RAJAH & TANN ASIA
LAWYERS WHO KNOW ASIA

ASSEGAF HAMZAH & PARTNERS | *Indonesia*

CLIENT UPDATE
2015 JUNE 11

BANKING & FINANCE

Bank Indonesia Clarifies New Rupiah-Use Requirements

Bank Indonesia ("**BI**") recently issued a circular (the "**Circular**") to further explain the scope and ambit of BI Regulation No. 17/3/PBI/2015 on the obligation to use rupiah in payment transactions conducted within the territory of Indonesia (the "**Regulation**").[i] While most of the contents of the Circular (which came into effect on 1 June 2015), merely reiterate the provisions of the Regulation, it does contain some additional useful information.

1. Dual Quotation

The Circular makes it clear that BI is determined to enforce a prohibition on dual price quotations, meaning that in most cases prices may only be quoted in Rupiah. Besides the obvious example of a price tag attached to a particular good that is offered for sale, other examples given in the Circular include prohibitions on the dual quotation of prices/fees in respect of:

(i) the services provided by agents (such as the fees charged by real estate agents, consultants and travel agents – this latter category has been particularly vocal in its opposition to the rupiah-use requirement given that they have to pay overseas-based airlines, and accommodation and other service providers, in United States dollars;
(ii) apartment, home, office, building, warehouse, and vehicle leasing rentals;
(iii) port charges and airline ticket prices / freight charges;
(iv) restaurant prices;
(v) price clauses in contracts;
(vi) offer, order and billing documents, including invoices, delivery orders and purchase orders; and/or
(vii) proofs of payment, such as receipts.
(viii) The Circular also stresses that the prohibition of dual quotation applies equally to goods and services sold via the Internet.

2. Strategic Infrastructure Projects

The Circular puts some meat on the bones of the exemption contained in the Regulation for strategic infrastructure projects. These are now spelled out as including infrastructure projects in the following sectors: (1) transportation, including airports, ports and railways; (2) highways; (3) irrigation and drinking water; (4) sanitation; (5) information and communications technology; (6) power; and (7) oil and gas.

In order for a particular project in the above sectors to be exempted, a two-stage process must be gone through whereby the project must:

(i) be certified as being a strategic infrastructure project by central or local government, as evidenced by a certificate from relevant government ministry/agency;
(ii) secure approval for exemption from Bank Indonesia based on a written application by the party concerned, or should the project be undertaken by a consortium, a written application from one of the consortium members on behalf of the entire consortium.

The exemption may be extended to cover not only transactions conducted as part of the project's development up until completion, but also the sale of products or services produced by the project for a designated period of time, provided that this was envisaged from the outset.

BI is required to approve or reject an exemption request within a period of 30 days from the date of receipt of all the required application documents. Should it not be possible to arrive at a determination within 30 days, BI must inform the applicant of this. Given that the approval process may exceed 30 days, there appears to be no strict limit on the amount of time that may be taken by BI in making a decision.

3. Non-Cash Transactions by Parties with Special Characteristics

Should the rupiah-use requirement for non-cash transactions present special difficulties for particular types of businesses, BI has the discretion to apply special policies based on a consideration of whether the requirement will (i) require such businesses to make fundamental changes to their business systems and/or processes; (ii) endanger the survival of such businesses should a sufficient transitional period not be applied; (iii) adversely affect investment where businesses require foreign currency-denominated financing for a particular period and an obligation to quickly shift to rupiah use would disrupt such investment; and/or (iv) adversely affect businesses that have a significant influence on national economic growth.

In addition to considering factors such as the above, BI will also take into account the level of compliance of a business with BI regulations, including compliance with their obligations as regards forex earnings from exports and the application of prudential principles in relation to offshore borrowing by non-bank corporations.

4. Role of Banks

Banks are required to inform customers that intend to conduct foreign currency-denominated transactions of the obligation to use Rupiah within Indonesian territory. Should a customer persist with the intention of using foreign currency, the customer must be requested to state the purpose of the transaction on the transaction form or slip.

5. Transitional Provisions

The Circular further elaborates the transitional provisions of the Regulation by providing that grandfathering applies to master or derivative agreements and other transaction documents, such as purchase and delivery orders, executed prior to 1 July 2015. Should a derivative or other form of agreement necessary for the implementation of the main agreement be treated as a stand-alone agreement, then it will not be grandfathered and must comply with the requirements of the Regulation if it is executed after 1 July 2015. Similarly, agreements that are extended or amended subsequent to this date must also comply with the Rupiah-use requirements, with the term “amended” covering changes in the parties, the price of the goods/services, and / or the subject matter of the agreement.

(i). *Peraturan BI No. 17/3/PBI/2015 tentang kewajiban Penggunaan Rupiah di Wilayah Negara Kesatuan Republik Indonesia*

Our regional presence

Our regional contacts

RAJAH & TANN | *Singapore*

Rajah & Tann Singapore LLP
9 Battery Road #25-01
Straits Trading Building
Singapore 049910
T +65 6535 3600 F +65 6225 9630
sg.rajahtannasia.com

R&T SOK & HENG | *Cambodia*

R&T Sok & Heng Law Office
Vattanac Capital Office Tower, Level 17, No. 66
Preah Monivong Boulevard, Sangkat Wat Phnom
Khan Daun Penh, 12202 Phnom Penh, Cambodia
T +855 23 963 112 / 113 F +855 963 116
kh.rajahtannasia.com
**in association with Rajah & Tann Singapore LLP*

RAJAH & TANN REPRESENTATIVE OFFICE | *China*

Rajah & Tann Singapore LLP
Shanghai Representative Office
Unit 1905-1906, Shui On Plaza, 333 Huai Hai Middle Road
Shanghai 200021, People's Republic of China
T +86 21 6120 8818 F +86 21 6120 8820
cn.rajahtannasia.com

RAJAH & TANN NK LEGAL | *Myanmar*

Rajah & Tann NK Legal Myanmar Company Limited
Office Suite 007, Inya Lake Hotel No. 37, Kaba Aye
Pagoda Road, Mayangone Township, Yangon, Myanmar
T +95 9 73040763 / +95 1 657902 / +95 1 657903
F +95 1 9665537
mm.rajahtannasia.com

LAWYERS WHO KNOW ASIA

ASSEGAF HAMZAH & PARTNERS | *Indonesia*

Assegaf Hamzah & Partners
Menara Rajawali 16th Floor
Jalan DR. Ide Anak Agung Gde Agung Lot #5.1
Kawasan Mega Kuningan, Jakarta 12950, Indonesia
T +62 21 2555 7800 F +62 21 2555 7899
www.ahp.co.id
** Assegaf Hamzah & Partners is an independent law firm in Indonesia and a member of the Rajah & Tann Asia network.*

RAJAH & TANN | *Lao PDR*

Rajah & Tann (Laos) Sole Co., Ltd.
Phonexay Village, 23 Singha Road, House Number 046/2
Unit 4, Saysettha District, Vientiane Capital, Lao PDR
T +856 21 454 239 F +856 21 285 261
la.rajahtannasia.com

CHRISTOPHER & LEE ONG | *Malaysia*

Christopher & Lee Ong
Level 22, Axiata Tower, No. 9 Jalan Stesen Sentral 5,
Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia
T +60 3 2273 1919 F +60 3 2273 8310
www.christopherleeong.com
**in association with Rajah & Tann Singapore LLP*

RAJAH & TANN | *Thailand*

Rajah & Tann (Thailand) Limited
973 President Tower, 12th Floor, Units 12A-12F
Ploenchit Road, Lumpini, Pathumwan
Bangkok 10330, Thailand
T +66 2 656 1991 F +66 2 656 0833
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*

Rajah & Tann LCT Lawyers

Ho Chi Minh City Office
Saigon Centre, Level 13, Unit 2&3
65 Le Loi Boulevard, District 1, HCMC, Vietnam
T +84 8 3821 2382 / +84 8 3821 2673 F +84 8 3520 8206

Hanoi Office
Lotte Center Hanoi - East Tower, Level 30, Unit 3003,
54 Lieu Giai St., Ba Dinh Dist., Hanoi, Vietnam
T +84 4 3267 6127 F +84 4 3267 6128
www.rajahtannlct.com

Based in Jakarta, and consistently gaining recognition from independent observers, Assegaf Hamzah & Partners has established itself as a major force locally and regionally, and is ranked as a top-tier firm in many practice areas. Founded in 2001, it has a reputation for providing advice of the highest quality to a wide variety of blue-chip corporate clients, high net worth individuals, and government institutions.

Assegaf Hamzah & Partners is part of Rajah & Tann Asia, a network of local law firms in Singapore, China, Lao PDR, Vietnam, Thailand and Myanmar, as well as associate and affiliate offices in Malaysia, Cambodia, Indonesia and the Middle East. Our Asian network also includes regional desks focused on Japan and South Asia.