



**BANK INDONESIA**  
**BANK SENTRAL REPUBLIK INDONESIA**

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**Bank Indonesia Regulation No.17/3/PBI/2015 concerning  
Mandatory Use of the Rupiah within the Territory of the  
Republic of Indonesia**

**2015**

# LEGAL BASE



## **Law of the Republic of Indonesia Number 23 Year 1999 concerning Bank Indonesia**

as lastly amended by Law of the Republic of Indonesia Number 6 Year 2009



## **Law of the Republic of Indonesia Number 7 Year 2011 concerning Currency**

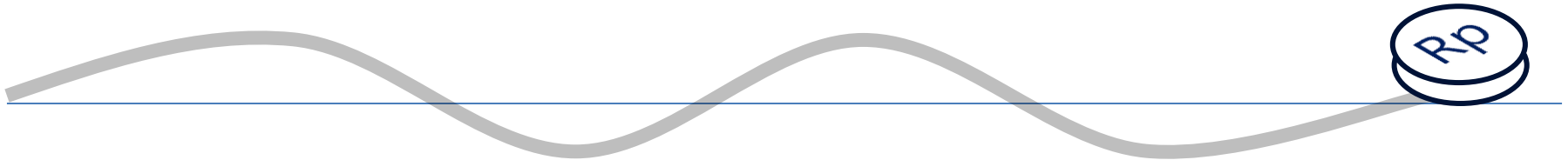
# BANK INDONESIA LAW

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BI's Objective 

**To Achieve and Maintain  
the Stability of the Rupiah**

Article 7 Law concerning BI



# BANK INDONESIA LAW

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## BI's Objective

**To prescribe and to implement the monetary policy**



**BI conducts monetary control**

Article 10 paragraph (1) Law concerning BI

**To regulate and to safeguard the smoothness of the payment system**



**BI determines the use of payment instruments**

Article 15 paragraph (1) Law concerning BI

# BANK INDONESIA LAW

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The Republic of Indonesia as a country of freedom with sovereignty has **Rupiah** as one of **the symbols of country with sovereignty** that must be honored and be the pride of all citizens of the Republic of Indonesia

**Rupiah** is required as legal payment instrument in the economic activities nationwide in order to accomplish social welfare for all the people of Indonesia

# CURRENCY LAW

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## **Mandatory use of the Rupiah (Article 21 paragraph (1) Currency Law)**

Any person (individual person or corporation) is obliged to use Rupiah in any transaction made within the territory of the Republic of Indonesia

## **Exemption (Article 21 paragraph (2) Currency Law)**

Mandatory use of the Rupiah shall not apply to:

- a. certain transactions in the framework of implementing the government income and expense budget;
- b. grants to be given to or received from offshore sources;
- c. international trading transactions;
- d. bank savings in foreign currencies; or
- e. international financing transactions.

## **Prohibition on rejecting Rupiah (Article 23 Currency Law)**

Any person is prohibited from rejecting to accept Rupiah, except for reason for hesitance on the authenticity of the Rupiah

# CURRENCY LAW

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## **Criminal provision (Article 33 paragraph (1) and (2) Currency Law)**

Any person that refrains and rejects from using Rupiah for payment within the territory of the Republic of Indonesia, is subject to criminal sentences:

- imprisonment for maximum one (1) year; and
- maximum criminal fine of Rp200,000,000.00 (two hundred million Rupiahs).

# Other Regulations

**Law No.39 Year 2009 concerning Special Economic Zones**

**&**

**Law No.36 Year 2000 concerning Stipulation Government Regulation in Lieu of Law No.1  
Year 2000 concerning Free Trade Zones and Free Port**



**Rupiah currency shall be the legal payment instrument in Special Economic  
Zones and Free Trade Zones**





# CURRENT CONDITIONS

The growing number of domestic transactions not using **Rupiah**

► Price tagging / quotation of goods and/or services in **foreign currencies**



- Apartment Name: **Kemang**
- Tower/Floor/View: Intercon/19/City & Pool
- Size: 38 m2
- Bedroom: Studio
- Bathroom: 1
- Condition: Brand New Fully Furnished. Fridge, TV, Queen Bed Size, Sofa, Water Heater, AC.
- Facility: Swimming pool, gym, multifunction room, 24hours security services, parking space available (additional fee), Pelita Harapan International School. Walking distance to: Kemang Village Mall, Hypermart supermarket, Cinema XXI, Ace Hardware, ATM, Bank, fitness center (Fitness First), Starbucks.
- Additional Info: Located in South Jakarta, very strategic location where can be access from various directions. Close to Kemang Cafes, Kemchicks, Petrol Gas Station and pub area, TB Simatubang Tol road, Kebayoran Baru, Blok M, Sudirman Business District and Pondok Indah, also near Antasan River.
- Rent Charge: **\$ 1000/month** with minimum one year lease excluded service charge, parking, electricity and water fee.



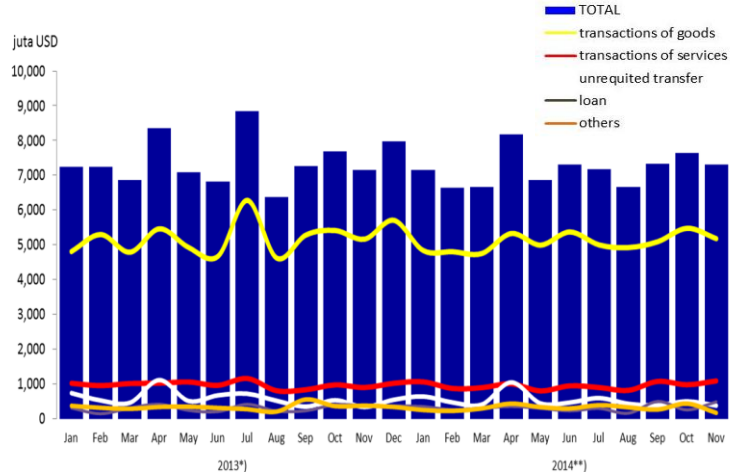
► Payment/settlement of transactions within the territory of the Republic of Indonesia in **foreign currencies**



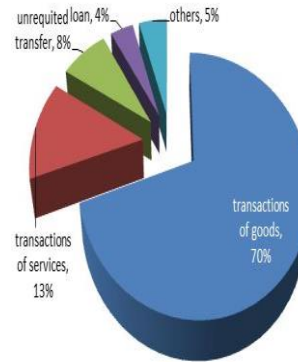
# CURRENT CONDITIONS

## Inter-resident transactions in foreign currency (FC)\*

(till November 2014)



Composition of Inter-resident Transaction Types (non bank) in FC



Composition of Inter-resident Transaction Types (non bank) in FC  
Period : Jan-Jul 2014

No.	Foreign Currency	Transaction Values (USD)	Percentage (%)
1	USD	48,154,996,818	96.42%
2	EUR	658,259,991	1.32%
3	SGD	460,840,639	0.92%
4	JPY	438,733,347	0.88%
5	AUD	143,654,348	0.29%
6	GBP	46,622,959	0.09%
7	CNY	21,406,506	0.04%
8	CHF	11,206,028	0.02%
9	HKD	5,204,975	0.01%
10	Others	4,003,947	0.01%
TOTAL		49,944,929,559	100%

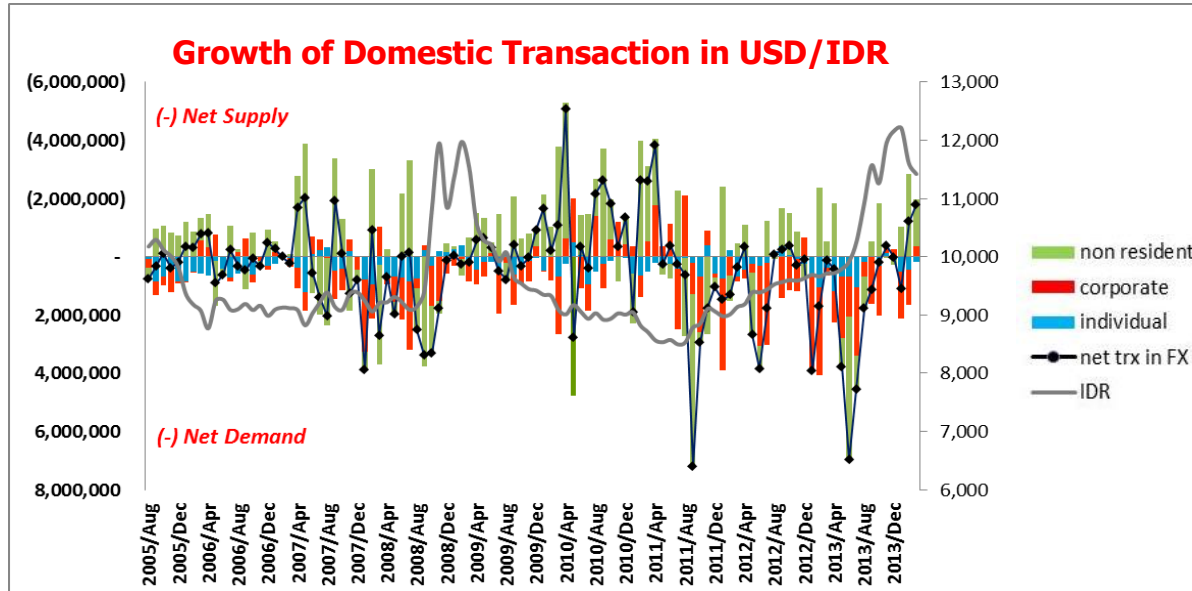
- The majority of inter-resident transactions in foreign currency is used for **transaction of goods (70%)** & **services (13%)**
- The use of foreign currency in the domestic transaction of goods **tend to increase**
- The majority of foreign currency is using **USD (96.4%)**

\*) Excluding: government transactions, foreign exchange tradings, deposits, transactions settlement through overbooking, the transaction is below the threshold (USD10,000) and transactions through accounts OCA (Optimum Currency Area).

Source: Bank Indonesia

# CURRENT CONDITIONS

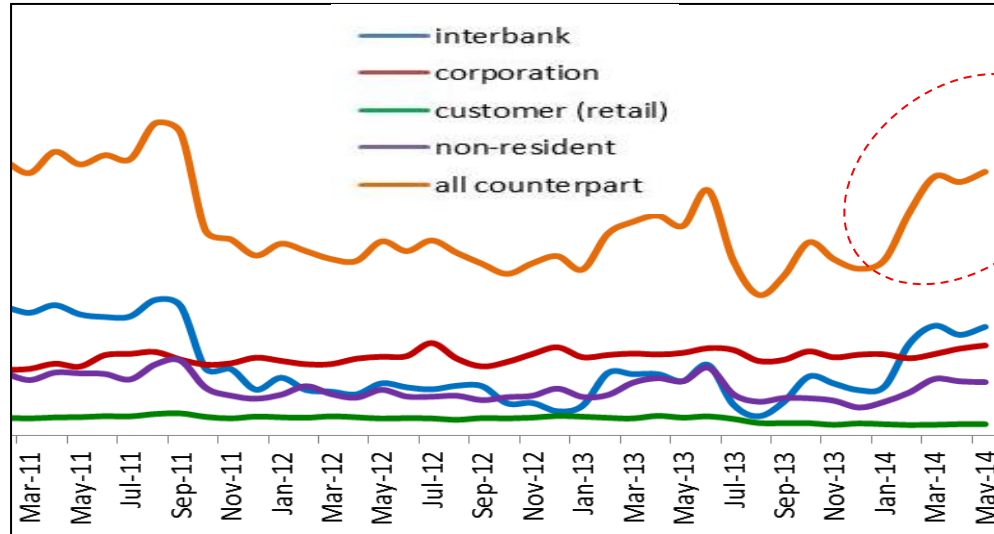
## Inter-resident transactions in foreign currency



- The domestic corporate and individual transactions is likely net-demand, the demand of foreign currencies are generally fulfilled by supply of foreign currencies from non-resident.
- **The imbalance of supply and demand of foreign currency** puts pressure on the Rupiah exchange rate.

# CURRENT CONDITIONS

## Inter-resident transactions in foreign currency

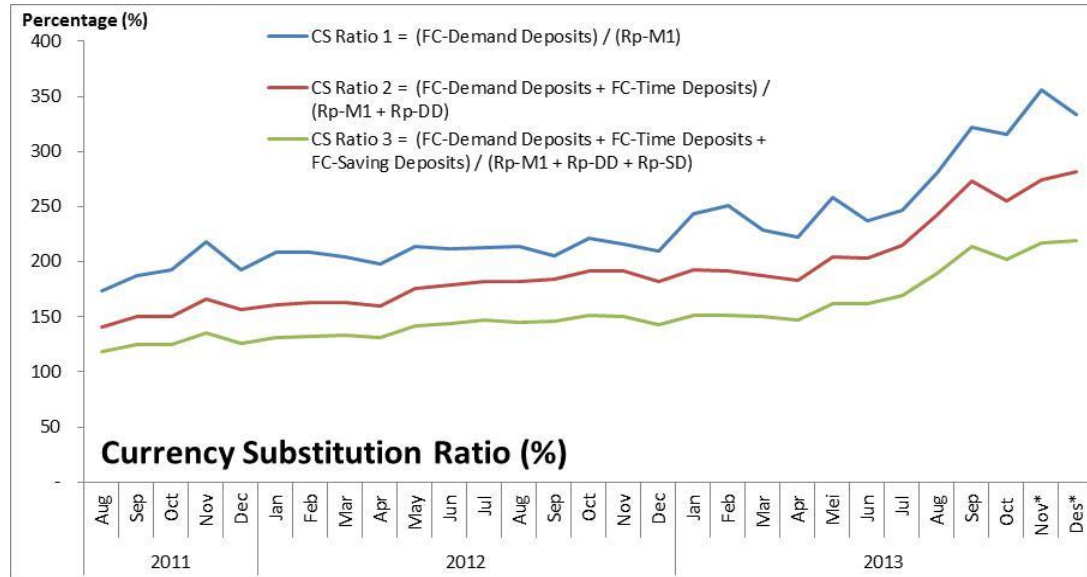


- The domestic inter-resident transactions are dominated by **interbank** and **corporation transactions**.
- The domestic inter-resident transactions in foreign currency **tend to increase**.

# CURRENT CONDITIONS

## Currency Substitution (CS) Ratio\*) continues to increase

The use of foreign currency tends to increase as compared Rupiah, especially since 2011

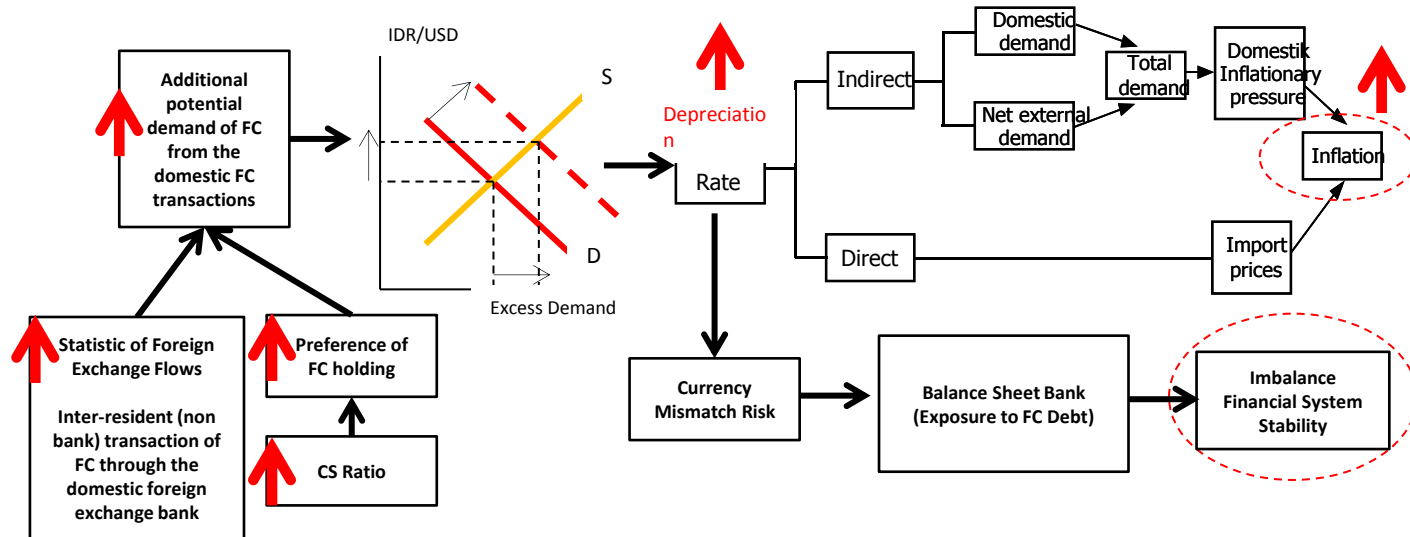


\*) It is a proxy to measure the level of substitution in using the currency (between IDR and foreign currency).

Source: Bank Indonesia

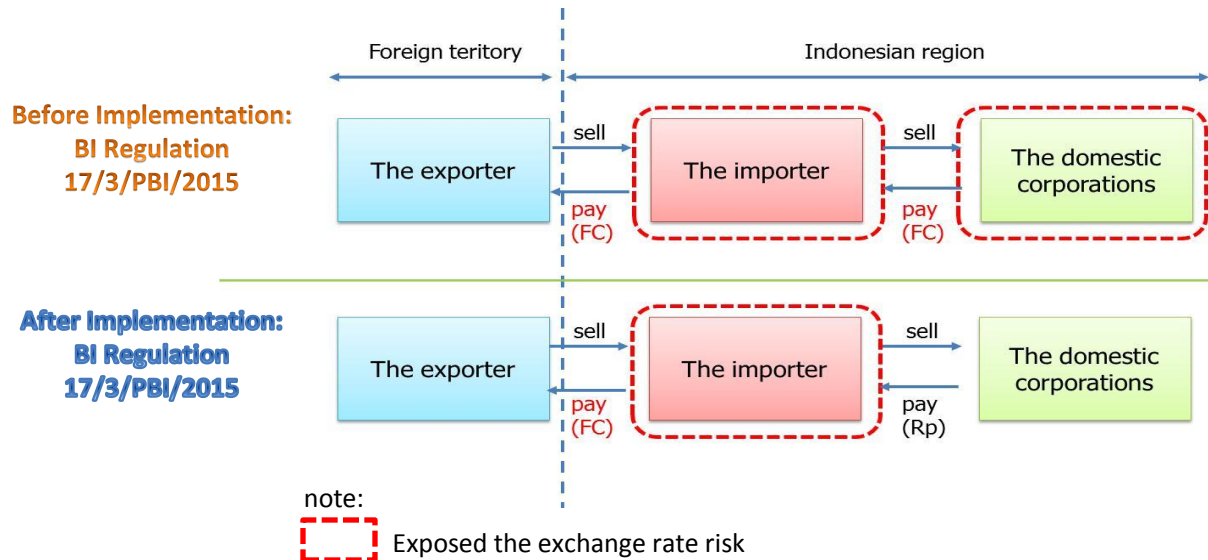
# IMPACT OF USING FOREIGN CURRENCY IN DOMESTIC TRANSACTIONS

- The domestic foreign currency transactions, both cash or non-cash, will put pressure on foreign currency *demand* in the domestic market.
  - Reflected by Foreign Exchange Flows statistic for inter-resident transactions in foreign currency and *Currency Substitution Ratio*.
  - Increasing pressure of foreign currency demand causes depreciation of Rupiah exchange rate.
  - Rupiah depreciation will disrupt macro economic stability, which is reflected in higher inflation, either direct (e.g. increase in price of imported goods) and indirect.
- In addition, Rupiah depreciation will lead to currency mismatch which will disturb the bank balance sheet (especially since there are exposure to foreign currency debt), so it will have an impact on the instability of financial system, that can potentially cause financial and economic crisis.



# IMPACT OF USING FOREIGN CURRENCY IN DOMESTIC TRANSACTIONS

- There are indications that many corporations are using imported raw materials applied the selling price in foreign currency to the buyer in domestic market.
- This conditions encourage increasing demand of inter-resident transactions in foreign currency.
- Rule of obligation to use Rupiah is intended to mitigate exchange rate fluctuation risk because it will focus only on **1 (one) party (the importer)**.
- Implementation of rule of obligation to use Rupiah in domestic transactions can hold the high foreign currency demand down and ease the evaluation process of the **need genuine (real)** foreign currency demand.

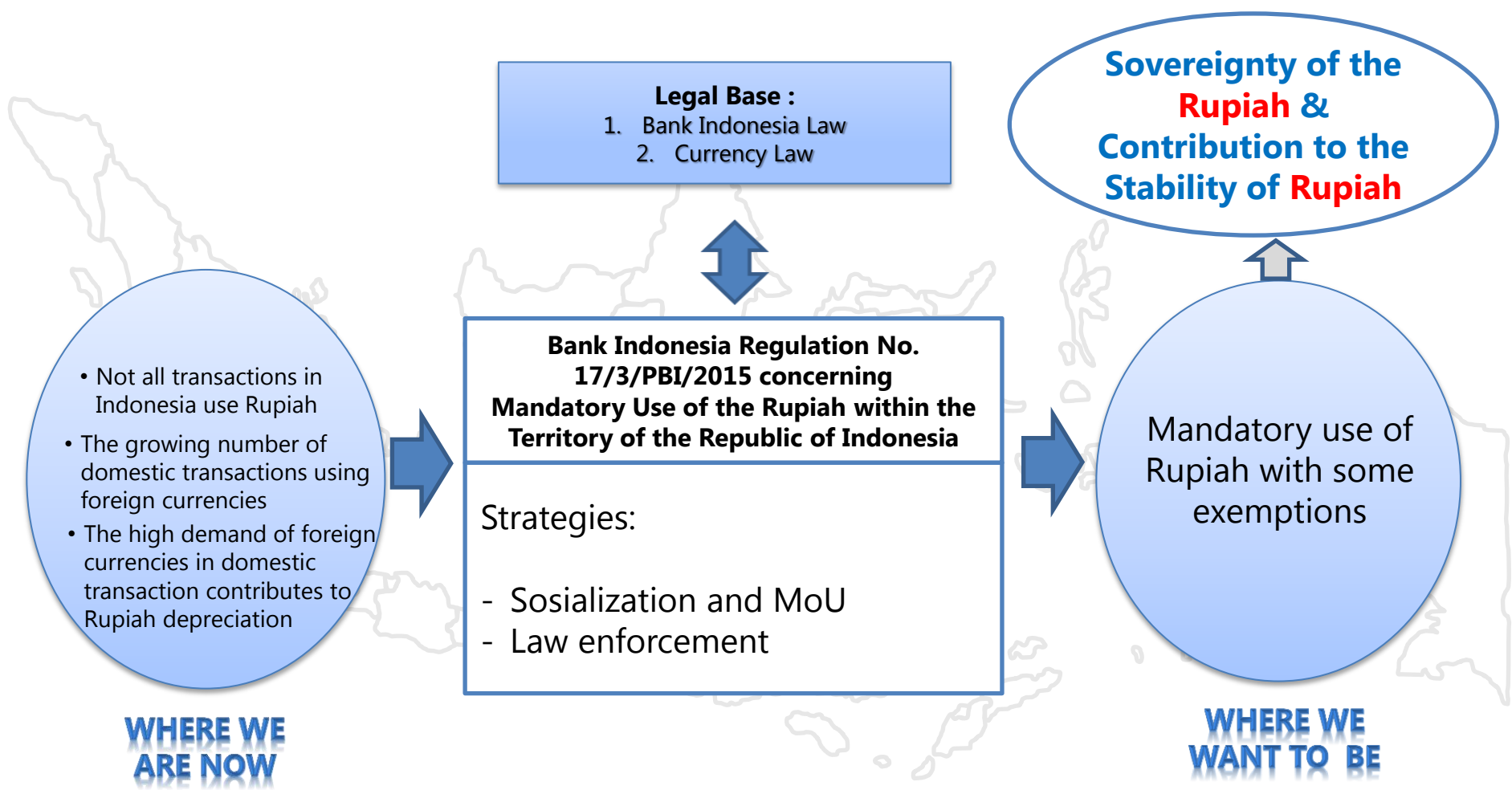




# Towards the **Sovereignty** of Rupiah







# BI REGULATION

## Main Regulation:

1. Mandatory Use of the Rupiah within the Territory of the Republic of Indonesia.
2. Goods and/or services must be price-tagged / quoted in the Rupiah.
3. Exemptions from the mandatory use of Rupiah.
4. Prohibition on rejecting Rupiah.
5. Exemption from the non-cash transaction to use Rupiah based on BI's approval.
6. Exemption:
  - Foreign Exchange Traders ("money changers"); and
  - Carrying foreign currencies out of or into the customs of the territory of the Republic of Indonesia.
7. Reporting and monitoring/controlling.
8. Sanctions
  - Cash transaction : criminal sanction as stipulated under Currency Law.
  - Non-cash transaction : administrative sanction (written warning, penalty of 1% of the transaction value, and/or prohibition of being involved in any payment transaction).
  - Breach of price-tagging / quotation and reporting : administrative sanction (written warning).
  - Recommendation to the authorized institution(s): revocation of license.
9. Transitional provisions (non-cash transaction will become enforceable as of 1 July 2015).

# BI REGULATION

## 1. Mandatory use of Rupiah

Mandatory use of Rupiah within the Territory of the Republic of Indonesia applies to :

**Cash**



**Non-cash**



# BI REGULATION

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## 2. Price-Tagging / Quotation

In order to encourage the effectiveness in implementing the use of Rupiah, goods and/or services must be price-tagged / quoted in the **Rupiah**.

Considerations:

- ▶ Rupiah is the sole legal payment instrument within the territory of the Republic of Indonesia.
- ▶ Most likely persons are unable to distinguish between “quotation” and “payment”.
- ▶ The exchange rate of the currency used in the transaction tends to refer to unreliable sources which could unequally benefit one party.

# BI REGULATION

## 3. Exemption to the mandatory use of Rupiah

- a. Certain transaction in the framework of implementing the government income and expense budget
- b. Grants to be given to or received from offshore sources



- c. Bank savings in foreign currencies



- d. International trading transactions

International trade: for international goods (export/import) and for international services (cross border supply and/or consumption abroad)



- e. International financing transactions



- f. Other transactions allowed by Laws to use foreign currency

Stipulated under Bank Law, State Debentures Law, Indonesia Eximbank Law, Indonesia Investment Law, etc.

# BI REGULATION

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## 4. Prohibition on rejecting Rupiah

Any person is prohibited from rejecting to accept Rupiah which delivery is meant as payment or for settlement of obligation, except:

▶ For reason for hesitance on the authenticity of the Rupiah

The public may ask for clarification from Bank Indonesia on the Rupiah which authenticity is doubtful

▶ Agreed in writing:

- transactions which exempt from mandatory use of Rupiah.
- strategic infrastructure project, subject to BI's approval.

# BI REGULATION

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## 5. Exemption from the non-cash transaction to use Rupiah subject to BI's approval

- a. Strategic infrastructure projects, subject to BI's approval.
- b. In case of encountering problems, for business with certain characteristics, subject to BI's discretion in consideration to the mandatory use of Rupiah.

# BI REGULATION

6. **Exemption for Foreign Exchange Traders and carrying foreign currencies out of or into the customs of the territory of the Republic of Indonesia**
- a. **Foreign Exchange Traders** which have been established based on the provisions of laws and regulations (among others Non-Bank Foreign Exchange Traders approved by BI) **and**
  - b. **Carrying on foreign currencies** out of or into the customs territory of the Republic of Indonesia conducted based on the provisions of laws and regulations **not categorized** as transactions mandatory to use Rupiah.







# BI REGULATION

## 7. Reporting and monitoring/controlling

- a. Bank Indonesia has the authority to request reports, information, and/or data from any person concerning the mandatory use of Rupiah
- and
- b. Bank Indonesia will monitor/control ("mengawasi") the compliance of any person's activity concerning the mandatory use of Rupiah within the territory of the Republic of Indonesia



## 7. Reporting and monitoring/controlling

- a.** Bank Indonesia has the authority to request reports, information, and/or data from any person concerning the mandatory use of Rupiah



**and**

- b.** Bank Indonesia will monitor/control ("mengawasi") the compliance of any person's activity concerning the mandatory use of Rupiah within the territory of the Republic of Indonesia



# BI REGULATION

## 8. Sanctions

- a. For cash transactions are imposed criminal sanctions (imprisonment for maximum 1 year; and maximum criminal fine of Rp200 million) based on Currency Law.
- b. For non-cash transactions:
  - ▶ Written warning
  - ▶ Penalty of **1%** of the transaction's value
  - and/or **Max. Rp 1 billion**
  - ▶ Prohibition of being involved in any payment transaction

# BI REGULATION

## 8. Sanctions (continued ...)

- c. Breach of price-tagging / quotation and reporting : administrative sanction (written warning).




BI has the authority to recommend relevant government bodies to impose sanctions in line with their authorities.

# BI REGULATION

## 9. Transitional Provisions



Mandatory use of Rupiah for cash transactions: implemented since the Currency Law enacted on **28 June 2011**.



Mandatory use of Rupiah for non-cash transaction will become enforceable as of **1 July 2015**.



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Thank You

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