become moderate risk in accordance with stipulation of new risk level; or
 - b. EDD procedure for Customer which at the beginning is grouped in low or moderate risk and then changes to become high risk.

Part Two *Beneficial Owner*

Article 24

- (1) Financial Service Provider in Capital Market Sector must ensure that prospective Customer acts for his/her own interest or in favor of *Beneficial Owner*.
- (2) In the event that prospective Customer acts in favor of *Beneficial Owner*, Financial Service Provider in Capital Market Sector must perform CDD to *Beneficial Owner*.
- (3) In the event that there is different risk level between prospective Customer or Customer and *Beneficial Owner*, application of CDD shall be conducted by following higher risk level.
- (4) The obligation to perform CDD to *Beneficial Owner* as intended in paragraph (2) shall not be applicable to prospective Customer or Customer having low risk level.

Article 25

- (1) Financial Service Provider in Capital Market Sector must obtain proof of identity and/or other information on *Beneficial Owner*.
- (2) Proof of identity and/or other information as intended in paragraph (1), shall be among other things in the form of:
 - a. for individual *Beneficial Owner*:
 1. data and information as intended in Article 15 paragraph (2) sub-paragraph a;
 2. documents of identity as intended in Article 15 paragraph (3) sub-paragraph a;
 3. legal relationship between prospective Customer and *Beneficial Owner* which is shown by agreement, power of attorney, or other forms;
 4. statement of prospective Customer of the accuracy of identity and source of funds of *Beneficial Owner*; and
 5. statement of *Beneficial Owner* that the party concerned is the actual owner of funds of prospective Customer or Customer.
 - b. for non individual *Beneficial Owner*:
 1. data and information as intended in Article 15 paragraph (2) sub-paragraph b;
 2. documents of identity as intended in Article 15 paragraph (3) sub-paragraph b;
 3. statement of prospective Customer on the accuracy of identity and source of funds from *Beneficial Owner*; and
 4. statement of *Beneficial Owner* that the party concerned is the actual owner of funds of prospective Customer or Customer.
- (3) In the event that prospective Customer is other financial service provider in Capital Market Sector in home country who acts for and on behalf of *Beneficial Owner*, documents of *Beneficial Owner* can be in the form of written statement of prospective Customer.
- (4) In the event that prospective Customer is financial service provider of Capital Market abroad who acts for and on behalf of *Beneficial Owner* and applies Know Your Customer Principles based on regulation in country of *Beneficial Owner* which is at least equal to this Regulation of Financial Service Authority, documents regarding *Beneficial Owner* can be in the form of written statement of the prospective Customer.

- (5) In the event that application of Know Your Customer Principles by financial service provider of Capital Market abroad as intended in paragraph (4) is not equal to this Regulation of Financial Service Authority, Financial Service Provider in Capital Market Sector must apply Know Your Customer Principles based on this Regulation of Financial Service Authority.
- (6) In the event that Financial Service Provider in Capital Market Sector doubts or cannot be convinced of identity of *Beneficial Owner*, Financial Service Provider in Capital Market Sector must reject to conduct business relationship with the prospective Customer.

Article 26

The obligation to deliver data, information, and/or documents of identity of *Beneficial Owner* as intended in Article 25 paragraph (2) sub-paragraph b shall not be applicable to *Beneficial Owner* constituting:

- a. state institution or government agency;
- b. company the majority shares of which are owned by the Government; or
- c. Public Company or Issuer.

Part Three CDD by Third Party

Article 27

- (1) Financial Service Provider in Capital Market Sector can appoint third party to perform identification and verification as part of implementation of CDD.
- (2) The third party as intended in paragraph (1) shall be as follows:
 - a. other financial service provider in home country;
 - b. financial service provider in Capital Market sector abroad; or
 - c. other party in home country constituting non- financial service provider,which conduct cooperation with Financial Service Provider in Capital Market Sector.
- (3) In the event that Financial Service Provider in Capital Market Sector appoints third party to perform CDD, Financial Service Provider in Capital Market Sector can use result of CDD already conducted by the third party.
- (4) The third party as intended in paragraph (2) must meet the following requirements:
 - a. having the CDD procedure in accordance with the provisions applicable;
 - b. having cooperation contract with Financial Service Provider in Capital Market Sector in the form of written agreement;

- c. ready to meet request for data, information, and support documents immediately if needed by Financial Service Provider in Capital Market Sector in the context of application of Know Your Customer Principles; and
 - d. not domiciled in *High Risk Countries*.
- (5) In the event that the third party is domiciled abroad as intended in paragraph (2) sub-paragraph b, the criteria must be met that the third party has applied Know Your Customer Principles effectively in accordance with recommendation of *The Financial Action Task Force* (FATF).
- (6) In the event that the third party is not financial service provider as intended in paragraph (2) sub-paragraph c, CDD procedure shall be stipulated by and under coordination of Financial Service Provider in Capital Market Sector.
- (7) In the event that Financial Service Provider in Capital Market Sector appoints third party, Financial Service Provider in Capital Market Sector must:
 - a. have and implement the procedure for proper test and supervision on the third party in application of CDD;
 - b. ensure application of CDD by the third party is in accordance with CDD procedure already stipulated by Financial Service Provider in Capital Market Sector;
 - c. manage administration of documents of result of CDD conducted by the third party; and
 - d. be responsible for result of CDD conducted by the third party.

Article 28

- (1) In the event that Financial Service Provider in Capital Market Sector acts as sale agent of product of other financial service provider, Financial Service Provider in Capital Market Sector must meet request for information on result of CDD and copy of support documents if at any time needed by other financial service provider in the context of implementation of Know Your Customer Principles.
- (2) The procedure for fulfillment of request for information on result of CDD and copy of support documents shall be set forth in cooperation agreement between Financial Service Provider in Capital Market Sector and the other financial service provider.

Part Four Risk Management

Article 29

Policies and procedure for risk management related to application of Know Your Customer Principles constitutes inseparable part of policy and procedure for risk management of Financial Service Provider in Capital Market Sector on the whole.

Article 30

The policy and procedure for risk management related to application of Know Your Customer Principles as intended in Article 29 shall at least cover:

- a. supervision by Board of Directors and Board of Commissioners of Financial Service Provider in Capital Market Sector;
- b. delegation of authority;
- c. separation of duties; and
- d. internal supervision system including internal audit.

Article 31

- (1) Financial Service Provider in Capital Market Sector must test the effectiveness of the implementation of Know Your Customer Principles.
- (2) Testing as intended in paragraph (1) shall be conducted by *random sampling*.
- (3) Financial Service Provider in Capital Market Sector must document the testing as intended in paragraph (1).

Article 32

Financial Service Provider in Capital Market Sector must document and update type, indicator, and example of suspicious financial transaction arising in the various related work units.

Part Five High Risk Area

Article 33

Prospective Customer or Customer shall be deemed and/or grouped in high risk area if:

- a. background or profile of prospective Customer or Customer and controller of prospective Customer or Customer is included in PEP or *High Risk Customer*;
- b. business field of prospective Customer or Customer is included in *High Risk Business*;
- c. state or territory of origin, domicile, or place of transaction of prospective Customer or Customer is included in *High Risk Countries*;
- d. indicated in list of names of terrorist; and/or
- e. transaction entered into is alleged of being related to criminal act in Capital Market Sector, criminal act of Money Laundering and/or criminal act of Terrorism Funding.

Article 34

Action of Financial Service Provider in Capital Market Sector must obtain approval from member of Board of Directors in advance, official at one level below Board of Directors, or senior manager in the event that:

- a. Financial Service Provider in Capital Market Sector will conduct business relationship with prospective Customer which is deemed and/or grouped to have high risk as intended in Article 19 paragraph (1); and/or
- b. decision making to continue or discontinue business relationship with Customer who is deemed and/or grouped to have high risk as intended in Article 19 paragraph (1).

Part Six
Monitoring on Account and Data Update of Customer

Article 35

- (1) Financial Service Provider in Capital Market Sector must monitor Customer data continuously to ensure transaction entered into by Customer is in accordance with profile, characteristics, and/or habitual transaction pattern of the Customer concerned.
- (2) In monitoring as intended in paragraph (1) Financial Service Provider in Capital Market Sector must have monitoring system that can:
 - a. identify, analyze, monitor, and prepare report effectively on profile, characteristics and/or habitual transaction pattern entered into by Customer; and
 - b. trace any transaction, if necessary, including tracing of identity of Customer, type of transaction, date of transaction, amount and denomination of transaction, as well as source of funds used for transaction.
- (3) Financial Service Provider in Capital Market Sector must monitor Securities account and transaction of Customer including analysis in connection with possibility of *predicate offense* and Terrorism Funding.
- (4) Financial Service Provider in Capital Market Sector can ask for further data and/or information to Customer on transaction not in accordance with profile, characteristics, and/or habitual transaction pattern.
- (5) Financial Service Provider in Capital Market Sector must make evaluation on monitoring result of Securities account and transaction of Customer as intended in paragraph (3) to ensure whether there is suspicious financial transaction or not.
- (6) In the event that there is suspicious financial transaction, Financial Service Provider in Capital Market Sector must ask for further data and/or information to Customer as intended in paragraph (4).
- (7) In the event that data and/or information conveyed by Customer do not provide convincing explanation, then Financial Service Provider in Capital Market Sector

must report the Suspicious Financial Transaction to PPATK.

- (8) In the event that there is similarity of name and other information of customer to name and information indicated in list of names of terrorist, Financial Service Provider in Capital Market Sector must report the Customer in report on Suspicious Financial Transaction.

Article 36

- (1) Financial Service Provider in Capital Market Sector must make efforts for updating of data, information, and/or support documents as intended in Article 15 paragraphs (2) and (3) in the event that there is change known from monitoring of Financial Service Provider in Capital Market Sector on Customer or other accountable information.
- (2) Periodic monitoring in connection with profile of Customer for the purpose of data update shall be done at least 1 (one) time within the period of:
 1. 3 (three) years for Customer included in low risk level;
 2. 1 (one) year for Customer included in moderate risk level; and/or
 3. 6 (six) months for Customer included in high risk level.
- (3) Financial Service Provider in Capital Market Sector must document the efforts of data update as intended in paragraph (1).

Part Seven Administration of Documents

Article 37

- (1) Financial Service Provider in Capital Market Sector must prepare and document list of Customers in accordance with risk level of Customer.
- (2) Financial Service Provider in Capital Market Sector must administer documents as intended in Article 15 paragraph (3).
- (3) Administration of documents as intended in paragraphs (1) and (2) shall be performed within a period of at least 5 (five) years as from the end of business relationship with Customer.
- (4) Financial Service Provider in Capital Market Sector must store records and documents of all identification processes of Suspicious Financial Transaction in accordance with laws and regulations applicable.
- (5) Financial Service Provider in Capital Market Sector must give data, information, and/or documents which are administered if requested by Financial Service Authority and/or other authorized authorities as stipulated by law.

Part Eight Reporting

Article 38

- (1) Financial Service Provider in Capital Market Sector must deliver report on Suspicious Financial Transaction, report on financial transaction entered into by cash, and/or other reports to PPATK as stipulated in the provisions and laws and regulations which stipulate prevention and eradication of criminal act of Money Laundering and/or Terrorism Funding.
- (2) Delivery of report as intended in paragraph (1) shall be done in reference to the provisions issued by PPATK.

CHAPTER V INFORMATION SYSTEM

Article 39

- (1) Financial Service Provider in Capital Market Sector must have information system that can store data and information on Customer as well as data on transaction of the said Customer.
- (2) Data and information as intended in paragraph (1) must be used as one of parameters in monitoring on transaction of Customer.
- (3) Information system as intended in paragraph (1) must prepare facilities of indicator of financial transaction having suspicious potential.
- (4) Information system as intended in paragraph (1) must indicate specification of person, business field, and state which meets the criteria for high risk area and regular update must be performed.
- (5) Financial Service Provider in Capital Market Sector must ensure that monitoring on transaction of Customer by using information system can be implemented effectively and sustainably.

CHAPTER VI HUMAN RESOURCES AND TRAINING

Article 40

Financial Service Provider in Capital Market Sector must implement the procedure for *screening* in the context of acceptance of employee.

Article 41

Financial Service Provider in Capital Market Sector must implement program for training on application of Know Your Customer Principles to all employees related to application of Know Your Customer Principles, by the following ways:

- a. preparing training program that will be conducted at least 1 (one) time in 2 (two) years;

- b. implementing training program in accordance with schedule of program already prepared; and
- c. reporting the implementation of training program to Financial Service Authority by no later than the next year after year of implementation of training program.

CHAPTER VII MISCELLANEOUS PROVISIONS

Article 42

Financial Service Provider in Capital Market Sector must take actions necessary to prevent any misuse of development of technology in scheme of Money Laundering and/or Terrorism Funding.

Article 43

Financial Service Provider in Capital Market Sector must cooperate with law enforcers and competent authorities in the context of eradicating Money Laundering and/or Terrorism Funding.

CHAPTER VIII SANCTIONS

Article 44

- (1) Without prejudice to the penal provisions in field of Capital Market, Financial Service Authority shall be authorized to impose administrative sanctions on any parties committing violation against the provisions of this Regulation of Financial Service Authority, including parties which cause the violation, in the form of:
 - a. written warning;
 - b. financial penalties i.e. obligation to pay a certain sum of money;
 - c. restriction of business activity;
 - d. freezing of business activity;
 - e. revocation of business license;
 - f. cancellation of approval; and
 - g. cancellation of registration.
- (2) Administrative sanctions as intended in paragraph (1) sub-paragraphs b, c, d, e, f or g can be imposed with or without being preceded by imposition of administrative sanctions in the form of written warning as intended in paragraph (1) sub-paragraph a.

- (3) Administrative sanctions in the form of financial penalty as intended in paragraph (1) sub-paragraph b can be imposed individually or jointly with imposition of sanctions as intended in paragraph (1) sub-paragraphs c, d, e, f or g.

Article 45

Besides administrative sanctions as intended in Article 44 paragraph (1), Financial Service Authority can take certain actions on any parties who commit violation against the provisions herein.

Article 46

Financial Service Authority can announce imposition of administrative sanctions as intended in Article 44 paragraph (1) and certain actions as intended in Article 45 to the community.

CHAPTER IX TRANSITIONAL PROVISIONS

Article 47

Financial Service Provider in Capital Market Sector must convey the guidelines for application of Know Your Customer Principles as intended in Article 2 to Financial Service Authority by no later than 6 (six) months as from the coming into effect of this Regulation of Financial Service Authority.

CHAPTER IX CLOSING PROVISIONS

Article 48

As this Regulation of Financial Service Authority comes into effect:

- a. Decision of the Chairman of Bapepam and LK Number [Kep-476/BL/2009](#) dated December 23, 2009 regarding Know Your Customer Principles By Financial Service Provider in the Field of Capital Market along with Regulation Number [V.D.10](#) constituting attachment thereto, shall be revoked and declared null and void; and
- b. The Circular Letter of Financial Service Authority Number 7/SEOJK.04/2014 dated April 24, 2014 regarding Application of Implementation of *Face To Face* Meeting in Acceptance of Holder of Mutual Fund Securities By Opening of Account Electronically as well as Procedure for Electronic *Subscription* and *Redemption* of Mutual Fund Securities, shall be declared still applicable insofar as not contrary to and not yet replaced based on this Regulation of Financial Service Authority.

Article 49

This Regulation of Financial Service Authority shall come into effect as from the date of its promulgation.

For public cognizance, hereby ordering the promulgation of this Regulation of Financial Services Authority by placing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
On November 18, 2014

THE CHAIRMAN OF BOARD OF COMMISSIONERS OF INDONESIAN FINANCIAL
SERVICES AUTHORITY,

Signed

MULIAMAN D. HADAD

Promulgated in Jakarta
On November 19, 2014

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

Signed

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2014 NUMBER 353

Issued as true copy
The Law Director I
The Law Department,

Signed

Tini Kustini

Note

Source: LOOSE LEAF REGULATION OF THE BOARD OF COMMISSIONERS OF
INDONESIAN FINANCIAL SERVICES AUTHORITY YEAR 2014